UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-38163

PetIQ, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**35-2554312**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
230 E. Riverside Dr.	83616
Eagle, Idaho	(Zip Code)
(Address of principal executive offices)	

208-939-8900
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A Common Stock, $0.001 par value	**PETQ**	**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	x
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes x No

As of August 9, 2023, we had 29,182,311 shares of Class A common stock and 239,540 shares of Class B common stock outstanding.

PetIQ, Inc.

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PART I —FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continuing," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "project," "should," "will," and similar expressions. Examples of forward-looking statements include, without limitation:

- statements regarding our strategies, results of operations or liquidity;
- statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;
- statements of management's goals and objectives; and
- assumptions underlying statements regarding us or our business.

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, factors discussed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q; general economic or market conditions, including the impacts of the global economic slowdown, increased inflation, rising interest rates and recent and potential bank failures; our ability to successfully grow our business through acquisitions and our ability to integrate acquisitions, including Rocco & Roxie; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; 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 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; our ability to sustain profitability; and the risks set forth under the "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022, and other reports filed 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.

PetIQ, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, in 000's except for per share amounts)

	June 30, 2023	December 31, 2022
Current assets		
Cash and cash equivalents	$ 78,437	$ 101,265
Accounts receivable, net	193,570	118,004
Inventories	141,647	142,605
Other current assets	8,788	8,238
Total current assets	422,442	370,112
Property, plant and equipment, net	69,776	73,395
Operating lease right of use assets	15,440	18,231
Other non-current assets	2,426	1,373
Intangible assets, net	169,182	172,479
Goodwill	204,204	183,306
Total assets	$ 883,470	$ 818,896
Liabilities and equity		
Current liabilities		
Accounts payable	$ 154,141	$ 112,995
Accrued wages payable	11,826	11,512
Accrued interest payable	1,465	1,912
Other accrued expenses	9,909	7,725
Current portion of operating leases	6,211	6,595
Current portion of long-term debt and finance leases	8,152	8,751
Total current liabilities	191,704	149,490
Operating leases, less current installments	9,957	12,405
Long-term debt, less current installments	440,582	443,276
Finance leases, less current installments	837	907
Other non-current liabilities	4,787	1,025
Total non-current liabilities	456,163	457,613
Equity		
Additional paid-in capital	383,020	378,709
Class A common stock, par value $0.001 per share, 125,000 shares authorized; 29,551 and 29,348 shares issued, respectively	29	29
Class B common stock, par value $0.001 per share, 8,402 shares authorized; 244 and 252 shares issued and outstanding, respectively	—	—
Class A treasury stock, at cost, 373 shares	(3,857)	(3,857)
Accumulated deficit	(143,566)	(162,733)
Accumulated other comprehensive loss	(1,990)	(2,224)
Total stockholders' equity	233,636	209,924
Non-controlling interest	1,967	1,869
Total equity	235,603	211,793
Total liabilities and equity	$ 883,470	$ 818,896

See accompanying notes to the condensed consolidated financial statements.

PetIQ, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in 000's except for per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Product sales	$ 278,167	$ 219,014	$ 537,160	$ 466,764
Services revenue	36,380	33,000	67,858	60,945
Total net sales	314,547	252,014	605,018	527,709
Cost of products sold	210,428	163,568	411,330	354,419
Cost of services	30,240	26,472	57,549	53,681
Total cost of sales	240,668	190,040	468,879	408,100
Gross profit	73,879	61,974	136,139	119,609
Operating expenses				
Selling, general and administrative expenses	55,159	50,595	98,486	98,831
Operating income	18,720	11,379	37,653	20,778
Interest expense, net	8,824	6,299	17,556	12,420
Other expense (income), net	151	(201)	123	(204)
Total other expense, net	8,975	6,098	17,679	12,216
Pretax net income	9,745	5,281	19,974	8,562
Income tax expense	(192)	(603)	(640)	(724)
Net income	9,553	4,678	19,334	7,838
Net income attributable to non-controlling interest	85	46	167	75
Net income attributable to PetIQ, Inc.	$ 9,468	$ 4,632	$ 19,167	$ 7,763
Net income per share attributable to PetIQ, Inc. Class A common stock				
Basic	$ 0.32	$ 0.16	$ 0.66	0.27
Diluted	$ 0.32	$ 0.16	$ 0.66	0.26
Weighted Average shares of Class A common stock outstanding				
Basic	29,136	29,283	29,083	29,223
Diluted	29,373	29,329	29,218	29,304

See accompanying notes to the condensed consolidated financial statements.

PetIQ, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited, in 000's)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income	$ 9,553	$ 4,678	$ 19,334	$ 7,838
Foreign currency translation adjustment	287	(1,077)	236	(1,533)
Comprehensive income	9,840	3,601	19,570	6,305
Comprehensive income attributable to non-controlling interest	87	36	169	61
Comprehensive income attributable to PetIQ, Inc.	$ 9,753	$ 3,565	$ 19,401	$ 6,244

See accompanying notes to the condensed consolidated financial statements.

PetIQ, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in 000's)

	For the Six Months Ended June 30,	
	2023	**2022**
Cash flows from operating activities		
Net income	$ 19,334	$ 7,838
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization of intangible assets and loan fees	19,769	17,660
Stock based compensation expense	5,208	6,666
Other non-cash activity	(135)	48
Changes in assets and liabilities, net of business acquisition		
Accounts receivable	(74,468)	(54,969)
Inventories	2,901	(63,771)
Other assets	(481)	(409)
Accounts payable	40,320	26,481
Accrued wages payable	252	(2,359)
Other accrued expenses	1,703	(2,569)
Net cash provided by (used in) operating activities	14,403	(65,384)
Cash flows from investing activities		
Business acquisition (net of cash acquired)	(27,634)	—
Purchase of property, plant, and equipment	(4,128)	(8,026)
Net cash used in investing activities	(31,762)	(8,026)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	35,000	44,000
Principal payments on long-term debt	(38,800)	(42,800)
Principal payments on finance lease obligations	(801)	(744)
Tax withholding payments on Restricted Stock Units	(969)	(865)
Exercise of options to purchase Class A common stock	—	115
Net cash used in financing activities	(5,570)	(294)
Net change in cash and cash equivalents	(22,929)	(73,704)
Effect of exchange rate changes on cash and cash equivalents	101	(306)
Cash and cash equivalents, beginning of period	101,265	79,406
Cash and cash equivalents, end of period	$ 78,437	$ 5,396

See accompanying notes to the condensed consolidated financial statements.

PetIQ, Inc.
Condensed Consolidated Statements of Cash Flows, Continued
(Unaudited, in 000's)

	For the Six Months Ended June 30,	
Supplemental cash flow information	**2023**	**2022**
Interest paid	$ 16,657	$ 13,380
Net change in property, plant, and equipment acquired through accounts payable	52	595
Finance lease additions	—	59
Income taxes paid, net of refunds	326	244

See accompanying notes to the condensed consolidated financial statements.

PetIQ, Inc.
Condensed Consolidated Statements of Equity
(Unaudited, in 000's)

Three months ended June 30, 2023

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common Shares	Class A Common Dollars	Class A Treasury Stock Shares	Class A Treasury Stock Dollars	Class B Common Shares	Class B Common Dollars	Additional Paid-in Capital	Non-controlling Interest	Total Equity
Balance - April 1, 2023	$ (153,034)	$ (2,275)	29,499	$ 29	373	$ (3,857)	244	$ —	$ 380,429	$ 1,857	$ 223,149
Other comprehensive income	—	285	—	—	—	—	—	—	—	2	287
Stock based compensation expense	—	—	—	—	—	—	—	—	2,720	23	2,743
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	52	—	—	—	—	—	(129)	—	(129)
Net income	9,468	—	—	—	—	—	—	—	—	85	9,553
Balance - June 30, 2023	$ (143,566)	$ (1,990)	29,551	$ 29	373	$ (3,857)	244	$ —	$ 383,020	$ 1,967	$ 235,603

Six months ended June 30, 2023

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common Shares	Class A Common Dollars	Class A Treasury Stock Shares	Class A Treasury Stock Dollars	Class B Common Shares	Class B Common Dollars	Additional Paid-in Capital	Non-controlling Interest	Total Equity
Balance - January 1, 2023	$ (162,733)	$ (2,224)	29,348	$ 29	373	$ (3,857)	252	$ —	$ 378,709	$ 1,869	$ 211,793
Exchange of LLC Interests held by LLC Owners	—	—	8	—	—	—	(8)	—	115	(115)	—
Other comprehensive income	—	234	—	—	—	—	—	—	—	2	236
Stock based compensation expense	—	—	—	—	—	—	—	—	5,165	44	5,208
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	195	—	—	—	—	—	(969)	—	(969)
Net income	19,167	—	—	—	—	—	—	—	—	167	19,334
Balance - June 30, 2023	$ (143,566)	$ (1,990)	29,551	$ 29	373	$ (3,857)	244	$ —	$ 383,020	$ 1,967	$ 235,603

	Three months ended June 30, 2022								
	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	**Dollars**	**Shares**	**Dollars**			
Balance - April 1, 2022	$ (111,394)	$ (1,136)	29,272	$ 29	252	$ —	$ 371,398	$ 2,262	$ 261,159
Other comprehensive income	—	(1,067)	—	—	—	—	—	(10)	(1,077)
Stock based compensation expense	—	—	—	—	—	—	2,821	22	2,843
Exercise of options to purchase common stock	—	—	—	—	—	—	15	—	15
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	33	—	—	—	(177)	—	(177)
Net income	4,632	—	—	—	—	—	—	46	4,678
Balance - June 30, 2022	$ (106,762)	$ (2,203)	29,304	$ 29	252	$ —	$ 374,057	$ 2,320	$ 267,441

	Six months ended June 30, 2022								
	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	**Dollars**	**Shares**	**Dollars**			
Balance - January 1, 2022	$ (114,525)	$ (684)	29,139	$ 29	272	$ —	$ 368,006	$ 2,394	$ 255,220
Exchange of LLC Interests held by LLC Owners	—	—	20	—	(20)	—	192	(192)	—
Other comprehensive income	—	(1,519)	—	—	—	—	—	(14)	(1,533)
Stock based compensation expense	—	—	—	—	—	—	6,609	57	6,666
Exercise of options to purchase common stock	—	—	2	—	—	—	115	—	115
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	143	—	—	—	(865)	—	(865)
Net income	7,763	—	—	—	—	—	—	75	7,838
Balance - June 30, 2022	$ (106,762)	$ (2,203)	29,304	$ 29	252	$ —	$ 374,057	$ 2,320	$ 267,441

Note that certain figures shown in the tables above may not recalculate due to rounding.

See accompanying notes to the condensed consolidated financial statements.

PetIQ Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)

Note 1 — Principal Business Activity and Significant Accounting Policies

Principal Business Activity and Principles of Consolidation

PetIQ, Inc. ("PetIQ", the "Company", "we", "our", or "us") is a leading pet medication and wellness company delivering a smarter way for pet parents to help their pets live their best lives through convenient access to affordable veterinary products and services. We engage with customers through more than 60,000 points of distribution across retail and e-commerce channels with our branded and distributed medications as well as health and wellness items, which are further supported by our world-class medications manufacturing facility in Omaha, Nebraska and health and wellness manufacturing facility in Springville, Utah. Our national service platform operates in over 2,600 retail partner locations in 41 states, providing cost effective and convenient veterinary wellness services. PetIQ believes that pets are an important part of the family and deserve the best products and care that we can give them.

PetIQ has two reporting segments: (i) Products; and (ii) Services. The Products segment consists of our manufacturing and distribution business. The Services segment consists of veterinary and wellness services and related product sales provided by the Company directly to consumers.

PetIQ is the managing member of PetIQ Holdings, LLC (“HoldCo”), a Delaware limited liability company, which is the sole member of PetIQ, LLC (“OpCo”) and, through HoldCo, operates and controls all of the business and affairs of OpCo.

The condensed consolidated financial statements as of June 30, 2023 and December 31, 2022 and for the three and six months ended June 30, 2023 and 2022 are unaudited. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2022 and related notes thereto included in the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 28, 2023 (the "Annual Report"). Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant, and equipment and intangible assets; the valuation of property, plant, and equipment, intangible assets and goodwill, the valuation of deferred tax assets, the valuation of inventories, and reserves for legal contingencies.

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 1 – Principal Business Activity and Significant Accounting Policies in the Annual Report. There have been no significant changes to these policies that have had a material impact on the Company's unaudited condensed financial statements and related notes during the three and six months ended June 30, 2023.

Note 2 — Business Combination

Rocco & Roxie

The Company completed the acquisition of all of the membership units of Rocco & Roxie Supply Co, LLC ("R&R") on January 13, 2023, (the "R&R Acquisition"), which resulted in R&R becoming a wholly owned subsidiary of the Company. The R&R Acquisition expands the Company's brand and product portfolio to include stain and odor products and enables the Company to extend its offerings into premium dog supplements and jerky treats. The Company paid $26.5 million for the membership interests of R&R using cash on hand. The purchase is subject to normal working capital adjustments.

The following table summarizes the preliminary allocations of the consideration paid of $27.6 million, which included the $26.5 million purchase price plus $1.1 million of working capital, to the assets acquired and liabilities assumed, based on our current estimates of the fair value at the date of the R&R Acquisition:

$'s in 000's	Preliminary Estimated Fair Value	Adjustments	As Retrospectively Adjusted
Current assets	$ 3,020	$ —	$ 3,020
Other assets	1,208	—	1,208
Amortizable intangibles			
Trade name	7,600	(500)	7,100
Customer relationships	320	—	320
Total amortizable intangibles	$ 7,920	$ (500)	$ 7,420
Goodwill	20,266	500	20,766
Total assets	$ 32,414	$ —	$ 32,414
Current liabilities	1,000	—	1,000
Other tax liabilities	3,780	—	3,780
Total liabilities	4,780	—	4,780
Purchase price, net of cash acquired	$ 27,634	$ —	$ 27,634

Intangible assets will be amortized over the estimated useful lives of the assets through January 2033. The weighted average amortization period of the amortizable intangible assets is approximately 9.9 years. The identifiable intangible assets are measured at fair value as Level III in accordance with the fair value hierarchy.

Goodwill represents the future economic benefits that do not qualify for separate recognition and primarily includes the assembled workforce and other non-contractual relationships, as well as expected future synergies. Approximately $19.5 million of the $20.8 million of Goodwill will not be tax deductible, and the remaining balance is expected to be deductible for tax purposes. Goodwill was allocated to the Products segment. Transaction costs of $0.5 million were incurred and are recorded in Selling, General, and Administrative costs on the condensed consolidated statement of operations.

The estimate of fair value and purchase price allocation were based on information available at the time of closing the R&R Acquisition. These preliminary estimates are subject to retrospective adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the date of closing the R&R Acquisition. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of identifiable intangible assets, residual goodwill and deferred taxes.

Note 3 — Debt

Senior Secured Asset-Based Revolving Credit Facility

On April 13, 2021, OpCo entered into an asset-based revolving credit agreement with KeyBank National Association, as administrative agent and collateral agent, and the lenders' party thereto, that provides revolving credit commitments of $125.0 million, subject to a borrowing base limitation (the "ABL"). The borrowing base for the ABL at any time equals the sum of: (i) 90% of eligible investment-grade accounts receivable; plus (ii) 85% of eligible other accounts receivable; plus, (iii) 85% of the net orderly liquidation value of the cost of certain eligible on-hand and in-transit inventory; plus, (iv) at the option of OpCo, 100% of qualified cash; minus (v) reserves. The ABL bears interest at a variable rate plus a margin, with the variable rate being based on a base rate or LIBOR at the option of the Company. On February 3, 2023, HoldCo and Opco, entered into the First Amendment Agreement to the ABL to replace the interest rate benchmark from LIBOR to Secured Overnight Financing Rate ("SOFR"). The interest rate at June 30, 2023 was 6.31% The Company also pays a commitment fee on unused borrowings at a rate of 0.35%.

The ABL Facility is secured by substantially all the assets of HoldCo and its wholly-owned domestic subsidiaries including a first-priority security interest in personal property consisting of accounts receivable, inventory, cash, and deposit accounts (such collateral subject to first-priority security interest, "ABL Priority Collateral"), and a second-priority security interest in all other personal and real property of HoldCo and its wholly-owned domestic subsidiaries (such collateral subject to such second-priority security interest, “Term Priority Collateral”), in each case, subject to customary exceptions. The ABL contains customary representations and warranties, affirmative and negative covenants and events of default, including negative covenants that restrict the ability of HoldCo and its restricted subsidiaries to incur additional indebtedness, pay dividends, make investments, loans, and acquisitions, among other restrictions. As of June 30, 2023, no amounts were outstanding under the ABL.

Senior Secured Term Loan Facility - Term Loan B

On April 13, 2021, OpCo entered into a term credit and guaranty agreement with Jefferies Finance LLC, as administrative agent and collateral agent, and the lenders’ party thereto, that provides senior secured term loans of $300.0 million (which may be increased in certain circumstances) (the "Term Loan B"). The Term Loan B bears interest at a variable rate of either prime, federal funds effective rate or LIBOR, plus an applicable margin of between 3.25% and 4.25% depending on the underlying base rate. LIBOR rates are subject to a 0.50% floor. The interest rate at June 30, 2023 was 9.46%. The Term Loan B requires quarterly payments of 0.25% of the original principal amount, with the balance due on April 13, 2028. On May 25, 2023, the Term Loan B was amended to replace the interest rate benchmark from the Adjusted Eurodollar Rate to SOFR.

The Term Loan B is secured by substantially all the assets of HoldCo and its wholly-owned domestic subsidiaries, including a first-priority security interest in Term Priority Collateral and a second-priority security interest in ABL Priority Collateral, in each case, subject to customary exceptions. The Term Loan B contains customary representations and warranties, affirmative and negative covenants and events of default, including negative covenants that restrict the ability of HoldCo and its restricted subsidiaries to incur additional indebtedness, pay dividends, make investments, loans, and acquisitions, among other restrictions.

Convertible Notes

On May 19, 2020, the Company issued $143.8 million in aggregate principal amount of 4.00% Convertible Senior Notes due 2026 (the “Notes”) pursuant to the indenture (the “Indenture”), dated as of May 19, 2020. The Notes accrue interest at a rate of 4.00% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The Notes will mature on June 1, 2026, unless earlier repurchased, redeemed or converted. Before January 15, 2026, holders will have the right to convert their Notes only upon the occurrence of certain events. From and after January 15, 2026, holders may convert their Notes at any time at their election until the close of business on the scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at its election. The initial conversion rate is 33.7268 shares of Class A common stock per $1,000 principal amount of Notes. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The following represents the Company’s long-term debt as of:

$'s in 000's	**June 30, 2023**	**December 31, 2022**
Convertible Notes	$ 143,750	$ 143,750
Term Loan B	294,000	295,500
Revolving credit facility	—	—
Other debt	17,676	19,690
Net discount on debt and deferred financing fees	(7,577)	(8,531)
	$ 447,849	$ 450,409
Less current maturities of long-term debt	(7,267)	(7,133)
Total long-term debt	$ 440,582	$ 443,276

Future maturities of long-term debt, excluding the discount on debt and deferred financing fees, as of June 30, 2023, are as follows:

($'s in 000's)		
Remainder of 2023	$	3,550
2024		7,426
2025		4,600
2026		147,350
2027		3,600
Thereafter		288,900

Note 4 — Intangible Assets and Goodwill

Goodwill and non-amortizable intangible assets

Intangible assets consist of the following at:

$'s in 000's	Useful Lives	June 30, 2023	December 31, 2022
Amortizable intangibles			
Certification	7 years	$ 350	$ 350
Customer relationships	10-20 years	160,391	160,040
Patents and processes	5-10 years	14,685	14,634
Brand names	5-15 years	31,757	24,633
Total amortizable intangibles		207,183	199,657
Less accumulated amortization		(71,240)	(62,085)
Total net amortizable intangibles		135,943	137,572
Non-amortizable intangibles			
Trademarks and other		33,239	33,239
In-process research and development		—	1,668
Intangible assets, net of accumulated amortization		$ 169,182	$ 172,479

Certain intangible assets are denominated in currencies other than the U.S. Dollar; therefore, their gross and net carrying values are subject to foreign currency movements. Amortization expense for the three months ended June 30, 2023 and 2022 was $6.5 million and $4.5 million, respectively. Amortization expense for the six months ended June 30, 2023, and 2022 was $10.7 million and $9.0 million, respectively. During the three months ended June 30, 2023, the Company opted out of the final acquired project included in in-process research and development, effectively abandoning the associated research and development effort. Accordingly, the Company wrote off the associated intangible asset of $1.7 million in the Products segment, the expense for which is included as amortization expense in selling, general and administrative expenses on the condensed consolidated statement of operations.

Estimated future amortization expense for each of the following years is as follows:

Years ending December 31, *($'s in 000's)*		
Remainder of 2023	$	8,927
2024		15,665
2025		14,991
2026		14,338
2027		13,671
Thereafter		68,351

The following is a summary of the changes in the carrying value of goodwill for the period from January 1, 2022 to June 30, 2023:

	Reporting Unit		
($'s in 000's)	Products	Services	Total
Goodwill as of January 1, 2022	$ 183,846	$ 47,264	$ 231,110
Foreign currency translation	(540)	—	(540)
Impairment	—	(47,264)	(47,264)
Goodwill as of December 31, 2022	183,306	—	183,306
R&R Acquisition	20,766	—	20,766
Foreign currency translation	132	—	132
Goodwill as of June 30, 2023	$ 204,204	$ —	$ 204,204

Note 5 — Income Tax

Our effective tax rate from continuing operations was 2.0% and 3.2% for the three and six months ended June 30, 2023, respectively, and 11.4% and 8.5% for the three and six months ended June 30, 2022, respectively, including discrete items. Income tax expense for the three and six months ended June 30, 2023 and 2022 was different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

The Company has assessed the realizability of the net deferred tax assets as of June 30, 2023 and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income to realize its deferred tax assets. The Company believes it is more likely than not that the benefit from recorded deferred tax assets will not be realized. In future periods, if we conclude we have future taxable income sufficient to recognize the deferred tax assets, we may reduce or eliminate the valuation allowance.

Note 6 — Earnings per Share

Basic and Diluted Earnings per Share

Basic earnings per share of Class A common stock is computed by dividing net income available to PetIQ, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings per share of Class A common stock is computed by dividing net income available to PetIQ, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock:

	Three months ended June 30,		Six months ended June 30,	
(in 000's, except for per share amounts)	2023	2022	2023	2022
Numerator:				
Net income	$ 9,553	$ 4,678	$ 19,334	$ 7,838
Less: net income attributable to non-controlling interests	85	46	167	75
Net income attributable to PetIQ, Inc. — basic and diluted	9,468	4,632	19,167	7,763
Denominator[(1)]**:**				
Weighted-average shares of Class A common stock outstanding — basic	29,136	29,283	29,083	29,223
Dilutive impact of share-based compensation awards [(2)]	237	46	135	81
Dilutive effect of conversion of Notes [(3)]	—	—	—	—
Weighted-average shares of Class A common stock outstanding — diluted	29,373	29,329	29,218	29,304
Income per share of Class A common stock — basic	$ 0.32	$ 0.16	$ 0.66	$ 0.27
Income per share of Class A common stock — diluted	$ 0.32	$ 0.16	$ 0.66	$ 0.26

(1) - Shares of the Company's Class B common stock do not share in the earnings of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

(2) - For the three and six months ended June 30, 2023, 2,134 thousand and 2,199 thousand of outstanding share-based compensation awards were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive. For the three and six months ended June 30, 2022, 2,376 thousand and 2,334 thousand of outstanding share-based compensation awards were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive.

(3) - For the three and six months ended June 30, 2023 and 2022, 4,848 thousand shares of common stock associated with the assumed conversion of the Notes have been excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive.

Note 7 — Stock Based Compensation

PetIQ, Inc. Omnibus Incentive Plan

The Amended and Restated PetIQ, Inc. Omnibus Incentive Plan, (the "Plan"), provides for the grant of various equity-based incentive awards to directors of the Company, employees, and consultants. The types of equity-based awards that may be granted under the Plan include: stock options, stock appreciation rights ("SARs"), restricted stock, RSUs, and other stock-based awards, up to a total of 5,804,000 shares of Class A common stock issuable under the Plan. As of June 30, 2023 and 2022, 1,227,691 and 1,914,000 shares were available for issuance under the Plan, respectively. All awards issued under the Plan may only be settled in shares of Class A common stock. Shares issued pursuant to awards under the incentive plans are from our authorized but unissued shares.

PetIQ, Inc. 2018 Inducement and Retention Stock Plan for CVC Employees

The PetIQ, Inc. 2018 Inducement and Retention Stock Plan for CVC Employees (the "Inducement Plan") provided for the grant of stock options to employees hired in connection with an acquisition in 2018 as employment inducement awards pursuant to NASDAQ Listing Rule 5635(c)(4). The Inducement Plan reserved 800,000 shares of Class A common stock of the Company, of which 760,000 were granted. No further grants may be made under the Inducement Plan. All awards issued under the Inducement Plan may only be settled in shares of Class A common stock.

Stock Options

The Company awards stock options to certain employees under the Plan and previously issued stock options under the Inducement Plan, which are subject to time-based vesting conditions, typically 25% on each anniversary of the grant date until fully vested. Upon a termination of service relationship by the Company, all unvested options are typically forfeited and the shares of common stock underlying such awards will become available for issuance under the Plan. The maximum contractual term for stock options is 10 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $0.4 million and $0.9 million for the three and six months ended June 30, 2023, respectively, and $0.9 million and $2.2 million for the three and six months ended June 30, 2022, respectively. All stock based compensation expense is included in selling, general and administrative expenses based on the role of recipients. The fair value of the stock option awards was determined on the grant dates using the Black-Scholes valuation model based on the following weighted-average assumptions for the period ended June 30, 2022. No options were issued for the period ended June 30, 2023:

	June 30, 2022
Expected term (years) (1)	6.25
Expected volatility (2)	37.21 %
Risk-free interest rate (3)	1.44 %
Dividend yield (4)	0.00 %

(1) The Company utilized the simplified method to determine the expected term of the stock options since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

(2) The expected volatility assumption was calculated based on a peer group analysis of stock price volatility with a look back period consistent with the expected option term.

(3) The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant, which corresponds to the expected term of the stock options.

(4) The Company has not paid and does not anticipate paying a cash dividend on our common stock.

As of June 30, 2023, total unrecognized compensation cost related to unvested stock options was $2.6 million and is expected to be recognized over a weighted-average period of 1.5 years.

	Stock Options (in 000's)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in 000's)	Weighted Average Remaining Contractual Life (years)
Outstanding at January 1, 2022	1,768	$ 26.51	$ 2,897	7.3
Granted	83	14.16		
Exercised	(2)	19.49	$ 10	
Forfeited	(110)	29.24		
Cancelled	(86)	31.12		
Outstanding at December 31, 2022	1,652	$ 25.48	$ 53	6.2
Forfeited	(76)	16.21		
Cancelled	(46)	31.54		
Outstanding at June 30, 2023	1,530	$ 25.73	$ —	5.4
Options exercisable at June 30, 2023	1,302			

Restricted Stock Units

The Company awards RSUs to certain employees and directors under the Plan, which are subject to time-based vesting conditions. Typically, upon a termination of service relationship by the Company, all unvested RSUs will be forfeited and the shares of common stock underlying such awards will become available for issuance under the Plan. The fair value of

RSUs are measured based on the closing fair market value of the Company's Class A common stock on the date of grant. At June 30, 2023, total unrecognized compensation cost related to unvested RSUs was $24.9 million and is expected to vest over a weighted average period of 3.2 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $2.3 million and $4.3 million for the three and six months ended June 30, 2023, and $2.0 million and $4.4 million for the three and six months ended June 30, 2022, respectively. All stock based compensation expense is included in selling, general and administrative expenses based on the role of recipients.

The following table summarizes the activity of the Company's RSUs for the period ended June 30, 2023.

	Number of Shares (in 000's)	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	459	$ 31.08
Granted	802	20.30
Settled	(231)	27.81
Forfeited	(177)	25.53
Outstanding at December 31, 2022	853	$ 23.06
Granted	1,081	10.96
Settled	(230)	22.69
Forfeited	(100)	18.97
Nonvested RSUs at June 30, 2023	1,604	$ 14.94

Note 8 — Non-Controlling Interests

The following table presents the outstanding membership interests in HoldCo ("LLC Interests") and changes in LLC Interests for the periods presented.

	LLC Interests held			% of Total	
$'s in 000's	**LLC Owners**	**PetIQ, Inc.**	**Total**	**LLC Owners**	**PetIQ, Inc.**
As of January 1, 2022	272	29,139	29,411	0.9 %	99.1 %
Stock based compensation transactions	—	188	188		
Exchange transactions	(20)	20	—		
Unit redemption	—	(373)	(373)		
As of December 31, 2022	252	28,974	29,226	0.9 %	99.1 %
Stock based compensation transactions	—	195	195		
Exchange transactions	(8)	8	—		
As of June 30, 2023	244	29,177	29,421	0.8 %	99.2 %

Note that certain figures shown in the table above may not recalculate due to rounding.

For the three and six months ended June 30, 2023, the Company owned a weighted average of 99.2%, of HoldCo, and for the three and six months ended June 30, 2022 the Company owned a weighted average of 99.1%, respectively.

Note 9 — Customer Concentration

The Company has significant exposure to customer concentration. During the three and six months ended June 30, 2023, three and two customers individually accounted for more than 10% of sales, comprising 54% and 42% of net sales in aggregate, respectively for such periods. During the three and six months ended June 30, 2022 three customers individually accounted for more than 10% of sales, comprising 48% and 43% of net sales, respectively for such periods.

At June 30, 2023, one Products segment customer individually accounted for more than 10% of outstanding trade receivables, and accounted for 44% of outstanding trade receivables, net. At December 31, 2022, one Products segment customer individually accounted for more than 10% of outstanding trade receivables, and accounted for 46% of outstanding trade receivables, net.

Note 10 — Commitments and Contingencies

Litigation Contingencies

The Company records a liability when a particular contingency is probable and estimable and provides disclosure for contingencies that are at least reasonably possible of resulting in a loss including an estimate which we currently cannot make. The Company has not accrued for any contingency as of June 30, 2023 and December 31, 2022 as the Company does not consider any contingency to be probable or estimable.

The Company recorded $1.0 million and $3.5 million of expense in the three and six months ended June 30, 2022, respectively, related to a lawsuit brought by a former supplier to the Company related to the redemption of ownership interest, which is included within selling, general and administrative expenses on the condensed consolidated statements of operations. The matter was settled and paid during 2022.

Commitments

We have commitments for long-term debt that are discussed further in Note - 3, Debt, and leases. In addition, we have purchase obligations for goods and services, capital expenditures, and raw materials entered into in the normal course of business.

Note 11 — Segments

The Company has two operating segments: Products and Services. The Products segment consists of the Company’s manufacturing and distribution business. The Services segment consists of the Company’s veterinary services and related product sales. The segments are based on the discrete financial information reviewed by the Chief Operating Decision Maker (“CODM”) to make resource allocation decisions and to evaluate performance. We measure and evaluate our reportable segments based on their respective Segment Adjusted EBITDA performance. Beginning in the fourth quarter of 2022, we allocate to our segments capital expenditures and certain costs and expenses, such as accounting, legal, human resources, information technology and corporate headquarters expenses, on a pro rata basis based on net sales to better align with the discrete financial information reviewed by our CODM. Such expenses previously were not allocated to segments. The Company has recast prior periods to give effect to this change. This change in presentation had no impact on the Condensed Consolidated Statements of Operations.

Financial information relating to the Company's operating segments for the three months ended:

$'s in 000's **June 30, 2023**	**Products**	**Services**
Net sales	$ 278,167	$ 36,380
Segment Adjusted EBITDA	33,279	1,511
Depreciation expense	1,861	2,303
Capital expenditures	1,275	944

$'s in 000's **June 30, 2022**	**Products**	**Services**
Net sales	$ 219,014	$ 33,000
Segment Adjusted EBITDA	25,531	2,051
Depreciation expense	1,768	1,747
Capital expenditures	1,526	822

Financial information relating to the Company's operating segments for the six months ended:

$'s in 000's **June 30, 2023**	**Products**	**Services**
Net sales	$ 537,160	$ 67,858
Segment Adjusted EBITDA	65,474	2,362
Depreciation expense	3,677	4,008
Capital expenditures	2,839	1,289

$'s in 000's **June 30, 2022**	**Products**	**Services**
Net sales	$ 466,764	$ 60,945
Segment Adjusted EBITDA	55,965	3,212
Depreciation expense	3,696	3,501
Capital expenditures	5,445	2,581

The following table reconciles Segment Adjusted EBITDA to Net income for the periods presented.

	For the three months ended		For the six months ended	
$'s in 000's	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Segment Adjusted EBITDA:				
Products[1]	$ 33,279	$ 25,531	$ 65,474	$ 55,965
Services[1]	1,511	2,051	2,362	3,212
Total	34,790	27,582	67,836	59,177
Adjustments:				
Depreciation	(4,164)	(3,515)	(7,685)	(7,197)
Amortization	(6,477)	(4,477)	(10,739)	(9,000)
Interest	(8,824)	(6,299)	(17,556)	(12,420)
Acquisition costs[2]	(297)	(156)	(835)	(156)
Stock based compensation expense	(2,743)	(2,843)	(5,208)	(6,666)
Non same-store adjustment[3]	(1,922)	(3,466)	(4,245)	(10,631)
Integration costs[4]	(618)	(404)	(1,594)	(743)
Litigation expenses	—	(1,141)	—	(3,802)
Pretax net income	$ 9,745	$ 5,281	$ 19,974	$ 8,562
Income tax expense	(192)	(603)	(640)	(724)
Net income	$ 9,553	$ 4,678	$ 19,334	$ 7,838

[1]Beginning in the fourth quarter of 2022, the Company is allocating corporate expenses to each segment pro rata based on net sales for each segment. The presentation of Products Segment Adjusted EBITDA and Services Segment Adjusted EBITDA for the three and six months ended June 30, 2022 has been recast for comparability. For the three and six months ended June 30, 2022, total corporate expenses were $20.5 million, of which $17.8 million was allocated to Products and $2.7 million was allocated to Services, and $39.9 million, of which $35.3 million was allocated to Products and $4.6 million was allocated to Services, respectively.

[2] Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

[3] Non same-store adjustment includes revenue and costs, and associated gross profit, related to our Services segment wellness centers and host partners with less than six full quarters of operating results, and also include pre-opening expenses.

[4] Integration costs represent costs related to integrating the acquired businesses including personnel costs such as severance and retention bonuses, consulting costs, contract termination, and IT conversion costs. The costs are primarily within the Products segment.

Supplemental geographic disclosures are below.

	Three Months Ended June 30, 2023		
$'s in 000's	U.S.	Foreign	Total
Product sales	$ 276,074	$ 2,093	$ 278,167
Service revenue	36,380	—	36,380
Total net sales	$ 312,454	$ 2,093	$ 314,547

	Three Months Ended June 30, 2022		
$'s in 000's	U.S.	Foreign	Total
Product sales	$ 217,285	$ 1,729	$ 219,014
Service revenue	33,000	—	33,000
Total net sales	$ 250,285	$ 1,729	$ 252,014

	Six Months Ended June 30, 2023		
$'s in 000's	U.S.	Foreign	Total
Product sales	$ 534,051	$ 3,109	$ 537,160
Service revenue	67,858	—	67,858
Total net sales	$ 601,909	$ 3,109	$ 605,018

	Six Months Ended June 30, 2022		
$'s in 000's	U.S.	Foreign	Total
Product sales	$ 462,867	$ 3,897	$ 466,764
Service revenue	60,945	—	60,945
Total net sales	$ 523,812	$ 3,897	$ 527,709

Property, plant, and equipment by geographic location is below.

	June 30, 2023	December 31, 2022
United States	$ 65,782	$ 69,376
Europe	3,994	4,019
Total	$ 69,776	$ 73,395

Note 12 — Related Parties

Chris Christensen, the brother of CEO, McCord Christensen, acts as the Company’s agent at Moreton Insurance, which acts as a broker for a number of the Company’s insurance policies. The Company’s premium expense, which is generally paid directly to the relevant insurance company, amounted to $6.6 million and $6.9 million for policies that cover the six months ended June 30, 2023 and 2022, respectively. Mr. Chris Christensen earns various forms of compensation based on the specifics of each policy.

Katie Turner, the spouse of CEO, McCord Christensen, is the owner of Acadia Investor Relations LLC, (“Acadia”) which acts as the Company’s investor relations consultant. Acadia was paid $0.06 million and $0.1 million for the three and six months ended June 30, 2023 and 2022, respectively.

Mike Glasman, the brother of CFO, Zvi Glasman, acted as a broker in connection with the Company's entry into a Master Services Agreement with Syndeo, LLC d/b/a Broadvoice ("Broadvoice") in February 2023 for the provision of certain information technology related services. The amount to be paid to Broadvoice over the 39-month agreement is estimated at $0.4 million. No payments were made in the three and six months ended June 30, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements for the year ended December 31, 2022 and related notes included in the Annual Report on Form 10-K for the year ended December 31 filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2023. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs and involve numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements.” Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to PetIQ, Inc. and our consolidated subsidiaries.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to PetIQ, Inc. and our consolidated subsidiaries.

Business Overview

PetIQ is a leading pet medication and wellness company delivering a smarter way for pet parents to help their pets live their best lives through convenient access to affordable veterinary products and services. We engage with customers through more than 60,000 points of distribution across retail and e-commerce channels with our branded and distributed medications as well as health and wellness items, which are further supported by our world-class medications manufacturing facility in Omaha, Nebraska and health and wellness manufacturing facility in Springville, Utah. Our national service platform, operates in over 2,600 retail partner locations in 41 states, providing cost effective and convenient veterinary wellness services. PetIQ believes that pets are an important part of the family and deserve the best products and care that we can give them.

We have two reporting segments: (i) Products; and (ii) Services. The Products segment consists of our manufacturing and distribution business. The Services segments consists of veterinary and wellness services and products provided by the Company directly to consumers.

On January 13, 2023, the Company completed the acquisition of all of the membership units of Rocco and Roxie Supply Co, LLC ("R&R"), after which R&R became a wholly owned and consolidated subsidiary of the Company. The acquisition expands the Company's product portfolio to include stain and odor products, jerky treats and behavioral products as well as expands sales channels in e-commerce.

We are the managing member of PetIQ Holdings, LLC (“HoldCo”), a Delaware limited liability company, which is the sole member of PetIQ, LLC (“OpCo”) and, through HoldCo, operates and controls all of the business and affairs of OpCo.

Results of Operations

The following tables set forth our condensed consolidated statements of operations in dollars and as a percentage of net sales for the periods presented:

	For the Three Months Ended		% of Net Sales for the three months ended	
$'s in 000's	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Product sales	$ 278,167	$ 219,014	88.4%	86.9%
Services revenue	36,380	33,000	11.6%	13.1%
Total net sales	314,547	252,014	100.0%	100.0%
Cost of products sold	210,428	163,568	66.9%	64.9%
Cost of services	30,240	26,472	9.6%	10.5%
Total cost of sales	240,668	190,040	76.5%	75.4%
Gross profit	73,879	61,974	23.5%	24.6%
Selling, general and administrative expenses	55,159	50,595	17.5%	20.1%
Operating income	18,720	11,379	6.0%	4.5%
Interest expense, net	8,824	6,299	2.8%	2.5%
Other expense (income), net	151	(201)	—%	(0.1)%
Total other expense, net	8,975	6,098	2.9%	2.4%
Pretax net income	9,745	5,281	3.1%	2.1%
Income tax expense	(192)	(603)	(0.1)%	(0.2)%
Net income	$ 9,553	$ 4,678	3.0%	1.9%

	For the Six Months Ended		% of Net Sales for the six months ended	
$'s in 000's	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Product sales	$ 537,160	$ 466,764	88.8%	88.5%
Services revenue	67,858	60,945	11.2%	11.5%
Total net sales	605,018	527,709	100.0%	100.0%
Cost of products sold	411,330	354,419	68.0%	67.2%
Cost of services	57,549	53,681	9.5%	10.2%
Total cost of sales	468,879	408,100	77.5%	77.3%
Gross profit	136,139	119,609	22.5%	22.7%
Selling, general and administrative expenses	98,486	98,831	16.3%	18.7%
Operating income	37,653	20,778	6.2%	3.9%
Interest expense, net	17,556	12,420	2.9%	2.4%
Other expense (income), net	123	(204)	—%	—%
Total other expense, net	17,679	12,216	2.9%	2.3%
Pretax net income	19,974	8,562	3.3%	1.6%
Income tax expense	(640)	(724)	(0.1)%	(0.1)%
Net income	$ 19,334	$ 7,838	3.2%	1.5%

Three Months Ended June 30, 2023 Compared With Three Months Ended June 30, 2022

Net sales

Consolidated Net Sales

Consolidated net sales increased $62.5 million or 24.8%, to $314.5 million for the three months ended June 30, 2023, compared to $252.0 million for the three months ended June 30, 2022. Net sales growth of $59.2 million within the Products segment was driven by broad strength across nearly all product categories on strong consumer demand, including distributed flea and tick, prescription medication, and multiple manufactured categories, as well as sales from the acquisition of R&R, which occurred in January 2023. The Services segment revenues grew by $3.4 million driven by increased dollar per pet served during the second quarter of 2023.

Products Segment

Product sales increased $59.2 million, or 27.0%, to $278.2 million for the three months ended June 30, 2023, compared to $219.0 million for the three months ended June 30, 2022. The increase was driven by broad strength across nearly all categories on strong consumer demand. Additionally, the Company added R&R products related to the acquisition that occurred in January 2023, for which there are no comparable sales in the prior period.

Services Segment

Services revenue increased $3.4 million, or 10.2%, to $36.4 million for the three months ended June 30, 2023, compared to $33.0 million for the three months ended June 30, 2022. Same-store sales increased $5.3 million, or 19.0%, to $33.6 million for the three months ended June 30, 2023, compared to $28.3 million for the three months ended June 30, 2022. The increased service revenue was driven by operational improvements which drove increases in average dollar per clinic and average dollar per pet served during the second quarter of 2023.

Gross profit

Gross profit increased by $11.9 million, or 19.2%, to $73.9 million for the three months ended June 30, 2023, compared to $62.0 million for the three months ended June 30, 2022. This increase is driven by the Products segment gross profit increasing by $12.3 million due to net sales growth, partially offset by $0.4 million gross profit decrease within the Services segment primarily due to $0.9 million of incremental depreciation and lease termination costs related to closed stores.

Gross margin decreased to 23.5% for the three months ended June 30, 2023, compared to 24.6% for the three months ended June 30, 2022. The decrease was due to Products segment gross margin decrease of approximately 100 basis points primarily due to the impact of changes in product mix and due to incremental depreciation and lease termination costs in our Services segment.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses (“SG&A”) increased by $4.6 million, or 9.0%, to $55.2 million for the three months ended June 30, 2023, compared to $50.6 million for the three months ended June 30, 2022. As a percentage of net sales, SG&A decreased from 20.1% for the three months ended June 30, 2022 to 17.5% for the three months ended June 30, 2023 on continued leverage of costs and increased business expense efficiencies relative to the growth in sales. The $4.6 million increase was driven by increased compensation expense of $2.1 million, increased amortization expense of $1.7 million related to termination of an in process research and development agreement, increased variable R&R expenses of $1.5 million, partially offset by decreased research and development expenses of $0.7 million.

Products Segment

Products segment SG&A increased $5.9 million or approximately 14.9% to $45.5 million for the three months ended June 30, 2023, compared to $39.6 million for the three months ended June 30, 2022. This increase was primarily due to variable R&R expenses. Additionally, marketing and advertising increased to support our branded portfolio and we incurred higher compensation costs.

Services Segment

Services segment SG&A decreased $1.5 million, or 12.7%, to $9.6 million for the three months ended June 30, 2023, compared to $11.1 million for the three months ended June 30, 2022. This decrease was driven by operational improvements, and lower marketing spend due to fewer new store openings.

Interest expense, net

Interest expense, net, increased $2.5 million to $8.8 million for the three months ended June 30, 2023, compared to $6.3 million for the three months ended June 30, 2022. This increase was driven by the higher rates on the Company's variable rate debt due to rising interest rates, partially offset by lower debt balances.

Provision for income taxes

Our effective tax rate was 2.0% and 11.4% for the three months ended June 30, 2023 and 2022, respectively, with a tax expense of $0.2 million and $0.6 million, respectively. The tax rate is different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

Six Months Ended June 30, 2023 Compared With Six Months Ended June 30, 2022

Net sales

Consolidated Net Sales

Consolidated net sales increased $77.3 million, or 14.6%, to $605.0 million for the six months ended June 30, 2023, compared to $527.7 million for the six months ended June 30, 2022. Net sales growth of $70.4 million within the Products segment was driven by broad strength across nearly all product categories on strong consumer demand, including distributed flea and tick, prescription medication, and multiple manufactured categories, as well as sales from the acquisition of R&R, which occurred in January 2023. The Services segment revenues grew by $7.0 million driven by increased pets served and increased average dollar per pet served.

Products Segment

Product sales increased $70.4 million, or 15.1%, to $537.2 million for the six months ended June 30, 2023, compared to $466.8 million for the six months ended June 30, 2022. This increase was driven by broad strength across nearly all categories, and increased sales of R&R products related to the acquisition that occurred in January 2023, for which there is no comparable sales in the prior period.

Services Segment

Services revenue increased $7.0 million, or 11.5%, to $67.9 million for the six months ended June 30, 2023, compared to $60.9 million for the six months ended June 30, 2022. This increase was driven by increased pets served and increased average dollar per pet served year to date 2023.

Gross profit

Gross profit increased by $16.5 million, or 13.8%, to $136.1 million for the six months ended June 30, 2023, compared to $119.6 million for the six months ended June 30, 2022. This increase is driven by the Products segment gross profit increasing by $13.5 million due to net sales growth, and Services segment gross profit increasing $3.0 million due to operational improvements.

Gross margin decreased to 22.5% for the six months ended June 30, 2023, compared to 22.7% for the six months ended June 30, 2022. The slight decrease of margin was primarily due to the impact of changes in product mix.

Selling, general and administrative expenses

Consolidated SG&A decreased by $0.3 million, or 0.3%, to $98.5 million for the six months ended June 30, 2023, compared to $98.8 million for the six months ended June 30, 2022. As a percentage of net sales, SG&A decreased from

18.7% for the six months ended June 30, 2022 to 16.3% for the six months ended June 30, 2023, primarily driven by decreases in legal expenses, decreased stock compensation expense, partially offset by increased variable R&R expenses and increased amortization expenses related to termination of an in process research and development agreement.

Products Segment

Products segment SG&A increased $2.2 million or approximately 2.8% to $80.5 million for the six months ended June 30, 2023, compared to $78.3 million for the six months ended June 30, 2022. This increase was driven by variable R&R expenses.

Services Segment

Services segment SG&A decreased $2.5 million, or 12.4%, to $17.9 million for the six months ended June 30, 2023, compared to $20.5 million for the six months ended June 30, 2022. This decrease was driven by operational improvements and lower marketing spend due to fewer new store openings.

Interest expense, net

Interest expense, net, increased $5.2 million to $17.6 million for the six months ended June 30, 2023, compared to $12.4 million for the six months ended June 30, 2022. This increase was driven by the higher rates on the Company's variable rate debt due to rising interest rates.

Provision for income taxes

Our effective tax rate was 3.2% and 8.5% for the six months ended June 30, 2023 and 2022, respectively, with a tax expense of $0.6 million and $0.7 million, respectively. The tax rate is different than the U.S federal statutory income tax rate of 21% primarily due to the effects of a change in valuation allowance, state taxes, and the foreign rate differential.

Consolidated Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are non-GAAP financial measures. We calculate EBITDA as net income adjusted for income tax expense, depreciation, amortization, goodwill impairment, and interest expense, net. We calculate Adjusted EBITDA as EBITDA adjusted for acquisition costs, stock based compensation expense, integration costs, litigation expenses, and other one-time transactions that management does not believe are representative of our core ongoing business. Adjusted EBITDA is utilized by management in evaluating the Company's performance the effectiveness of our business strategies. The Company presents EBITDA because it is a necessary component for computing Adjusted EBITDA.

We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends. In addition, you should be aware when evaluating EBITDA and Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by these or other unusual or non-recurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and Adjusted EBITDA in the same manner.

Beginning in the fourth quarter of 2022, the Company no longer adds back non-same store adjustments in its calculation of Adjusted EBITDA and has recast prior year periods to reflect this change

Our management does not, and you should not, consider EBITDA or Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of EBITDA and Adjusted EBITDA is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the interest expenses, or the cash requirements necessary to service interest or principal payments, on our debts;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing core operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementary. You should review the reconciliations of net income to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net income to EBITDA and Adjusted EBITDA for the periods presented.

	For the Three Months Ended		For the Six Months Ended	
$'s in 000's	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Net income	$ 9,553	$ 4,678	$ 19,334	$ 7,838
Plus:				
Tax expense	192	603	640	724
Depreciation	4,164	3,515	7,685	7,197
Amortization	6,477	4,477	10,739	9,000
Interest expense, net	8,824	6,299	17,556	12,420
EBITDA	$ 29,210	$ 19,572	$ 55,954	$ 37,179
Acquisition costs[1]	297	156	835	156
Stock based compensation expense	2,743	2,843	5,208	6,666
Integration costs[2]	618	404	1,594	743
Litigation expenses	—	1,141	—	3,802
Adjusted EBITDA	$ 32,868	$ 24,116	$ 63,591	$ 48,546

[1] Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

[2] Integration costs represent costs related to integrating the acquired businesses including personnel costs such as severance and retention bonuses, consulting costs, contract termination costs, and IT conversion costs. The costs are primarily within the Products segment.

Financial Condition, Liquidity, and Capital Resources

Historically, our primary sources of liquidity have been cash flows from operations, borrowings, and equity financing. As of June 30, 2023 and December 31, 2022, our cash and cash equivalents were $78.4 million and $101.3 million, respectively. As of June 30, 2023, we had an unused revolving credit facility with availability of $125.0 million, $294.0 million outstanding under our term loan, $143.8 million of outstanding convertible notes, and $17.7 million in other debt. Our debt agreements bear interest at rates between 4.0% and 9.46%. See “Note 3 – Debt” to our condensed consolidated financial statements included herein for a description of each of our debt arrangements.

Our primary cash needs are for working capital. Our maintenance capital expenditures have typically been less than 1.0% of net sales, but we may make additional capital expenditures as necessary to support our growth. Our primary working capital requirements are to fund inventory and accounts receivable to support our sales. Fluctuations in working capital are primarily driven by the timing of new product launches and seasonal retailer demand. As of June 30, 2023 and December 31, 2022, we had working capital (current assets less current liabilities) of $230.7 million and $220.6 million, respectively. The Company has not historically made significant non-contractual debt pay downs, but may choose to do so in the future as part of its capital allocation strategy.

We believe that our operating cash flow, cash on hand, and debt proceeds from our borrowings under our debt facilities will be adequate to meet our operating, investing, and financing needs for at least the next 12 months. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities, borrowings under our debt facilities and available cash and cash equivalents. To the extent additional funds are necessary to meet long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, equity financings, or a combination of these potential sources of funds, although we can provide no assurance that these sources of funding will be available on reasonable terms or at all. As in the past, we will continue to explore opportunities to optimize our capital structure.

Cash Flows

Cash provided by (used in) Operating Activities

Net cash provided by operating activities was $14.4 million for the six months ended June 30, 2023, compared to $65.4 million used in operating activities for the six months ended June 30, 2022. The change in operating cash flows primarily reflects higher earnings and lower cash usage from working capital of $67.8 million. Working capital changes are driven primarily by growth in accounts receivable, which is related to the higher sales of the Company, and accounts payable growth. Inventory provided a small amount of cash compared to significant cash usage in the 2022. In the prior year period inventory growth required significant cash outlays due to the unusually low inventory at the beginning of 2022.

Cash used in Investing Activities

Net cash used in investing activities was $31.8 million for the six months ended June 30, 2023, compared to $8.0 million for the six months ended June 30, 2022. The increase in net cash used in investing activities was primarily the result of $27.6 million of the cash utilized in the acquisition of R&R partially offset by lower purchases of fixed assets.

Cash used in Financing Activities

Net cash used in financing activities was $5.6 million for the six months ended June 30, 2023, compared to $0.3 million for the six months ended June 30, 2022. The change in cash used in financing activities is primarily driven by increased debt pay downs by the Company for the six months ended June 30, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to certain market risks arising from transactions in the normal course of our business. Such risk is principally associated with interest rates. We currently do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk

We are exposed to changes in interest rates because the indebtedness incurred under our ABL and our Term Loan B are variable rate debt. Interest rate changes generally do not affect the recorded value of our credit agreements but do affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of June 30, 2023, we had variable rate debt of approximately $305.1 million, primarily under our Revolver and Term Loan. An increase of 1% would have increased our interest expense for the three months ended June 30, 2023 by approximately $0.7 million.

Inflation

Inflation is a factor in our business and we continue to seek ways to mitigate its effect. Inflation has affected our performance in terms of higher costs for employees compensation and benefits, products that we distribute, and components of products we manufacture. We believe the effects of inflation, if any, on our historical results of operations and financial condition have not been material as we have been able to effectively implement price adjustments to pass-through the additional costs. However, in the future, we may not be able to increase prices to our customers sufficiently to offset these increased costs.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are from time to time subject to, and are presently involved in, litigation and other proceedings. We believe that there are no pending lawsuits or claims that, individually or in the aggregate, may have a material adverse effect on our business, financial condition or results of operations.

The Company records a liability when a particular contingency is both probable and estimable. If the probable loss cannot be reasonably estimated, no accrual is recorded, but the loss contingency and the reasons to the effect that it cannot be reasonably estimated are disclosed. If a loss is reasonably possible, the Company will provide disclosure to that affect. The Company expenses legal costs as incurred within selling, general and administrative expenses on the condensed consolidated statements of operations. For information on legal proceedings, please refer to "Note 10 — Commitments and Contingencies" in the Notes to the Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this report are any of the risks disclosed in our Annual Report on Form 10-K, which was filed with the SEC on February 28, 2023. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Item 2. Unregistered Sales of Equity Securities and Results of Operations

On September 6, 2022, the Company's Board of Directors authorized a stock repurchase program for up to $30 million of the Company’s outstanding shares of Class A common stock. Repurchases of Class A common stock may be made at management’s discretion from time to time in one or more transactions on the open market or in privately negotiated purchase and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations promulgated under Securities Exchange Act. The Company did not purchase any shares during the quarter ended June 30, 2023. As of June 30, 2023, $26.1 million in aggregate dollar value of shares remained available for purchase under the stock repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

10.1	Amendment No. 1, dated May 25, 2023, among PetIQ Holdings, LLC, PetIQ, LLC, the guarantor subsidiaries party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative and collateral agent.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PETIQ, INC.
August 9, 2023	/s/ Zvi Glasman
	Zvi Glasman
	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, McCord Christensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ McCord Christensen

McCord Christensen
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Zvi Glasman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Zvi Glasman

Zvi Glasman
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PetIQ, Inc. (the “Company”) for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, McCord Christensen, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ McCord Christensen

McCord Christensen
Chief Executive Officer

Date: August 9, 2023

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of PetIQ, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PetIQ, Inc. (the "Company") for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zvi Glasman, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Zvi Glasman

Zvi Glasman
Chief Financial Officer

Date: August 9, 2023

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of PetIQ, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.