



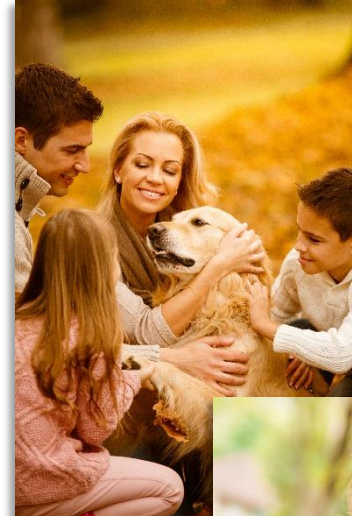
Smarter Pet Health

# Fourth Quarter 2020 Earnings Presentation

February 25, 2021

**OUR MISSION:**

*To deliver a smarter way for pet parents to help their pets live their best lives through convenient access to affordable products and services.*



## 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, the impact of COVID-19 on our business and the global economy; 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, 2019, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 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.



## OUTLINE

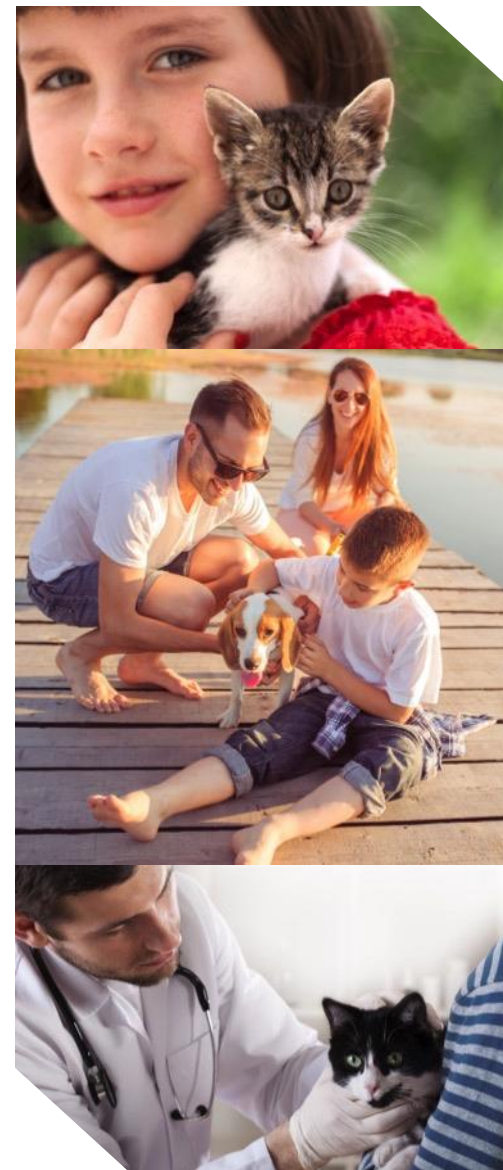
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- **COVID-19**
- **RESULTS OVERVIEW**
- **STRENGTH IN PRODUCT SEGMENT**
- **SERVICES SEGMENT REOPENING PLAN**
- **GAAP FINANCIALS**
- **GROSS PROFIT ADJUSTMENTS**
- **G&A ADJUSTMENTS**
- **APPENDIX**

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### PRESENTERS

Cord Christensen, CEO  
Susan Sholtis, President  
John Newland, CFO



# THANK YOU TO OUR COMMUNITIES



THE HEATHCARE COMMUNITY



OUR RETAIL PARTNERS



OUR ASSOCIATES



OUR PET OWNERS

# WE ARE FOCUSED ON EMERGING STRONGER FROM COVID-19

Show Genuine Care & Concern



Help Keep Our Team and Those Around Us Safe

Stay True to Our Purpose



Deliver a Smarter Way to Help Pet Parents Care for Their Pets

Answer Post-COVID Needs



Build Our Future Business in Innovative Ways

Evolve in a Fluid Environment



Leverage Our Size & Pace to be Nimble & Adapt

# RECENT PETIQ FINANCIAL HIGHLIGHTS

## FOURTH QUARTER & FULL YEAR 2020 HIGHLIGHTS

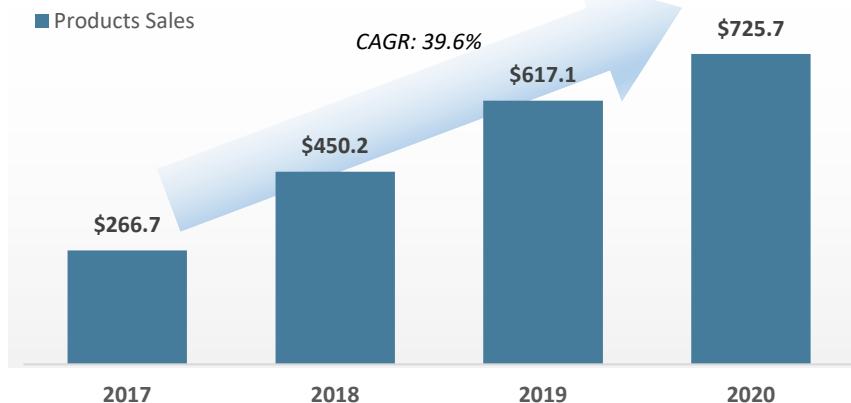
- Fourth quarter net sales of \$164.2 million compared to \$154.3 million for the same period last year, an **increase of 6.4%**; FY20 net sales of \$780.1 million, an **increase of 10.0%**
- Fourth quarter Product Segment net sales of \$145.1 million compared to \$134.9 million for the same period last year, an **increase of 7.5%**; FY20 net sales of \$725.7 million, an **increase of 17.6%**
- Fourth quarter adjusted gross margin of 20.0% compared to adjusted gross margin of 17.6%, an **increase of 240 basis points**; FY20 adjusted gross margin of 19.6% compared to adjusted gross margin of 18.2%, an **increase of 138 basis points**
- Fourth quarter adjusted EBITDA of \$13.0 million compared to \$9.7 million for the prior year period, an **increase of 33.9%**; FY20 adjusted EBITDA of \$67.8 million compared to \$60.7 million for the prior year period, an **increase of 11.7%**
- Total liquidity of approximately **\$128.5 million**, and an additional \$15 million available via an accordion feature of the credit agreement for a total of **\$143.5 million**



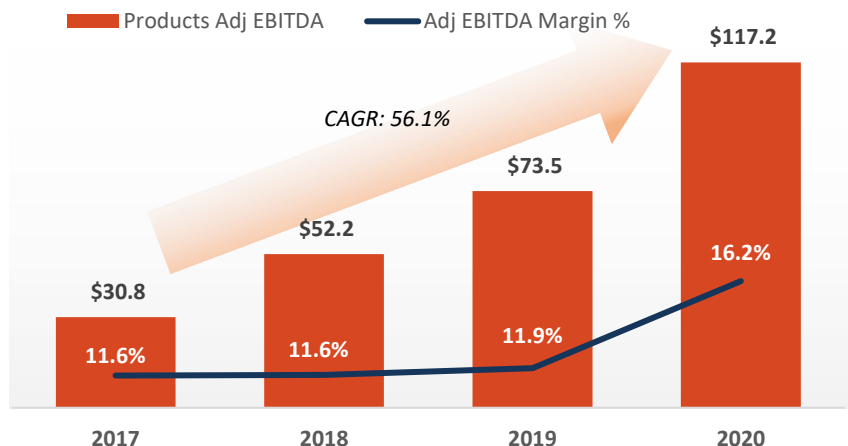
Notes: 1 - Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of the most comparable GAAP measure.

# STRENGTH IN PRODUCT SEGMENT

## PRODUCT SALES GROWTH



## PRODUCT ADJ EBITDA GROWTH



\*Nielsen report and data from 1010 Data for the period ended 12/26/2020

## KEY HIGHLIGHTS

- **460 basis point** Improvement in Product Adj EBITDA Margin since 2017
- CAGR of **39.6%** in Product Sales over 4 years
- CAGR of **56.1%** in Product Adj EBITDA in 4 years
- Compared to same period prior year, we've seen the following in Ecommerce:
  - **42% total growth**
  - **39% growth** in Non Rx Items
  - **161% growth** in PetIQ's own brands
  - **95% growth** in PetIQ's own brands excluding Capstar
- For the 52 Weeks ended December 26, 2020, PetIQ's flea and tick manufactured brands **increased 13%**, outpacing category growth rates, and **market share increased 40 bps**
  - Our brands **grew 63%** in the e-commerce channel, Capstar brand **increased 73%** and Pet Armor Plus **increased 41%**
  - In 2020 the oral flea & tick treatments **grew 24%**, with PetIQ's portfolio **increased 26%** and commanded the largest share of any oral brand in the measured oral category data.



# RECENT PETIQ HIGHLIGHTS

## PROVIDES UPDATE ON SERVICES REOPENING PLAN

- All of the Company's community clinics and wellness centers are open, as of December 31, 2020
- Celebrated **19 new wellness center grand openings** in the fourth quarter of 2020 in line with our stated objective for the quarter for a total of **126 wellness centers in operation** at the end of 2020
- Results from recent re-openings have continued to demonstrate an **increase in pet per clinic and dollars per pet as compared to the prior year period** and a return to pre-COVID-19 levels
  - 4Q20 Services net revenues of \$19.2 million compared to \$19.4 million for the same period last year – reflecting an average clinic closure rate of 12% to 16% due to COVID-19 related illnesses, similar to other consumer-facing businesses
  - On a sequential basis Services segment net revenues increased 60% from 3Q20 and adjusted EBITDA improved 129%
- Continued to connect with more pet parents and their pets virtually via Telehealth Platform for community clinics and wellness centers to provide pet health and wellness services
- The Company expects to **open 130 to 170 new wellness centers** in 2021



## WELCOME TO OUR NEW PETIQ BOARD MEMBERS



**Sheryl O'Loughlin**

- *Co-founder of Women on Boards Project and the JEDI (Justice, Equity, Diversity and Inclusion) Collaboration since 2019*
- *Former CEO and President of REBBL Inc. from 2015 to 2019*
- *Former co-founder and CEO of Plum Organics*
- *Former CEO of Clif Bar & Company*
- *Previously served as Executive Director for Entrepreneurial Studies at Stanford Graduate School of Business*
- *Author of Killing It: An Entrepreneurs' Guide to Keeping Your Head Without Losing Your Heart*
- *Bachelor of Business Administration in Marketing from the University of Michigan; MBA in Marketing and Finance from the Kellogg School of Management*



**Kim Lefko**

- *Chief Marketing Officer of Ace Hardware Corporation since 2018*
- *Former Chief Marketing Officer, General Manager and EVP of Marketing with Weber-Stephen Products LLC from 2013 to 2018*
- *Former SVP Sales and Company Officer of Marketing at Radio Flyer from 2010 to 2013*
- *Previously served in positions at Graco Children's Products (a Newell Rubbermaid Company) from 2001 to 2010*
- *Bachelor of Applied Science in Marketing and Economics from Cornell University*



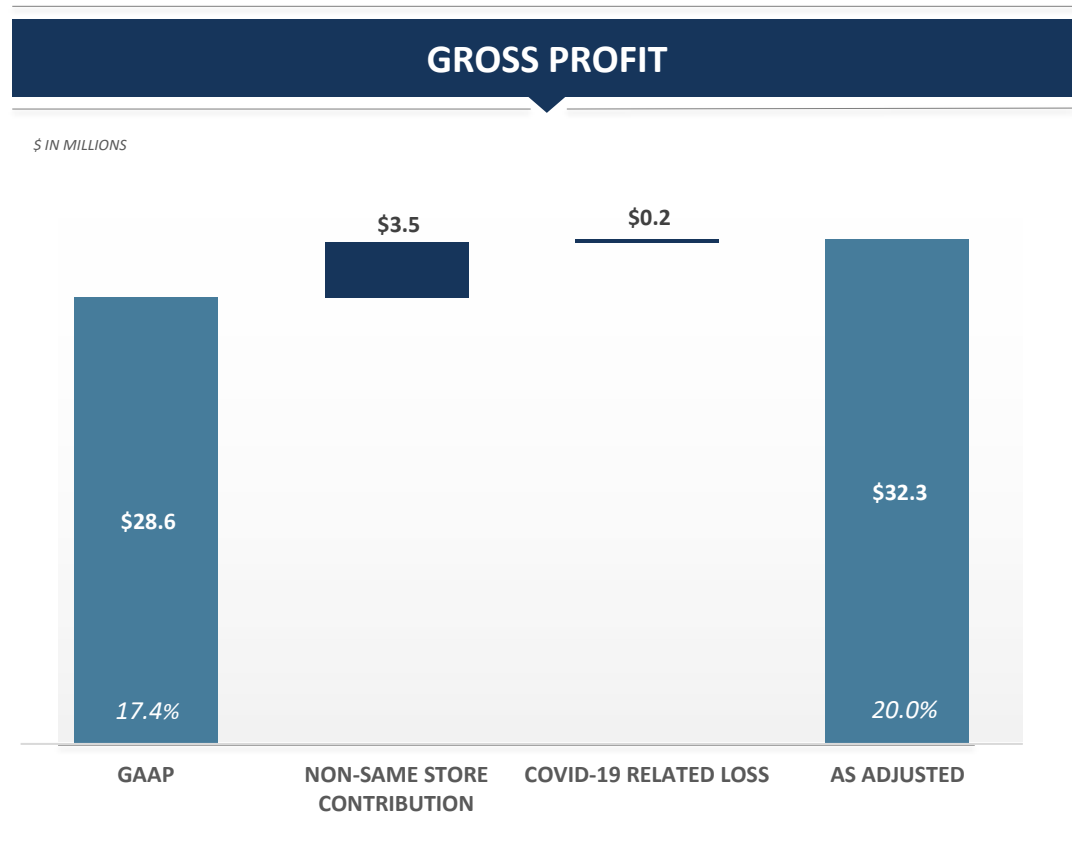
# FINANCIAL PERFORMANCE

\$ IN MILLIONS	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	DECEMBER 31, 2020	DECEMBER 31, 2019
PRODUCT SALES	\$145.1	\$134.9	\$725.7	\$617.1
SERVICE REVENUE	\$19.2	\$19.4	\$54.3	\$92.3
<b>TOTAL NET SALES</b>	<b>\$164.2</b>	<b>\$154.3</b>	<b>\$780.1</b>	<b>\$709.4</b>
COST OF PRODUCT SOLD	\$115.3	\$113.3	\$584.4	\$530.0
COST OF SERVICES	\$20.3	\$20.6	\$60.5	\$72.0
<b>TOTAL COST OF SALES</b>	<b>\$135.6</b>	<b>\$133.9</b>	<b>\$644.9</b>	<b>\$602.1</b>
<b>GROSS PROFIT</b>	<b>\$28.6</b>	<b>\$20.5</b>	<b>\$135.2</b>	<b>\$107.4</b>
<i>GROSS PROFIT AS % OF NET SALES</i>	<i>17.4%</i>	<i>13.3%</i>	<i>17.3%</i>	<i>15.1%</i>
G&A	\$32.6	\$28.9	\$138.4	\$103.2
<i>G&amp;A AS % OF NET SALES</i>	<i>19.9%</i>	<i>18.7%</i>	<i>17.7%</i>	<i>14.5%</i>
CONTINGENT NOTE	-	\$4.2	-	\$7.3
<b>OPERATING INCOME</b>	<b>(\$4.1)</b>	<b>(\$12.6)</b>	<b>(\$3.2)</b>	<b>(\$3.1)</b>
TAX & OTHER EXPENSES	(\$7.8)	(\$1.1)	(\$77.8)	(\$11.2)
<b>NET (LOSS) INCOME</b>	<b>(\$11.9)</b>	<b>(\$13.7)</b>	<b>(\$81.0)</b>	<b>(\$14.3)</b>
<b>ADJUSTED EBITDA*</b>	<b>\$13.0</b>	<b>\$9.7</b>	<b>\$67.8</b>	<b>\$60.7</b>

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 DECEMBER 31, 2020



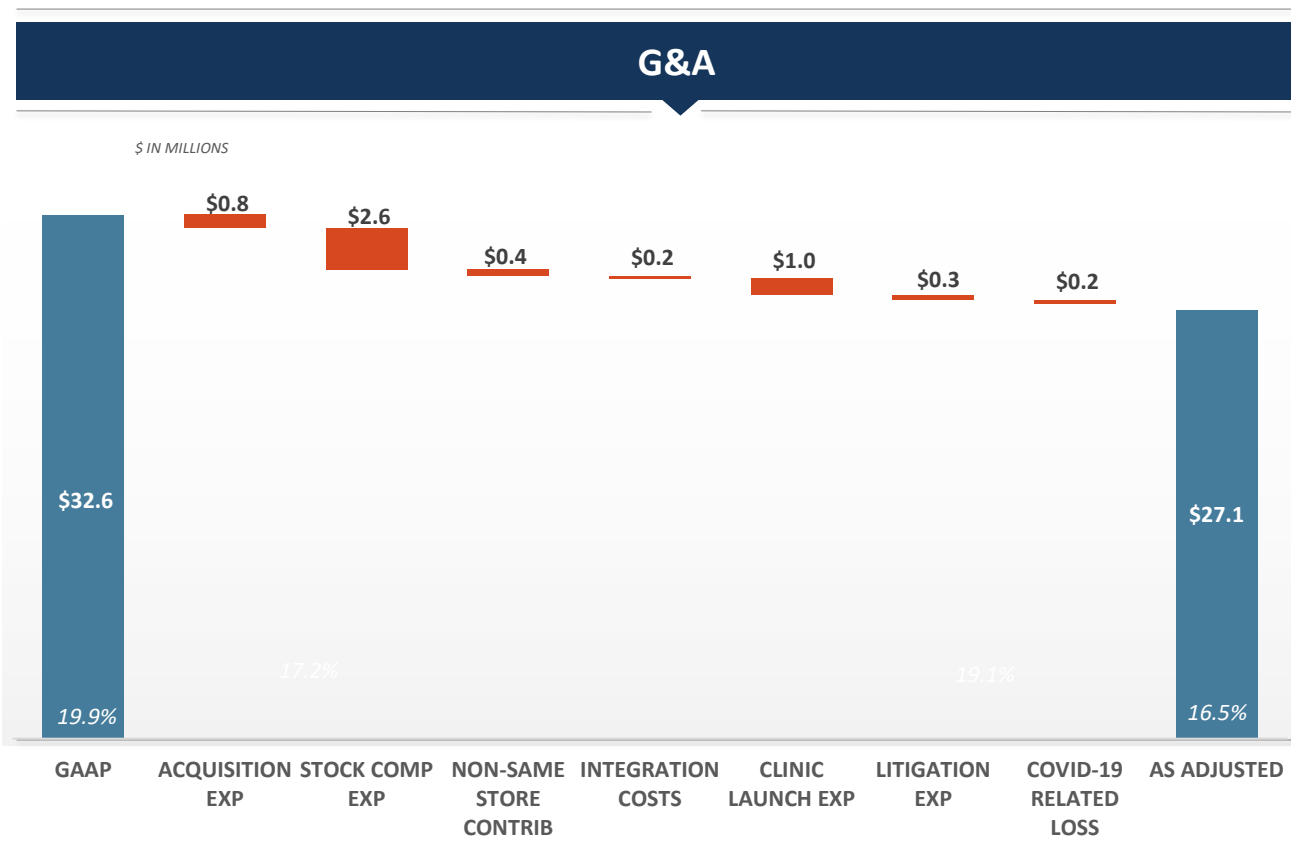
## RESULTS PERFORMANCE

The Company reported adjusted Gross Profit of \$32.3M, an increase of **\$5.5M** compared to 4Q19. Gross margin increased 245 basis points to 20.0% even as the company experienced an estimated 264 basis point Service margin headwind from the temporary Services segment closures. Adjustments from GAAP gross profit to adjusted gross profit include:

- **NON SAME STORE CONTRIBUTION**  
Adjustment includes net revenue of \$2.9M and costs of \$6.4M in the Services Segment associated with operating retail service locations that have been open less than 6 full quarters.
- **COVID-19 RELATED LOSS**  
Costs related to maintaining service and product segment infrastructure and labor during COVID-19 pandemic.

# ADJUSTED G&A

FOR THE QUARTER ENDED DECEMBER 31, 2020



## RESULTS PERFORMANCE

Adjusted G&A was **\$27.1 million**, representing an increase as a percent of sales of **~202bps** vs. 4Q19. 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.
- **NON-SAME STORE G&A**  
Adjustment outlines expenses associated with operating wellness centers, regional offices, and host partner clinics that have been open less than 6 full quarters.
- **INTEGRATION EXPENSE**  
Represent costs related to integrating the acquired businesses and a supplier contract settlement which has a deferred payment stream.
- **CLINIC LAUNCH EXPENSE**  
Represents nonrecurring costs to open new veterinary wellness centers in our Services segment.
- **LITIGATION EXPENSE**  
Represents nonrecurring costs associated with various litigation matters.
- **COVID-19 RELATED LOSS**  
Costs related to maintaining service and product segment infrastructure and labor during COVID-19 pandemic.



## APPENDIX



## ADJUSTED GROSS PROFIT RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		YEARS ENDED	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>GROSS PROFIT</b>	<b>\$ 28,582</b>	<b>\$ 20,462</b>	<b>\$ 135,188</b>	<b>\$ 107,383</b>
<b>PLUS:</b>				
PURCHASE ACCOUNTING ADJ TO INV	—	2,402	—	4,805
NON SAME-STORE GROSS LOSS	<b>3,535</b>	3,973	<b>11,195</b>	8,802
COVID-19 RELATED LOSS	<b>225</b>	—	<b>4,403</b>	—
SKU RATIONALIZATION	—	—	—	6,482
<b>ADJUSTED GROSS PROFIT</b>	<b>\$ 32,342</b>	<b>\$ 26,837</b>	<b>\$ 150,786</b>	<b>\$ 127,472</b>

## ADJUSTED G&A EXPENSE RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		YEARS ENDED	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 32,631</b>	<b>\$ 28,867</b>	<b>\$ 138,375</b>	<b>\$ 103,200</b>
<b>LESS:</b>				
ACQUISITION COSTS	805	722	2,620	6,147
STOCK BASED COMPENSATION EXPENSE	2,621	2,608	9,170	7,355
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	165	1,480	9,776	3,788
NON SAME-STORE GENERAL AND ADMINISTRATIVE EXPENSES	377	1,057	2,074	2,663
CLINIC LAUNCH EXPENSES	1,039	95	3,085	767
LITIGATION EXPENSE	283	529	1,006	529
COVID-19 RELATED LOSS	218	—	6,476	—
<b>ADJUSTED GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 27,123</b>	<b>\$ 22,376</b>	<b>\$ 104,168</b>	<b>\$ 81,951</b>

## ADJUSTED NET (LOSS) INCOME RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		YEARS ENDED	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>NET LOSS</b>	<b>\$ (11,900)</b>	<b>\$ (13,738)</b>	<b>\$ (81,022)</b>	<b>\$ (14,302)</b>
<b>PLUS:</b>				
TAX EXPENSE	156	(3,386)	52,216	(3,309)
ACQUISITION COSTS	805	722	2,620	6,147
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	165	1,480	9,776	3,788
SKU RATIONALIZATION	—	—	—	6,482
PURCHASE ACCOUNTING ADJ TO INVENTORY	—	2,402	—	4,805
STOCK BASED COMPENSATION EXPENSE	2,621	2,608	9,170	7,355
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	—	4,230	—	7,320
NON SAME-STORE REVENUE	(2,868)	(1,834)	(8,987)	(8,088)
NON SAME-STORE COSTS	6,780	6,863	22,256	19,553
CLINIC LAUNCH EXPENSES	1,039	95	3,085	767
LITIGATION EXPENSES	283	529	1,006	529
COVID-19 RELATED LOSS	443	—	6,476	—
<b>ADJUSTED NET (LOSS) INCOME</b>	<b>\$ (2,476)</b>	<b>\$ (29)</b>	<b>\$ 16,596</b>	<b>\$ 31,047</b>

## ADJUSTED EBITDA RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		YEARS ENDED	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>NET LOSS</b>	<b>\$ (11,900)</b>	<b>\$ (13,738)</b>	<b>\$ (81,022)</b>	<b>\$ (14,302)</b>
<b>PLUS:</b>				
TAX EXPENSE (BENEFIT)	156	(3,386)	52,216	(3,309)
DEPRECIATION	3,196	3,552	12,082	9,139
AMORTIZATION	4,502	1,630	12,815	5,994
INTEREST	7,799	4,574	26,299	14,495
<b>EBITDA</b>	<b>\$ 3,753</b>	<b>\$ (7,369)</b>	<b>\$ 22,390</b>	<b>\$ 12,017</b>
ACQUISITION COSTS	805	722	2,620	6,147
SKU RATIONALIZATION	—	—	—	6,482
STOCK BASED COMPENSATION EXPENSE	2,621	2,608	9,170	7,355
PURCHASE ACCOUNTING ADJ TO INVENTORY	—	2,402	—	4,805
LITIGATION EXPENSES	283	529	1,006	529
NON SAME-STORE REVENUE	(2,868)	(1,834)	(8,987)	(8,088)
NON SAME-STORE COSTS	6,780	6,863	22,256	19,553
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	—	4,230	—	7,320
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	165	1,480	9,776	3,788
NEW WELLNESS CENTER LAUNCH EXPENSES	1,039	95	3,085	767
COVID-19 RELATED COSTS	443	—	6,476	—
<b>ADJUSTED EBITDA</b>	<b>\$ 13,021</b>	<b>\$ 9,726</b>	<b>\$ 67,792</b>	<b>\$ 60,675</b>



## SEGMENT FINANCIAL INFORMATION

<i>\$ IN MILLIONS</i>	THREE MONTHS ENDED		YEARS ENDED	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
SERVICES SEGMENT SALES:				
SAME-STORE SALES	\$ 16,285	\$ 17,608	\$ 45,359	\$ 84,225
NON SAME-STORE SALES	2,868	1,834	8,987	8,088
<b>NET SERVICES SEGMENT SALES</b>	<b>19,153</b>	<b>19,442</b>	<b>54,346</b>	<b>92,313</b>
PRODUCT SEGMENT SALES	145,055	134,894	725,705	617,118
<b>TOTAL NET SALES</b>	<b>\$ 164,208</b>	<b>\$ 154,336</b>	<b>\$ 780,051</b>	<b>\$ 709,431</b>
ADJUSTED EBITDA				
PRODUCTS	24,768	17,093	117,216	73,537
SERVICES	509	1,949	3,387	20,045
CORPORATE	(12,256)	(9,315)	(52,811)	(32,907)
<b>TOTAL ADJUSTED EBITDA</b>	<b>\$ 13,021</b>	<b>\$ 9,726</b>	<b>\$ 67,792</b>	<b>\$ 60,675</b>