

PET IQ

THIRD QUARTER 2019 EARNINGS PRESENTATION

NOVEMBER 7, 2019



FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events, including statements regarding the proposed acquisition of VIP Petcare by PetIQ, the expected closing date of the acquisition and the potential benefits and synergies of the acquisition. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could" and similar expressions. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, our ability to successfully grow our business through acquisitions; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to sustain profitability; competition from veterinarians and others in our industry; reputational damage to our brands; economic trends and spending on pets; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; our ability to keep and retain key employees; and the risks set forth under the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018 and other filings from time to time with the Securities and Exchange Commission.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

This presentation includes certain non-GAAP financial measures, including adjusted gross profit, adjusted G&A, adjusted net income and Adjusted EBITDA. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of these measures to net income, the most directly comparable financial measure prepared in accordance with U.S. GAAP.

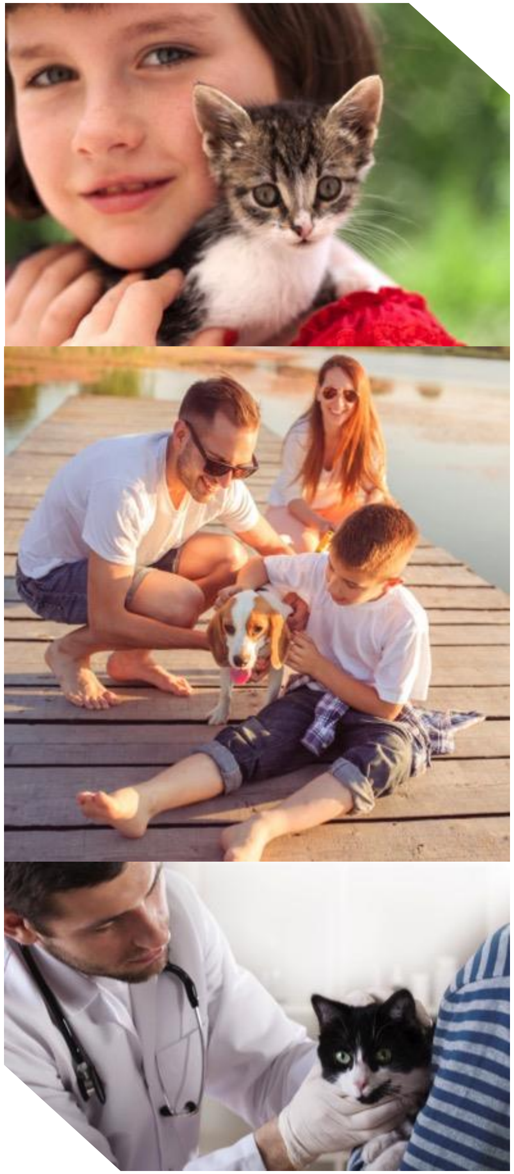
The Company does not provide outlook for net income, and similarly cannot provide a reconciliation between its 2019 adjusted EBITDA outlook and net income without unreasonable effort due to the unavailability of reliable estimates for certain reconciling items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

OUTLINE

- RESULTS OVERVIEW
- GAAP FINANCIALS
- GROSS PROFIT ADJUSTMENTS
- G&A ADJUSTMENTS
- 2019 GUIDANCE AND LONG TERM OUTLOOK
- APPENDIX

PRESENTERS

Cord Christensen, CEO
John Newland, CFO



RECENT PETIQ FINANCIAL HIGHLIGHTS

THIRD QUARTER 2019 RESULTS COMPARED TO PRIOR YEAR PERIOD

- Net sales were **$186.0 million**, an increase of **42%** year-over-year
- Net loss was **$8.8 million** compared to net income of $3.9 million
  - Net Income includes $12.0 million of non-recurring acquisition and integration related costs in the current period and $0.2 million in the prior year period
  - Interest expense was **$3.6 million** higher versus the third quarter 2018, which was nearly entirely due to debt incurred to finance the transaction.
- Adjusted Net Income was **$9.3 million**[1], an increase of **14%** year-over-year
- Adjusted EBITDA was **$19.3 million**[1], an increase of **44%** year-over-year

THIRD QUARTER 2019 SEGMENT RESULTS COMPARED TO PRIOR YEAR PERIOD

- Product sales were **$161.5 million**, an increase of **49%** year-over-year
- Product adjusted EBITDA of **$20.5 million**, an increase of **40%** year-over-year
- Service revenue was **$24.5 million**, an increase of **7%** year-over-year
- Services adjusted EBITDA of **$7.0 million**, an increase of **36%** year-over-year

Notes: 1 - Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of the most comparable GAAP measure.

RECENT PETIQ FINANCIAL HIGHLIGHTS

THIRD QUARTER 2019 HIGHLIGHTS

- **On track to open 80 veterinary wellness centers in 2019**
  - 26 opened YTD, 34 to open in November, remaining 20 to open in December

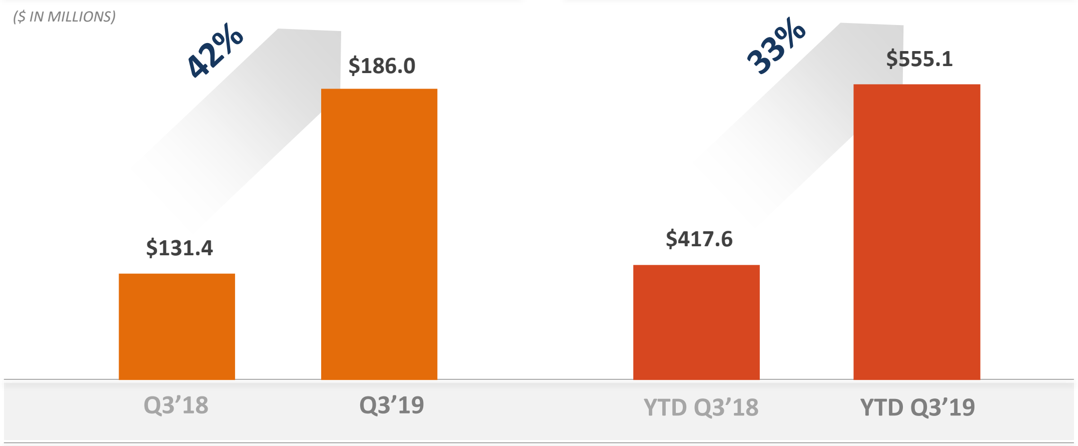
- Cash and cash equivalents of **$10.5 million** with total liquidity of **$102.9** million.

- On July 8, 2019, the Company completed the acquisition of Perrigo Animal Health for total consideration of $185 million.

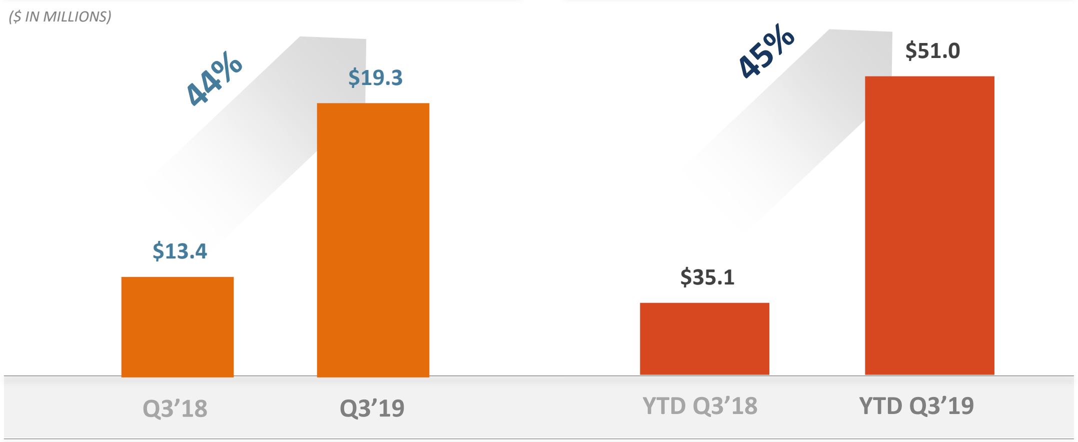
  - The transaction was financed through a combination of $25 million of existing cash on hand, $145 million of new term loan financing from Ares Capital Management, with the remaining balance financed through PetIQ's existing revolving credit facility with East West Bank which was amended in connection with the transaction, reducing the interest rate by 75 basis points.

THIRD QUARTER 2019 RESULTS

NET SALES



ADJUSTED EBITDA[1]



Notes: 1 - Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of the most comparable GAAP measure.

FINANCIAL PERFORMANCE

CONSOLIDATED STATEMENT OF OPERATIONS

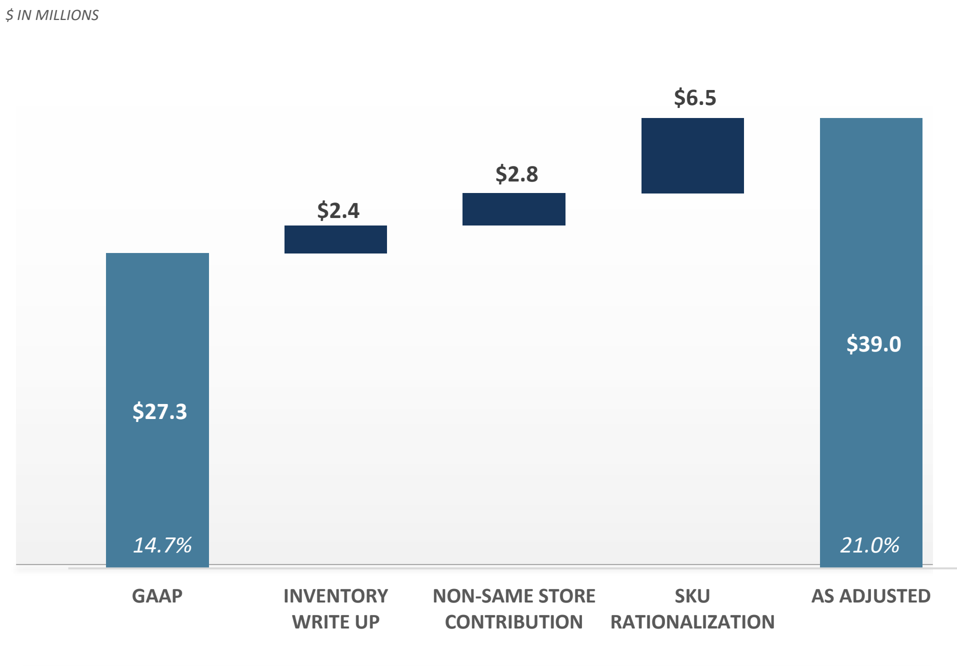
$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
PRODUCT SALES	$161.5	$108.5	$482.2	$355.1
SERVICE REVENUE	$24.5	$22.9	$72.9	$62.5
TOTAL NET SALES	**$186.0**	**$131.4**	**$555.1**	**$417.6**
COST OF PRODUCT SOLD	$140.8	$90.2	$416.8	$302.3
COST OF SERVICES	$17.9	$17.0	$51.4	$48.9
TOTAL COST OF SALES	**$158.7**	**$107.2**	**$468.2**	**$351.2**
GROSS PROFIT	**$27.3**	**$24.2**	**$86.9**	**$66.4**
GROSS PROFIT AS % OF NET SALES	*14.7%*	*18.4%*	*15.7%*	*15.9%*
G&A	$29.3	$17.6	$74.3	$53.5
G&A AS % OF NET SALES	*15.8%*	*13.4%*	*13.4%*	*12.8%*
CONTINGENT NOTE	$2.3	($0.4)	$3.1	$0.3
OPERATING INCOME	**($4.4)**	**$6.9**	**$9.5**	**$12.6**
TAX & OTHER EXPENSES	($4.4)	($3.0)	($10.0)	($7.3)
NET (LOSS) INCOME	**($8.8)**	**$3.9**	**($0.5)**	**$5.3**
ADJUSTED EBITDA*	**$19.3**	**$13.4**	**$51.0**	**$35.1**

Notes: * Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure

ADJUSTED GROSS PROFIT*

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

GROSS PROFIT



RESULTS PERFORMANCE

The Company reported adjusted Gross Profit of $39.0M, an increase of **$12.4M** compared to 3Q18. Adjustments from GAAP gross profit to adjusted gross profit include:

- **INVENTORY WRITE UP**
  Gross profit includes a $2.4 million purchase accounting adjustment to fair value inventory relating to the Perrigo Animal Health acquisition.

- **NON SAME STORE CONTRIBUTION**
  Adjustment includes net revenue of $2.6M and costs of $5.4M in the Services Segment associated with operating retail service locations that have been open less than 6 full quarters.

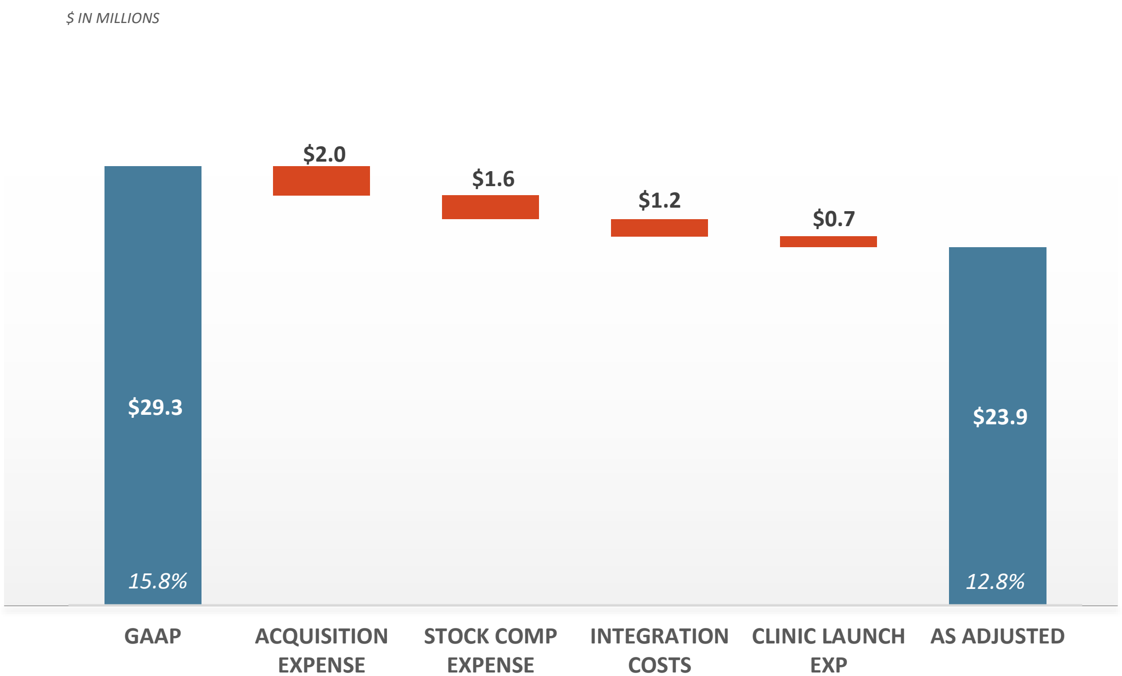
- **SKU RATIONALIZATION**
  Gross profit includes a $6.5 million of SKU Rationalization costs relates to the disposal of, or reserve to, estimated net realizable value for inventory in the Products segment that will either no longer be sold, or will be de-emphasized, as the Company aligns brands following the purchase of Perrigo Animal Health.

Notes: * Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of adjusted gross profit to gross profit, the most comparable GAAP measure

ADJUSTED G&A*

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

G&A



RESULTS PERFORMANCE

Adjusted G&A was **$23.9 million**, representing improvements as a percent of sales of ~**56bps** vs. 3Q18. Adjustments from GAAP G&A to Adjusted G&A include:

- **ACQUISITION EXPENSE**
  Adjustment includes expenses associated with the purchase of Perrigo Animal Health, including items such legal and tax services.
- **STOCK COMPENSATION EXPENSE**
  Expenses associated with employee and director equity awards.
- **INTEGRATION EXPENSE**
  Represent costs related to integrating the acquired businesses.
- **CLINIC LAUNCH EXPENSE**
  Represents nonrecurring costs to open new veterinary wellness centers in our Services segment.

Notes: * See the Appendix of this presentation for a reconciliation of Adjusted G&A to General and administrative expenses, the most comparable GAAP measure

REITERATING 2019 OUTLOOK

FY2019 – PetIQ Standalone	
Net Sales	$650M +
Adjusted EBITDA*	$56M +
Wellness Center Locations	80 Openings

FY2019 – PetIQ + Perrigo	
Net Sales	$680M +
Adjusted EBITDA*	$62M +

2023 Growth Targets	
Net Sales Growth	15% +
Adjusted EBITDA Growth*	20% +
Adjusted EBITDA Margin*	15%
Wellness Center Locations	1,000

Notes: * Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure

APPENDIX

ADJUSTED GROSS PROFIT RECONCILIATION

	THREE MONTHS ENDED		NINE MONTHS ENDED	
$ IN MILLIONS	9/30/2019	9/30/2018	9/30/2019	9/30/2018
GROSS PROFIT	**27,291**	24,182	**86,921**	66,383
PLUS:				
PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY	**2,403**	—	**2,403**	1,502
NON SAME-STORE GROSS LOSS	**2,811**	2,373	**6,436**	3,892
SKU RATIONALIZATION	**6,482**	—	**6,482**	—
ADJUSTED GROSS PROFIT	**38,987**	26,555	**102,242**	71,777

ADJUSTED G&A EXPENSE RECONCILIATION

	THREE MONTHS ENDED		NINE MONTHS ENDED	
$ IN MILLIONS	9/30/2019	9/30/2018	9/30/2019	9/30/2018
GENERAL AND ADMINISTRATIVE EXPENSES	**29,345**	17,621	**74,333**	53,532
LESS:				
ACQUISITION COSTS	**1,960**	113	**5,425**	3,479
STOCK BASED COMPENSATION EXPENSE	**1,601**	1,224	**4,747**	2,678
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	**1,166**	57	**2,308**	813
NON SAME-STORE G&A EXPENSE	—	—	**301**	—
CLINIC LAUNCH EXPENSE	**672**	50	**672**	1,261
ADJUSTED GENERAL AND ADMINISTRATIVE EXPENSES	**23,946**	16,177	**60,880**	45,301

ADJUSTED NET INCOME RECONCILIATION

$ IN MILLIONS	THREE MONTHS ENDED 9/30/2019	THREE MONTHS ENDED 9/30/2018	NINE MONTHS ENDED 9/30/2019	NINE MONTHS ENDED 9/30/2018
NET INCOME	**(8,796)**	3,902	**(552)**	5,343
PLUS:				
ACQUISITION COSTS	**1,960**	113	**5,425**	3,479
TAX EXPENSE	**(1,304)**	801	**77**	754
STOCK BASED COMPENSATION EXPENSE	**1,601**	1,224	**4,747**	2,678
PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY	**2,403**	—	**2,403**	1,502
NON SAME-STORE REVENUE	**(2,583)**	(1,472)	**(6,254)**	(2,775)
NON SAME-STORE COSTS	**5,394**	3,845	**12,690**	6,667
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	**2,310**	(350)	**3,090**	250
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	**1,166**	57	**2,308**	813
CLINIC LAUNCH EXPENSES	**672**	50	**672**	1,261
SKU RATIONALIZATION	**6,482**	—	**6,482**	—
NON-RECURRING ROYALTY SETTLEMENT	—	—	—	440
ADJUSTED NET INCOME	**9,305**	8,170	**31,088**	20,412

ADJUSTED EBITDA RECONCILIATION

$ IN MILLIONS	THREE MONTHS ENDED 9/30/2019	THREE MONTHS ENDED 9/30/2018	NINE MONTHS ENDED 9/30/2019	NINE MONTHS ENDED 9/30/2018
NET INCOME	**(8,796)**	3,902	**(552)**	5,343
PLUS:				
TAX EXPENSE (BENEFIT)	**(1,304)**	801	**77**	754
DEPRECIATION	**2,404**	1,786	**5,587**	4,816
AMORTIZATION	**1,807**	1,294	**4,364**	3,691
INTEREST	**5,742**	2,159	**9,921**	6,140
EBITDA	**(147)**	9,942	**19,397**	20,744
ACQUISITION COSTS	**1,960**	113	**5,425**	3,479
STOCK BASED COMPENSATION EXPENSE	**1,601**	1,224	**4,747**	2,678
PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY	**2,403**	—	**2,403**	1,502
NON SAME-STORE ADJUSTMENT	**2,811**	2,373	**6,436**	3,892
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	**2,310**	(350)	**3,090**	250
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	**1,166**	57	**2,308**	813
CLINIC LAUNCH EXPENSES	**672**	50	**672**	1,261
SKU RATIONALIZATION	**6,482**	—	**6,482**	—
NON-RECURRING ROYALTY SETTLEMENT	—	—	**—**	440
ADJUSTED EBITDA	**19,258**	13,409	**50,960**	35,059

SEGMENT FINANCIAL INFORMATION

$ IN MILLIONS	THREE MONTHS ENDED 9/30/2019	THREE MONTHS ENDED 9/30/2018	NINE MONTHS ENDED 9/30/2019	NINE MONTHS ENDED 9/30/2018
SERVICES SEGMENT SALES:				
SAME-STORE SALES	21,908	21,386	66,617	59,727
NON SAME-STORE SALES	2,583	1,472	6,254	2,775
NET SERVICES SEGMENT SALES	**24,491**	**22,858**	**72,871**	**62,502**
PRODUCT SEGMENT SALES	161,534	108,524	482,224	355,088
TOTAL NET SALES	**186,025**	**131,382**	**555,095**	**417,590**
ADJUSTED EBITDA				
PRODUCTS	20,506	14,642	56,030	41,337
SERVICES	7,048	5,160	18,147	12,236
CORPORATE	(8,296)	(6,393)	(23,217)	(18,514)
TOTAL ADJUSTED EBITDA	**19,258**	**13,409**	**50,960**	**35,059**