

PET VALU HOLDINGS LTD.

ANNUAL INFORMATION FORM

Fiscal year ended December 30, 2023

March 4, 2024

CONTENTS

About this Annual Information Form.....	4
Forward-Looking Information.....	4
Non-IFRS and Other Financial Measures	7
Corporate Structure	9
Name, Address and Incorporation	9
Intercorporate Relationships.....	10
About Pet Valu	11
2023 Business Developments.....	11
2022 Business Developments.....	12
2021 Business Developments.....	12
Description of the Business.....	14
Our Mission.....	14
Canada's Pet Industry.....	14
Store Footprint and Design.....	16
Franchise Store Network Model.....	19
Corporate Store Network Model	22
Merchandise and In-store Services.....	23
Omni-Channel Strategy	25
Loyalty Programs	26
People and Culture	27
Marketing and Advertising.....	28
Distribution Network.....	29
Transportation.....	29
Environmental, Social and Governance Factors.....	30
Seasonality.....	31
Properties.....	31
Intellectual Property	31
Technology	32
Regulatory Matters	32
Enterprise Risk Management.....	33
Risk Factors.....	35
Strategic Risks.....	35
Operational Risks	38
Financial and Reporting Risks.....	46

Legal and Regulatory Compliance Risks	52
Dividends.....	59
Description of Share Capital.....	59
General	59
Normal Course Issuer Bid	60
Market for Securities	61
Trading Price and Volume.....	61
Prior Sales.....	62
Directors and Executive Officers	63
Directors	63
Committees of the Board of Directors.....	64
Audit Committee	65
Executive Officers	67
Ownership Interest.....	68
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	68
Conflicts of Interest	69
Description of Material Indebtedness.....	69
The Credit Agreement	69
Principal Shareholders.....	70
Investor Rights Agreement.....	70
Legal Proceedings	73
Legal Proceedings	73
Regulatory Actions.....	73
Interest of Management and Others in Material Transactions.....	73
Auditor, Registrar and Transfer Agent.....	73
Material Contracts	73
Interests of Experts.....	74
Additional Information.....	74

ABOUT THIS ANNUAL INFORMATION FORM

Unless otherwise indicated or the context otherwise requires, all references to the “Company”, “Pet Valu”, “we”, “us” or “our” refer to Pet Valu Holdings Ltd., together with, as the context requires, its subsidiaries.

This annual information form (“AIF”) applies to the business activities and operations of the Company for the year ended December 30, 2023, as updated to March 4, 2024, to reflect the Company’s business subsequent to December 30, 2023. All references to (a) Fiscal 2021 refer to the fiscal year ended January 1, 2022 (“**Fiscal 2021**”), (b) Fiscal 2022 refer to the fiscal year ended December 31, 2022 (“**Fiscal 2022**”), (c) Fiscal 2023 refer to the fiscal year ended December 30, 2023 (“**Fiscal 2023**”) and (d) calendar year refer to the relevant calendar year. In this AIF, unless otherwise indicated, all references to “\$” are to Canadian dollars and all references to “US\$” are to U.S. dollars.

Any graphs, tables, diagrams or information included in this AIF to demonstrate the Company’s historical performance are (a) intended to illustrate past performance and are not necessarily indicative of future performance of the Company, and (b) may include approximations due to rounding. Information presented on or accessed through the Company’s website at www.petvalu.ca is not incorporated into, or made part of, this AIF. Readers should assume that the information appearing in this AIF is accurate only as at its date, and the Company’s business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking information**”) within the meaning of applicable securities laws. Forward-looking information may relate to the Company’s future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. We have based the forward-looking information on our current expectations and projections about future events and financial trends that we believe might affect our financial condition, results of operations, business strategy and financial needs. This forward-looking information includes, among other things, statements relating to:

- intentions with respect to, and the ability to execute, our business plans, strategies and growth prospects, including expectations regarding the growth of our customer base, performance and expansion opportunities;
- expectations regarding industry and market trends and challenges;
- our competitive position in the industry;
- the size and growth rates of addressable markets in which we operate;
- expectations regarding our ability to open new stores and the renovation, expansion or relocation of our existing stores, including expectations regarding interest of existing or prospective franchisees in new or resold stores;
- expectations regarding our revenue and revenue generation potential;

- expectations regarding our available liquidity;
- expectations from our operational improvement initiatives;
- the expected penetration of our proprietary brands;
- the expansion of our omni-channel capabilities;
- the development of our risk mitigation tactics;
- the sufficiency of our information technology infrastructure;
- expectations regarding the size of our franchise mix;
- expectations regarding in-store services volumes;
- expectations regarding the expansion of our loyalty program;
- our dividend policy; and
- expectations regarding our exposure in the event that our tax filings are reassessed by tax authorities.

Forward-looking information is based on our opinions, estimates and assumptions in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Given these risks, uncertainties and assumptions, readers should not place undue reliance on the forward-looking information contained herein. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include, among others:

- the operational and financial success of franchised and company-owned stores;
- our ability to compete effectively in the industry;
- changes in consumer preferences, perceptions and spending patterns;
- our ability to effectively manage our growth;
- risks associated with implementing the Company's growth strategy, including our ability to open additional franchised and company-owned stores, and the willingness of franchisees to continue to invest in and open new franchises;
- disruptions in the supply of specific products or to the business operations of key or recommended suppliers;
- the ability of our key suppliers, including international suppliers, to continue to deliver high-quality products to us at competitive costs;
- changes in interest rates, commodity prices and other expenses;
- sufficiency of available, qualified and appropriately capitalized franchisee candidates for future stores;

- the effectiveness of our marketing and advertising programs;
- serious disruptions or catastrophic events, including public health issues, geopolitical events, and weather;
- our dependence on key personnel;
- our ability to retain our highly-skilled personnel and our ability to hire additional highly-skilled personnel;
- the accidental or unauthorized access to or disclosure, loss, destruction or modification of data we collect or may collect through cybersecurity breaches, computer viruses or otherwise and the impact of any resulting liability or damage to our reputation;
- fluctuations in our quarterly results;
- our failure to maintain adequate insurance coverage;
- changes in estimates relating to critical accounting policies or changes in accounting standards and interpretations and our adoption thereof;
- changes in global economic conditions and the Company's ability to access capital;
- exchange rate fluctuations;
- the Company's ability to successfully enter new markets and complete construction, including renovations of existing and new stores;
- volatility of the market price of the common shares in the capital of the Company ("**Shares**");
- the limited ability of shareholders, other than the Principal Shareholders (as defined herein), to control changes in our policies and operations;
- our ability to pay dividends on the Shares;
- current or future litigation;
- tax-related risks, including possible reassessments of our tax filings by tax authorities; and
- our ability to maintain and protect our intellectual property rights.

These factors should not be considered exhaustive and should be read together with the other cautionary statements in this AIF.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking information prove incorrect, actual results might vary materially from those anticipated in the forward-looking information.

Although we base forward-looking information on assumptions that we believe are reasonable when made, we caution investors that forward-looking information is not a guarantee of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking information contained in this AIF. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking information contained in this AIF, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on forward-looking information. Any forward-looking information that is contained in this AIF speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

All of the forward-looking information contained in this AIF is expressly qualified by the foregoing cautionary statements.

NON-IFRS AND OTHER FINANCIAL MEASURES

This AIF makes reference to certain non-IFRS measures, including “EBITDA” and “Adjusted EBITDA”, and non-IFRS ratios, including “Adjusted Net Income per Diluted Share”. These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company’s analysis of its financial information reported under IFRS. This AIF also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including “system-wide sales”, “same-store sales growth”, “4-Wall EBITDA”, and “4-Wall EBITDA Margin”, “average sales to investment ratio”, “average unit volume”, “cash-on-cash returns”. These non-IFRS measures, non-IFRS ratios and supplementary financial measures are used to provide investors with supplemental measures of the Company’s operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures, non-IFRS ratios and such supplementary financial measures in the evaluation of issuers. Management of the Company uses non-IFRS measures and non-IFRS ratios in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Refer to “Selected Consolidated Financial Information and Industry Metrics” in the Company’s Management’s Discussion and Analysis for the year ended December 30, 2023 (the “**Annual MD&A**”) for a reconciliation of EBITDA and Adjusted EBITDA to net income, an IFRS measure.

Non-IFRS Measures

EBITDA. EBITDA is defined as net income (loss) before interest expense (net), income tax expense (recovery) and depreciation and amortization.

Adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) before interest expense (net), income tax expense (recovery) and depreciation and amortization adjusted for the impact of certain expenses, costs or benefits incurred which in management’s view are not indicative of the underlying business performance, including management fees, information technology transformation costs (representing discrete, project-based implementation costs associated with new technology systems and discrete software as a service arrangements costs for transformational initiatives), IPO (as defined herein) readiness and separation costs, business transformation costs, other professional fees (incurred with respect to the examination of tax filings for the 2016 and 2018 fiscal years, the acquisition of Chico (as defined herein), the 2022 Secondary Offering (as defined herein) and the 2023 Secondary Offering (as defined herein), share based compensation expense, asset impairments, gain (loss) on foreign exchange and investment in associate (representing the share of gain or loss from an associate and any gains or losses on a related call option). We believe EBITDA and Adjusted EBITDA are useful measures of operating performance as they provide a more relevant picture of operating results by facilitating a comparison of our performance on a consistent basis from period-to-period and provide a more complete understanding of factors and trends affecting our business.

Non-IFRS Ratios

Adjusted Net Income per Diluted Share. Adjusted Net Income per Diluted Share is defined as Adjusted Net Income divided by the total weighted average number of outstanding diluted common shares at the end of the most recently completed quarter for the relevant period. Adjusted Net Income is a non-IFRS measure and is defined as net income (loss), adjusted for the impact of certain expenses, costs or benefits incurred which in management's view are not indicative of the underlying business performance, including management fees, information technology transformation costs (representing discrete, project-based implementation costs associated with new technology systems and discrete SaaS arrangements costs for transformational initiatives), IPO readiness and separation costs, business transformation costs, other professional fees (incurred with respect to the examination of tax filings for the 2016 and 2018 fiscal years, the acquisition of Chico, the 2022 Secondary Offering and the 2023 Secondary Offering), share-based compensation expense, asset impairments, gain (loss) on foreign exchange, and investment in associate (representing the share of gain or loss from an associate, including impairment losses, and any gains or losses on a related call option). We believe Adjusted Net Income and Adjusted Net Income per Diluted Share are useful measures of performance, as they provide a more relevant picture of results and facilitate a comparison of our performance on a consistent basis from period-to-period and provide a more complete understanding of factors and trends affecting our business.

Supplementary Financial Measures

Average sales to investment ratio. Average sales to investment ratio represents the average unit volume for the given fiscal year divided by the investment cost for the corporate-owned and franchise stores, as applicable. The investment cost includes stores opened from 2017 to 2021, excluding Chico stores, and represents the average initial build-out costs, net of tenant allowances, the initial merchandise inventory cost and initial franchise fees for franchise stores. We believe the average sales to investment ratio is a useful measure to evaluate the performance and return on corporate-owned and franchise stores.

Average unit volume. Average unit volume represents the average retail sales, excluding Chico, of the given fiscal year for corporate-owned or franchise stores, as applicable, that have been open at least 24 months from the end of the given fiscal year and that have not been re-franchised or repurchased during the given fiscal year. We believe average unit volume is a useful measure to evaluate the overall retail sales performance of mature stores in the network.

Cash-on-cash returns. Cash-on-cash returns represents the average 4-Wall EBITDA divided by the investment cost for corporate-owned or franchise stores, as applicable. The investment cost includes stores opened from 2017 to 2021, excluding Chico, and represents the average initial build-out costs, net of tenant allowances, the initial merchandise inventory cost and initial franchise fees for franchise stores. We believe cash-on-cash returns is a useful measure to help evaluate the return on investment of corporate-owned and franchise stores.

System-wide sales. System-wide sales reflects the aggregation of retail sales at corporate-owned stores, e-commerce sales, plus the franchise retail sales occurring at franchised stores to their customers. This measure allows management to assess changes in the Company's overall system performance, the health of its brand and the strength of its market position relative to its competitors. System-wide sales are driven by the number of system-wide stores open in any period and their respective growth. For clarity, franchise retail sales are not included in the total revenue figure. The Company's revenue reflects retail sales and franchise and other revenue as defined under the definition of revenue in the Company's Annual MD&A.

Same-store sales growth. Same-store sales growth is defined as the percentage change in retail sales generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are renovated, expanded, or relocated are included in the metric on the first day of operation if the original store was open for at least 52 weeks. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition. The primary drivers of same-store sales growth are changes in the transaction count and the average spend per transaction. Same-store sales growth is used by management to better understand the level of growth of our business as it explains what portion of the sales growth is attributable to established stores and what portion can be attributed to the opening of new stores.

4-Wall EBITDA. 4-Wall EBITDA is estimated operating income generated by a corporate-owned or franchised store (excluding Chico), representing retail sales less cost of sales, selling and administrative expenses and excludes any depreciation and amortization, for stores opened at least 24 months as of the end of the given fiscal year and that have not been re-franchised or repurchased in the last 12 months, and is defined herein. For franchised stores, this estimate is equal to the total franchise retail sales occurring at the franchised stores less an estimate for cost of sales and operating expenses. Franchised store cost of sales is estimated based on the Company's wholesale revenues per store and outside purchases and adjusted for merchandise-related reimbursements and incentives. Franchise operating expenses include royalties, promotion fees, non-manager store labour costs, technology fees and occupancy costs (including base and percentage rent expenses, common area maintenance, insurance and realty taxes determined on a cash basis), plus an estimate of other operating costs from a sample of similar corporate-owned stores. For corporate-owned stores, the calculation represents retail sales transacted through these stores less estimated cost of sales, including merchandise-related reimbursements, and operating expenses, including store labour costs, occupancy costs (including base rent expense, common area maintenance, insurance and realty taxes determined on a cash basis), promotion fees, and other general store expenses. Management uses this metric to estimate the cash generated through operations at an individual store location and in turn to approximate the cash returned on the corresponding investment in a given period, to determine the payback period of the investment, and to assess performance across stores; therefore, the metric does not include an estimate for selling, general and administrative expenses such as management compensation costs incurred outside of the four walls of individual retail locations.

4-Wall EBITDA Margin. 4-Wall EBITDA Margin is 4-Wall EBITDA for a corporate-owned or franchised store divided by the corporate-owned or franchised store's retail sales. This metric provides the percentage of a dollar that flows through to EBITDA and is used to evaluate store performance.

Other Measures

System-wide stores. System-wide stores reflects the number of total stores, including corporate-owned and franchised stores, open across the system at the end of a particular reporting period. The number of corporate-owned and franchised stores along with the number of operating weeks is used by management to evaluate new store growth, system-wide sales, franchise revenues and store performance.

CORPORATE STRUCTURE

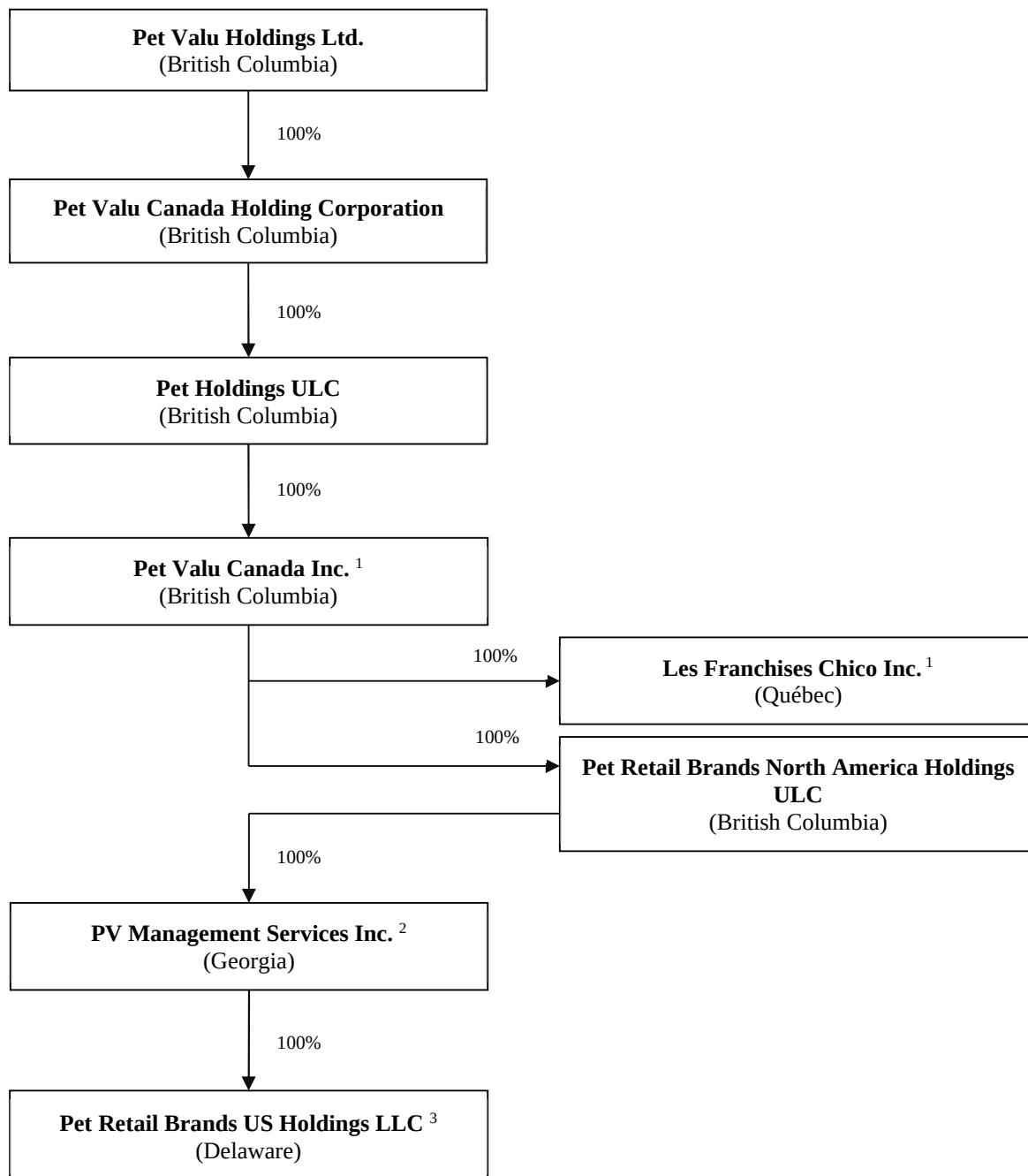
Name, Address and Incorporation

Pet Valu was incorporated under the *Business Corporations Act* (British Columbia) on June 10, 2016 as "Pet Retail Brands Ltd.". The Company changed its name to "Pet Valu Holdings Ltd." on April 6, 2021. On June 29, 2021, the Company filed articles of amendment (the "**Articles**") in connection with its initial public offering (the "**IPO**") of Shares. Upon closing of the IPO, Pet Valu became a "reporting issuer" in each of the provinces and territories of Canada and the Shares began trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "PET".

The Company's head office is located at 130 Royal Crest Court, Markham, Ontario, L3R 0A1 and its registered office is located at 1133 Melville Street, Suite 3500, The Stack, Vancouver, British Columbia, V6E 4E5.

Intercorporate Relationships

The following organization chart indicates the intercorporate relationships of the Company and its subsidiaries, together with the jurisdiction of formation, incorporation or continuance of each entity.



¹ Pet Valu Canada Inc. and Les Franchises Chico Inc. are the operating subsidiaries of the Company.

² PV Management Services Inc. is the employer of those members of management and employees who are U.S. residents and provide services to the Company in exchange for fees.

³ Pet Retail Brands US Holdings LLC is a holding vehicle and does not carry on business.

ABOUT PET VALU

Since opening our first store in 1976, Pet Valu has grown to become Canada’s leading pet retailer. As of December 30, 2023, we operated 783 corporate-owned and franchised locations across the country, and generated revenue of \$1,055.9 million, Net Income of \$89.5 million, and Adjusted EBITDA¹ of \$231.0 million in Fiscal 2023.

<i>Dollar figures expressed in millions</i>	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
	52 weeks	52 weeks	52 weeks
Revenue	\$1,055.9	\$951.7	\$776.0
Net Income	\$89.5	\$100.8	\$98.8
Diluted net income per share	\$1.24	\$1.40	\$1.33
System-wide sales²	\$1,419.7	\$1,290.7	\$998.1
System-wide stores	783	744	633
Same-store sales growth²	5.2%	17.1%	17.8%
Adjusted EBITDA	\$231.0	\$214.8	\$182.3
Adjusted Net Income per Diluted Share³	\$1.61	\$1.59	\$1.02

2023 Business Developments

Appointment of New Chief Financial Officer

Effective March 6, 2023, Linda Drysdale succeeded James Grady as Chief Financial Officer of the Company.

Secondary Offering

On June 1, 2023, an offering (the “**2023 Secondary Offering**”) of Shares was completed by PV Holdings S.à r.l., Roark Capital Partners II AIV AG, L.P., RCPS Equity Cayman LP and Roark Capital Partners Parallel II AIV AG, L.P. (collectively, the “**Principal Shareholders**”) on a bought deal basis. The 2023 Secondary Offering of 4,690,000 Shares at an offering price of \$32.05 raised gross proceeds of \$150.3 million for the Principal Shareholders. The Company did not issue additional Shares or receive any of the proceeds from the 2023 Secondary Offering.

Opening of Greater Toronto Area Distribution Centre

In July 2023, the Company officially commenced operation of its state-of-the-art 670,000 square foot distribution centre in Brampton, Ontario, representing a key milestone in the Company’s nationwide \$110 million supply chain transformation and facilitating wholesale capability for Chico franchisees starting in November 2023.

¹ This is a non-IFRS measure. Non-IFRS measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Refer to “Non-IFRS and Other Financial Measures” above.

² This is a supplementary financial measure. Refer to “Non-IFRS and Other Financial Measures” above.

³ This is a non-IFRS ratio. Non-IFRS ratios are not standardized under IFRS and might not be comparable to ratios disclosed by other issuers. Refer to “Non-IFRS and Other Financial Measures” above.

New Vancouver Distribution Centre

In July 2023, the Company entered into a lease for a new 350,000 square foot distribution centre in Surrey, British Columbia. The Company took possession of the distribution centre on November 1, 2023, and is currently completing its tenant fit-up work. The distribution centre is targeting a LEED Silver Certification.

Environmental, Social and Governance (“ESG”) Report

On November 15, 2023, the Company issued its first ESG report (the “**2022 ESG Report**”) in respect to Fiscal 2022, which provides a comprehensive overview of key ESG factors that help enable the Company to deliver on its strategic, operational and financial goals.

Normal Course Issuer Bid (“NCIB”)

On November 28, 2023, the Company announced that the TSX had accepted the Company’s notice of intention to launch a NCIB, pursuant to which, the Company may purchase for cancellation up to an aggregate of 1,786,599 Shares, representing approximately 2.5% of the Company’s issued and outstanding Shares as at November 16, 2023.

2022 Business Developments

Acquisition of Les Franchises Chico Inc.

On February 25, 2022, the Company completed the acquisition of Les Franchises Chico Inc. (“**Chico**”), a specialty retailer and wholesaler of pet food and pet-related supplies in Québec, Canada.

Launch of AutoShip Subscription Service

On September 21, 2022, the Company launched its subscription-based service (“**AutoShip**”), enabling customers to automatically receive the pet essentials they need on a recurring schedule of their choice. The service offers customers the option of having their essential products shipped to their home or ready for pick up in one of Pet Valu’s local stores, outside of Québec.

Secondary Offering

On November 17, 2022, an offering (the “**2022 Secondary Offering**”) of Shares was completed by the Principal Shareholders on a bought deal basis. The 2022 Secondary Offering of 5,175,000 Shares at an offering price of \$37.40 raised gross proceeds of \$193.5 million for the Principal Shareholders. The Company did not issue additional Shares or receive any of the proceeds from the 2022 Secondary Offering.

Addition to the S&P/TSX Composite Index

On December 19, 2022, the Company was added by S&P Dow Jones Canadian Index Services to the S&P/TSX Composite Index.

Expansion of Proprietary Brand Portfolio

During Fiscal 2022, the Company made several key additions to its award-winning proprietary brand portfolio. This included the introduction of Performatrin Ultra freeze-dried treats, patties, and powder toppers in April 2022. In the fourth quarter of Fiscal 2022, the Company introduced over 320 hardline products across apparel, accessories, toys, and gifting.

2021 Business Developments

Initial Public Offering and Toronto Stock Exchange Listing of Shares

On June 30, 2021, the Company completed an initial public offering of 15,812,500 Shares (including 2,062,500 Shares issued pursuant to the exercise in full of an over-allotment option) at a price of \$20.00 per Share for total gross proceeds to Pet Valu of \$316,250,000. The IPO was undertaken pursuant to the terms of an underwriting agreement dated June 23, 2021 between the Company, RBC Dominion Securities Inc., Barclays Capital Canada Inc, CIBC World Markets

Inc., National Bank Financial Inc., TD Securities Inc., Houlihan Lokey Capital, Inc., ATB Capital Markets Inc., CWB McLean & Partners Wealth Management Ltd., Laurentian Bank Securities Inc. and Raymond James Ltd. (collectively, the “**Underwriters**”). On completion of the IPO, the Shares began trading on the TSX under the symbol “PET”.

Pre-Closing Transactions

Prior to closing of the IPO, the Company sold all of the shares of its U.S. subsidiary Pet Retail Brands, Inc. (“**PRB Inc.**”), which is the owner of U.S. businesses Pet Valu, Inc. and Pet Supermarket Inc., to the Company’s existing shareholders in return for a promissory note which was set-off and satisfied concurrently with the IPO closing (the “**Pre-Closing Transactions**”). As of the closing of the IPO, the Company had no economic interest in PRB Inc. or any of its subsidiaries, any inter-company indebtedness was extinguished and the Company did not have any operations in the U.S.

In connection with, and prior to, the closing of the IPO, the Company filed the Articles providing that the share capital of the Company will consist of an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. The then outstanding class X common shares, class Y common shares, class A preferred shares, class B preferred shares and class C preferred shares of the Company were exchanged for Shares and cancelled by the Company and all of the outstanding options to acquire class X common shares of the Company under the Company’s legacy stock option plan became options to acquire Shares.

Activation of Click & Collect Fulfillment

Between July 2021 and September 2021, the Company completed a staged rollout of “Click & Collect” as a fulfillment option, giving customers the ability to seamlessly purchase our products online using real-time inventory visibility and pick up in any of our corporate-owned or franchised stores, outside of Québec (“**Click & Collect**”).

Secondary Offering

On September 28, 2021, a secondary offering (the “**2021 Secondary Offering**”) of Shares was completed by the Principal Shareholders on a bought deal basis. The 2021 Secondary Offering of 7,000,000 Shares at an offering price of \$32.25 raised gross proceeds of \$225.8 million for the Principal Shareholders. The Company did not issue additional Shares or receive any of the proceeds from the 2021 Secondary Offering.

DESCRIPTION OF THE BUSINESS

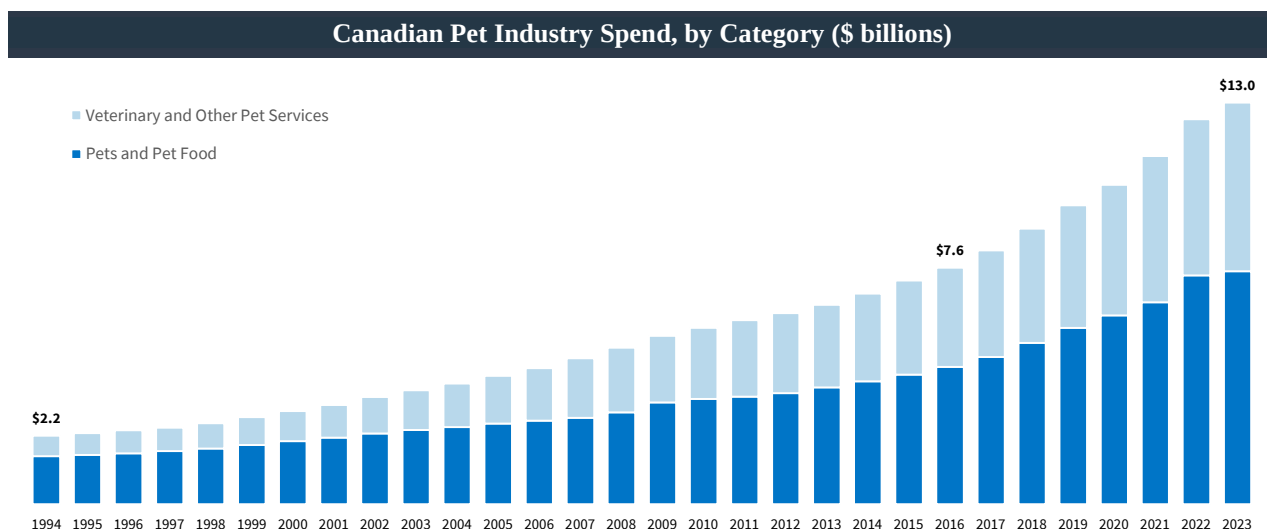
Our Mission

To be Canada's preferred pet retailer delivering the products, care, expertise, and memorable moments that devoted pet lovers want... locally in stores and everywhere online.

Canada's Pet Industry

Industry Overview

The Canadian pet care industry is large, growing, recession-resistant and possesses a strong outlook over both the near- and long-term. Canadian spending on pet care steadily grew at a 6% CAGR from 1994 to 2016, demonstrating strong resilience across economic cycles as evidenced by the positive growth during both the 2001 to 2002 and the 2008 to 2010 recessionary periods. More recently, the industry accelerated its pace of growth to an 8% CAGR from 2016 to 2023, including 10% between 2020 to 2022. Pet Valu and our franchisees primarily participate in the Pet and Pet Food Spend category of the Canadian pet care industry, engaging in the sale of consumable pet-related products, such as food and treats, characterized by non-discretionary, recurring customer purchasing activity, and hardlines pet-related products such as bedding, toys and apparel, which are of a more discretionary nature. Over the past two decades, Pet Valu and our franchisees entered the Other Pet Services category by introducing in-store services such as self-serve dog washes and grooming salons.



Source: Statistics Canada. Table 36-10-0124-01 Detailed household final consumption expenditure, Canada, quarterly

Competition

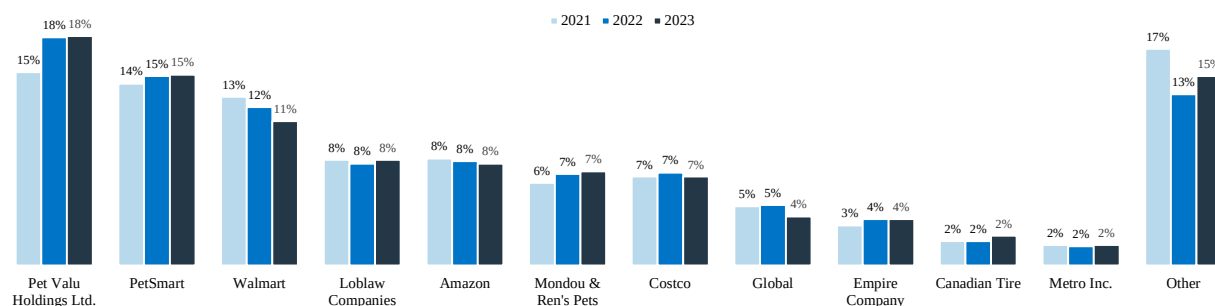
Although a majority of pet care products are sold by Canadian pet retailers, pet products are available for sale across a variety of channels including specialty pet stores, “big-box” retailers, grocers, online retailers, veterinary clinics and other mixed retailers such as dollar stores and department stores. While we operate in a competitive environment, we believe there are many factors that differentiate us from other retailers, and that we successfully compete on the basis of our strengths, as described elsewhere in this AIF.

The landscape of Canadian pet retailers consists of several publicly and privately-owned, multi-outlet specialty retailers as well as independently operated pet stores. In addition to Pet Valu, the largest multi-outlet pet stores include Global Pet Foods, PetSmart, Mondou, Bone & Biscuit, Ren's Pets, Pattes et Griffes, and Pet Planet. This group, including Pet Valu, on a combined basis, operates over 1,400 stores across Canada with Pet Valu representing more than half of these

locations. We and our franchisees operate the largest specialty pet store network in Canada, with more than three times the number of stores of our closest specialty pet competitor.

Our local, “just-around-the-corner” retail network leverages a powerful combination of scaled operations with high service levels, a wide array of premium and proprietary branded products, and competitive pricing to position us as a customer’s most likely first choice for their pet. Together with our franchisees, we operated 783 stores as of December 30, 2023, placing us within a five-kilometer vicinity of 76% of Canada’s population. This industry leading store network is a key differentiator to our success and enables a localized approach to customer service, creates significant local market awareness and offers quicker, closer-to-home shopping and order pick-up options than most competitors.

Canadian Pet Spend Market Share (\$ Basis), by Peer



Note: Pet Valu Holdings Ltd. inclusive of Pet Valu, Bosley’s by Pet Valu, Chico (as of 2022), Paulmac’s Pets, Total Pet and Tisot; Loblaw Companies inclusive of all owned banners except Shoppers Drug Mart; Empire Company inclusive of all owned banners; Metro Inc. inclusive of all owned banners except Jean Coutu; Mondou & Ren’s Pets inclusive of Mondou and Ren’s Pets.

Source: Fusion Analytics, 2023 Canadian Pet Spend Market Share.

Customer Reach

Our strategic priority of meeting the needs of Canada’s most discerning pet owners, the Devoted Pet Lovers, positions us to capture the loyalty of the most valuable consumer segment in the Canadian pet industry. Our core customers value the omni-channel flexibility and convenience our locations and our online channel offer them, providing a quick place to shop when in a rush and a highly specialized experience when pet-care needs demand it. Devoted Pet Lovers value the breadth of a one-stop shop and expect a curated selection of leading and proprietary branded products sold by knowledgeable, compassionate franchisees and associates.

We also attract the more price sensitive Pragmatic Pet Owners by providing convenience and attractively priced product offerings, especially in our more rural markets, where our selection of products is premium to what may be available at a rurally located grocer or mass merchandiser. We attract Indulgent Pet Owners who desire premium products that help their “fur babies” to live healthy, playful lives and are willing to pay for our highest-quality products and top brands. As a result, combining our ability to meet Devoted Pet Lovers’ discerning needs and further serve select portions of the Pragmatic and Indulgent Pet Owners, we believe our strategy provides us access to approximately 75%⁴ of the most valuable proportion of total Canadian pet spend.

⁴ Customer segmentation from roundpeg Custom Quant Study (Summer 2022).

Store Footprint and Design

Store Locations

As of December 30, 2023, we had 783 system-wide stores across all ten provinces in Canada. Our stores are typically situated in convenient shopping centres focused on household needs, often with a larger-format grocery, fitness, or discount store anchor, and reach 76% of Canada's population within a five-kilometer radius. As of December 30, 2023, 561 or 72% of our stores were owned and operated by our 339 franchisees. Our stores average 3,702 square feet, and typically range in size from 2,000 to 5,000 square feet.

While our primary focus is to open and operate stores under the Pet Valu, Bosley's by Pet Valu or Chico banners, we currently have stores operating under six banners, including Pet Valu, Bosley's by Pet Valu, Chico, Paulmac's Pets, Total Pet and Tisol with each being deeply entrenched in their respective communities. With the exception of Chico, which is in the process of integration into the Company, the operations, marketing and advertising of, and supply to, stores is largely identical across our banners, other than with respect to a portion of the product offerings that are typically localized to the region or area in which a store is located, including the offering of regional brands and the sourcing of live animals and localized changes made by our franchisees.

	BC	AB	SK	MB	ON	QC	NS	NB	PE	NL	Total
Pet Valu	15	92	24	27	340	–	34	19	3	11	565
Franchised	1	56	5	27	304	–	17	2	–	–	412
Corporate	14	36	19	–	36	–	17	17	3	11	153
Bosley's by Pet Valu	92	–	–	–	–	–	–	–	–	–	92
Franchised	48	–	–	–	–	–	–	–	–	–	48
Corporate	44	–	–	–	–	–	–	–	–	–	44
Chico	–	–	–	–	–	87	–	–	–	–	87
Franchised	–	–	–	–	–	87	–	–	–	–	87
Corporate	–	–	–	–	–	–	–	–	–	–	–
Paulmac's Pets	–	–	–	–	15	–	–	–	–	–	15
Franchised	–	–	–	–	14	–	–	–	–	–	14
Corporate	–	–	–	–	1	–	–	–	–	–	1
Total Pet	15	–	–	–	–	–	–	–	–	–	15
Franchised	–	–	–	–	–	–	–	–	–	–	–
Corporate	15	–	–	–	–	–	–	–	–	–	15
Tisol	9	–	–	–	–	–	–	–	–	–	9
Franchised	–	–	–	–	–	–	–	–	–	–	–
Corporate	9	–	–	–	–	–	–	–	–	–	9
Total	131	92	24	27	355	87	34	19	3	11	783
Franchised	49	56	5	27	318	87	17	2	–	–	561
Corporate	82	36	19	–	37	–	17	17	3	11	222

We believe there is a significant opportunity to grow our store base across Canada. Between Fiscal 2021 and Fiscal 2023, we and our franchisees opened an average of 39 new stores per year, having invested a total average of approximately \$16.8 million annually on the build out of these projects, net of tenant allowances. This included 30 new stores in Fiscal 2021, 48 new stores in Fiscal 2022 and 39 new stores in Fiscal 2023.

Factoring in new store openings, on-going store renovations, expansions or relocations, and store acquisitions, we increased our store footprint by 7.1% in Fiscal 2023 and a compound annual growth rate of 10.6% over the last three fiscal years, on a square footage basis.

<i>Figures expressed in thousands</i>	Fiscal Year Ended		
	January 1, 2022	December 31, 2022	December 30, 2023
Square footage, beginning of year	2,144	2,296	2,706
Opened	123	188	159
Acquired	—	200	—
Renovated, expanded or relocated	36	33	33
Closed	(7)	(12)	—
Square footage, end of year	2,296	2,706	2,898

Store Design and Service Model

Our stores offer a welcoming, pleasant atmosphere that showcases our leading brands and the breadth of our pet care products. Our franchisees, Animal Care Experts (“ACEs”) and store leaders take great pride in our “first impressions” for new and returning customers. We specifically design our stores to meet the two, diverse reasons driving most pet-store trips: 1) customers in a rush who seek a smaller-format, easy in-and-out experience; and 2) customers who need quality time with an ACE to address a concern they have with their pet or to explore our offerings through high-touch engagements with our teams.

Stores are designed to best match operational efficiency and sales productivity to the local community and available market opportunity. Each store design starts with certain elements we believe create a broadly welcoming, neighborhood feel including specific floor coverings, higher-end gondola and stand-alone fixtures, finishes and graphics and lighting packages that spark a pleasant, warm first impression. We position our cash registers near the door to keep an active hub of interaction front-and-centre and facilitate easy in-and-out shopping when the customer may be in a rush, while also providing loss prevention and customer service benefits. Finally, we set a high expectation in corporate-owned and franchised stores for clarity and consistency in our sign packages and point-of-purchase materials to evoke a level of communication, compassion, and expertise central to our brand.

Next, we specifically design the customer flow, fixturing plan, merchandise category locations and services placement, such as grooming and self-serve dog washes, to best balance local customer shopping expectations with inventory holding within the available space. For example, more urban and metropolitan settings benefit from higher racking and tighter aisles, lowering gross square footage investment while delivering a preferable experience to similarly urban-located competitors. More rural and outer suburban stores leverage larger square footage to provide easier visibility to the breadth of offering and more available space for larger self-serve dog washes, broader display spaces for larger size pet apparel and specialized fixturing space to hold higher-volume food packages for the disproportionately higher populations of large dog breeds or numerous outdoor cat populations in these more rural areas. Finally, in most of our stores we have contracted a mural artist to work with the franchise owner or local store manager to paint a custom mural of a popular pet destination in the local community, which anchors the community feel. The mural is usually a local dog park, a popular walking trail or a well-known local vista and, for franchised stores, often features the owners and their own pets within the mural. The mural is most often placed above the self-serve dog wash area.

We are committed to refreshing our and our franchisees’ brand in our older stores to maintain the quality and relevance of our store design. We do this through renovations, relocations and expansions that also help drive strong sales across stores of all ages. Pet Valu and our franchisees have perpetually been, and plan to continue, upgrading each operating store to meet the standards that create our welcoming environments. Having acquired Chico in 2022, we and our franchisees are in the early stages of mapping out the renovation cycle for these stores, many of which are less than ten

years old. From Fiscal 2021 to Fiscal 2023, we and our franchisees expanded, renovated, or relocated an average of 33 stores per year having invested a total average of approximately \$11.2 million annually on these projects.

Our in-store service model helps ACEs balance “Our Four Paws” of Safety, Compassion, Expertise, and Efficiency to create engaging customer experiences on a highly productive sales floor. We and our franchisees support this by hiring, developing, and rewarding engaging, pet-loving ACEs, who bring a sense of love and care to the pets and their pet parents that visit our stores. Together with our franchisees, we augment our ACEs’ compassion with over 30 paid hours of rigorous introductory training in nutrition, care, wellness, service-based selling and retail operations, and provide ongoing, regularly augmented education through our online learning platform and our suppliers’ in-store support.

Site Selection

We manage our real estate portfolio with the goal of maximizing chain-wide store and franchisee profitability while maintaining a disciplined approach to store site selection and opening readiness. We evaluate potential store locations based on a variety of criteria, including: (i) the level of retail activity and traffic patterns leveraging aggregated, anonymous GPS travel data; (ii) the presence or absence of specific competitors and preferable co-tenants; (iii) the population and demographics of the area, including expected housing development; (iv) the total rent and occupancy cost per square foot; (v) the proximity to existing Pet Valu stores and current franchisee territories; and (vi) most likely localized product and services offerings based on the space and local customers segments.

Nearly all stores are located in high-traffic areas such as shopping centres or “main streets” of smaller communities, where our management believes customers are likely to do their household shopping for groceries and other non-discretionary items. We open stores in various locations, including urban/metropolitan areas, suburban areas, mid-sized cities and small towns. We believe that Pet Valu stores attract customers from a relatively small shopping radius, which allows our franchisees and us to profitably operate stores in all markets types – urban, suburban or rural. We believe that we can continue to profitably open stores – corporate-owned and franchised – in markets across Canada, including in areas where our store density is the highest, such as in the Greater Toronto Area and the Metro Vancouver Region, as well as numerous rural towns where our brand has no presence today. Our ability to open new stores is dependent upon, among other factors, locating suitable sites, negotiating favourable terms, and aligning growth to our supply chain capacity.

Flexible, Hybrid Operating Model

Pet Valu strategically operates a hybrid franchise/corporate ownership model to better meet local community dynamics and capitalize on diverse real estate opportunities to successfully grow across geographies. Our hybrid approach to store ownership, in which our franchisees currently own and operate 72% of our stores, leverages the advantages of both operating models. Our franchisees engender a level of operational commitment and passion for pets and their communities that drives customer loyalty and strengthens our overall brand and enables faster growth, as franchisees deploy capital to purchase newly-constructed and opened stores. Our corporate-owned stores allow us to test new products and form best practices for our broader network and serve as a complementary growth mechanism allowing us to quickly act upon opportunities in new communities or other attractive markets where we do not yet have a franchisee. This hybrid operating strategy is key to our ability to sustain strong store and sales growth while also generating significant cash flow.

Our ability to adapt our small store format and tailor our merchandising strategies and store layouts are key differentiators that allow our franchisees and us to compete across various markets effectively and profitably – urban, suburban and rural – in a manner that is not available to all pet specialty retail formats. Once in market, we blend our strong, competitively sourced core product assortment with regionally specific products purchased by local franchisees and corporate store managers to generate strong unit economics and same-store sales growth across all market types. As a result of these strategies, we have delivered relatively consistent average same-store sales growth across urban, suburban and rural markets over the last five years.

Franchise Store Network Model

Pet Valu's franchise business model is based on the Pet Valu, Bosley's by Pet Valu, Chico and Paulmac's Pets franchise systems and operations. The following information applies to each of our Pet Valu, Bosley's by Pet Valu, Chico, and Paulmac's Pets franchise models, unless otherwise indicated.

As of December 30, 2023, we had 339 franchisees operating 561 franchised stores across eight provinces in Canada. Our new unit growth model is primarily driven through recruiting, training, and supporting a larger franchised store base. We expect that our franchise mix of 72% will gradually increase over time due to the attractive returns franchisees have historically realized and recent expansions of our franchise development teams.

New Franchisee Development and Unit Economics

Franchisees are attracted to join and stay in the Pet Valu system by the level of commitment we provide and industry-leading unit level economics. We receive a significant number of applications from potential new franchisees, including over 1,500 formal franchising inquiries in 2021, over 1,400 in 2022, and over 1,600 in 2023. In addition to new franchisees, our existing franchisees continue to purchase new stores, and accounted for approximately 60% of new or resale franchise store openings cumulatively from Fiscal 2021 to Fiscal 2023. We expect to see continued interest from existing franchisees as new locations are made available.

Franchisee applicants, new and current, may apply to an existing store opportunity – including a planned new store or a qualified resale of an existing corporate-owned store – or more generally express interest in a particular community or region. Where applicable, we leverage expressed interest to prioritize our real estate identification and assessment process to best match qualified franchisees with prospective locations. Ultimately, any selected franchise operator must live within an acceptable driving distance of the location they are interested in purchasing in order to meet the commitment to be actively involved in the operations of the unit.

We believe our flexible store format and well-managed cash build out costs have allowed our franchisees to consistently generate attractive cash-on-cash returns, with an average payback period of approximately four years. Our target unit economic model assumes a store size of 3,750 square feet with historical investment costs of approximately \$0.5 million⁵ including construction, build-out, initial franchise fee and initial merchandise inventory. Our attractive unit economics are demonstrated by our average franchise store 4-Wall EBITDA Margin of 12.5%⁶ and our average sales to investment ratio of approximately four times⁷, implying cash-on-cash returns of approximately 50%⁸. Stores typically see annual sales ramp up from \$0.9 million in their first year of operation to \$1.7 million by their fourth year, before normalizing towards network-wide same-store sales growth thereafter. Over the longer-term, franchisee unit economics have benefited from over a decade of positive same-store sales growth which have increased average unit volume (“AUV”) from \$0.7 million in 2010 to \$2.0 million in 2023⁹.

Relationship with Franchisees

We believe we have strong and collaborative relationships with our franchisee community. This is demonstrated by our 99% franchisee renewal rate between 2019 and 2023, ten-year average tenure of our owner-operators and average

⁵ Includes buildout costs, net of tenant allowances, initial inventory cost and initial franchise fee. \$0.5 million represents average investment cost for stores opened from 2017 to 2021, compared to average investment cost in Fiscal 2023 of \$0.75 million (range of \$0.5 million to \$0.85 million).

⁶ This is a supplementary financial measure. Refer to “Non-IFRS Measures and Supplementary Financial Measures” above. Represents Fiscal 2023 performance for 405 franchised stores open for at least 24 months, excluding Chico. Calculated by dividing 2023 average 4-Wall EBITDA of \$0.25 million by 2023 average unit volume of \$2.00 million.

⁷ This is a supplementary financial measure. Refer to “Non-IFRS and Other Financial Measures” above. Calculated by dividing the 2023 average unit volume of \$2.0 million by the historical investment cost of \$0.5 million.

⁸ This is a supplementary financial measure. Refer to “Non-IFRS Measures and Other Financial Measures” above. Calculated by dividing 2023 average 4-Wall EBITDA of \$0.25 million by the historical investment cost of \$0.5 million. The calculation of 4-Wall EBITDA has been updated in 2023 to include various forms of merchandise-related reimbursements. Under this revised calculation methodology, 2022 average 4-Wall EBITDA would have been similar to 2023 average 4-Wall EBITDA.

⁹ This is a supplementary financial measure. Refer to “Non-IFRS and Other Financial Measures” above.

annual owner-operator turnover of 3% between 2019 and 2023, with most turnover being franchisee-to-franchisee transfers to support well-earned retirements. Our franchisees engender a level of operational commitment and passion for pets and their communities that drives customer loyalty and strengthens our overall brand. Franchisees are owner-operators, with 61% and 23% of franchisees owning just one or two stores, respectively, and none of our owner-operators operating more than seven stores. The voice of our franchisees is represented by two, elected franchise councils, a 14-member group representing franchisees outside of Québec and a 7-member group representing our Chico franchisees in Québec. These councils meet regularly to discuss matters important to franchisees and work closely with Pet Valu's leadership to improve the system and continue to drive success. Finally, franchised operations offer an efficient capital structure to maintain strong store growth and continuous updates to store standards, design, and environment, as local owners deploy their own capital and access to liquidity to increase and improve operations.

We grant the right to prospective franchisees under a franchise agreement to own and operate a retail store under one of the Pet Valu, Bosley's by Pet Valu, Chico, or Paulmac's Pets banners at an agreed-upon location and according to our mandatory specifications, standards, operating procedures, rules, and policies applicable to each brand. The franchise agreement identifies and grants a store-specific territory to the franchisee within which we agree not to operate a new corporate-owned store or grant to a third party the right to operate a new franchise, subject to certain exceptions and reserved rights (the "**Territory**"). Franchisees own and operate the franchise as independent contractors and pay for all ongoing operating expenses, including employees, and they are solely responsible for all employment decisions related to the franchise.

A franchise must be managed by at least one designated "Operator" who devotes their full working time and best efforts to the day-to-day, on-premises operation of the retail outlet. The operator must have successfully completed our training programs and not be engaged in any other business endeavour. See "Franchise System Support and Training" below. We also require all individuals holding an ownership interest in the franchise to personally guarantee the financial and other obligations of the franchisee.

Franchise Agreement

The terms of the franchise agreements entered into with franchisees under each of the Pet Valu, Bosley's by Pet Valu, and Paulmac's Pets banners are, in most cases, substantially similar and are summarized below. Given the distinct operating structure of the Chico banner, as well as limited integration to date into Pet Valu's system and services, most franchise agreement terms with Chico franchisees currently differ materially from the Company's other agreements. Processes are underway over the next several years to better harmonize most terms across the Chico banner and in alignment with Pet Valu's practices.

Upon execution of a franchise agreement, a franchisee will pay an initial franchise fee. The franchisee is also required to purchase leasehold improvements, equipment, fixtures, and signage from our designated or approved suppliers to build or develop the franchised store. Historically, new franchisees could expect to invest on average approximately \$0.5 million¹⁰ related to a new franchise, the initial franchise fee, and all initial merchandise inventory to be sold in the franchise location. Beyond opening, the franchisee is required, with some limited exceptions, to purchase a significant majority of ongoing merchandise from suppliers that we designate or approve, which may include us or our affiliates or other restricted sources, to be sold in the franchise location.

Franchisees are required to pay the Company on-going royalty fees based on a certain percentage of gross sales per store. In Fiscal 2023, almost all Pet Valu, Paulmac's Pets and Bosley's by Pet Valu franchisees paid a royalty fee equal to 6% of non-grooming gross sales per store, and 1% of grooming services sales per store, subject to limited relief programs. Chico franchisees paid a variety of royalty fees based on their initial franchise agreements, averaging approximately 2% of their gross sales per store. We plan to gradually increase Chico's royalty fees over time.

¹⁰ Includes buildout costs, net of tenant allowances, initial inventory and initial franchise fee. \$0.5 million represents average investment cost for stores opened from 2017 to 2021, compared to average investment cost in 2023 of \$0.75 million (range of \$0.5 million to \$0.85 million).

Franchisees are also required to contribute to a promotion fund (the “**Promotion Fund**”), the purpose of which is described below under “Marketing and Advertising”. Promotion Fund contributions are based on a percentage of gross sales up to a specified contribution limit per store. Both the percentages and contribution limits vary by banner. Total franchisee contributions to the Promotion Fund in Fiscal 2023 represented 2.3% of total franchised store sales. Pet Valu, Bosley’s by Pet Valu and Paulmac’s Pets franchisees also pay a “Technology as a Service” fee, charged for technology expenditures for in-store hardware and software as well as the related on-going maintenance and support. Both the promotion fee and the technology fee (where applicable) are payable at the same time as the royalty fee described above. See “Marketing and Advertising” below.

Throughout the term of the franchise agreement, a franchisee is also required to maintain the condition and appearance of their franchise to be consistent with our then-current standards for the design of the store, including replacement of worn-out or obsolete fixtures, furnishings, equipment, and signs. All such refurbishing is at the franchisee’s expense, although the Company may choose to co-invest, at its own discretion, where doing so is expected to be beneficial to both the franchisee and the Company.

Almost all Pet Valu, Bosley’s by Pet Valu and Paulmac’s Pets franchisees sublease the Company-approved premises for their franchise from us or one of our affiliates under the terms of a sublease agreement. As of December 30, 2023, almost all Chico franchisees, and a small number of franchisees under our other banners, own or lease facilities from third party landlords who are unaffiliated with the Company. Usually where the franchise operates under a sublease, the franchisee is responsible for paying the greater of the contracted base rent for the location or a specified percentage of gross sales for the sub-lease of the location, subject to limited relief programs. In Fiscal 2023, 70% of the Company’s franchisees paid percentage rent, which represented 2.6% of total franchised store sales. The franchisee is also responsible for all other costs and expenses under the lease and/or sublease, including common area maintenance, insurance, utilities and real estate taxes. Any default by the franchisee under a lease or sublease is deemed to be a default under the franchise agreement, allowing us to terminate the franchise agreement. See “Properties” below.

Franchise System Support and Training

Before a franchisee opens a franchise, we, or an existing franchisee, provide initial training to the franchisee’s operator. We also offer franchisees on-going training and support, such as mandatory attendance at an annual franchisee convention. Product, services, basic safety, selling skills, and pet nutrition and wellness training, which is substantially similar to that used for our corporate-owned stores, is also made available to franchisees and their employees through our online learning portal.

The Company also provides franchisees with access to a set of our franchise manuals and forms, which outline our system standards that must be fully followed by franchisees in operating the franchise for each applicable brand (collectively, the “**Manuals**”). The Manuals are used to ensure consistency across franchisees in the applicable franchise systems in respect of items such as the design and appearance of the store, technology systems, product and inventory specifications, uniforms and hours of operation, trademark usage, marketing and advertising, and other items that the Company determines to be useful to preserve or enhance the efficient operation, image or goodwill of the applicable brand and franchise system. The Company’s Franchise Business Consultants help franchisees refer to these Manuals and other training materials to rectify any identified deficiencies during the quarterly standards and operations reviews (“**Safe & Ready Assessments**”).

In Fiscal 2023, we successfully relaunched an enhanced franchise sales, communications and engagement portal called PetConnect, which is powered by FranConnect, a third-party provider of industry-leading franchise management solutions. The adoption of the PetConnect name aimed to offer users a more branded experience and increase franchisee engagement.

Franchisee Screening

Franchisee candidates must complete a screening call and are then eligible to submit a franchisee application. A potential site is selected, and candidates pay the Company a refundable deposit. Candidates then attend interviews with senior executives of the Company (“**Discovery Day**”) to assess each candidate’s suitability for the role. Candidates

applying for locations outside of Québec meet with our Chief Administrative Officer, Senior Vice President of Franchise Store Operations and Chief Digital and Marketing Officer, while candidates applying for Chico locations meet with the General Manager and Director of Development of Chico. Each interviewer provides a written assessment of the candidate and those candidates recommended for approval are presented to our Chief Executive Officer (“CEO”) for final consideration. All candidates also complete a credit check and criminal background check. If a candidate is approved by the CEO, the candidate then must secure financing prior to entering into a franchise agreement with the Company.

Franchise Term, Termination, Renewal and Transfer

The term of a franchise agreement is typically 10 years from the opening date of the franchise store, unless terminated earlier by the Company. After the initial 10-year term of the franchise agreement, franchisees have the right to acquire two additional five-year successor terms provided that the franchisee satisfies certain renewal conditions prior to each successor term, including paying the Company a renewal fee equal to 25% of our then-current initial franchise fee. If, at the end of the initial 20-year term, the franchisee is in good standing, the Company may opt to enter into a new franchise agreement in five-year increments, including paying the Company a renewal fee equal to 25% of our then-current initial franchise fee. The franchise agreement may be terminated by the Company prior to the end of the term or any successor term in the event the franchisee defaults under the franchise agreement and does not cure the default in the time specified (if the default is one capable of being cured). As of December 30, 2023, the average remaining franchise agreement term is approximately four years.

In the case of a transfer of the franchise, the selling franchisee is charged a transfer fee equal to 25% of the Company’s then-current initial franchise fee. The Company is also granted a right of first refusal under the franchise agreement in respect of any one or more bona fide written offers for a proposed transfer of the franchise. Prior to the completion of the transfer, the purchaser is subject to the same screening process as other franchise candidates and is required to successfully complete any training that may be required by the Company.

Corporate Store Network Model

Corporate Operations and Structure

Pet Valu’s business model also leverages a strong core of corporately owned and operated retail stores. Corporate-owned stores are operated under the Pet Valu, Bosley’s by Pet Valu, Paulmac’s Pets, Total Pet and Tisol banners. As the business models for all five aforementioned banners are substantially similar to each other, the following information applies to each of our corporate store models, unless otherwise indicated.

As of December 30, 2023, we had 222 corporate-owned stores across eight provinces in Canada and in every market type.

All our corporate-owned stores operate within a set of standards facilitating the safe operation of stores that are ready to serve customers. These standards include items such as the design and appearance of the store, technology systems, product and inventory specifications, uniforms and hours of operation, trademark usage, marketing and advertising, safety checklists, operating instructions, and other items that the Company determines to be useful to preserve or enhance the efficient operation, image, or goodwill of the applicable brand. We administer and monitor several recurring safety tasks such as daily store walks to assess safety readiness, monthly Safe & Ready Assessments and annual hazard and violence risk assessments.

Our corporate-owned stores allow us to rapidly test new products, innovations and best practice procedures at scale and then standardize operations to accelerate the roll-out of critical changes, products and service offerings with our franchise system. They also serve as a complementary growth mechanism allowing us to quickly act upon opportunities in new communities or other attractive markets. Corporate store leaders are critical inputs to our success providing two-way feedback through our execution management system, advisory councils, and weekly field leadership meetings. In addition, the relatively long average tenure of our corporate store managers of approximately five years leads to strong local community connections and stability. The combination of our listening and learning network and experienced

store managers enables Pet Valu to operate nimbly in times of great change and to lead by establishing and standardizing best practices before advocating changes to our franchisees. With proven success in our corporate-owned stores, we see more rapid and successful transfer of these best practices and then very high levels of operational consistency across all stores, corporate-owned and franchised, as audited quarterly through our field leadership. In addition, where needed, our hybrid operating model provides us with the ability to quickly open a new corporate-owned store after having identified an optimal site, but prior to having identified an approved franchisee.

We provide initial and ongoing training to our corporate store teams through our online learning portal and interactive virtual and in-person sessions including in respect to the operating standards referred to above, as well as animal health and safety, nutrition and wellness, products and services, operations, managerial and leadership development, culture, legal and compliance in our corporate-owned stores. These development and training materials are available via a variety of in-store and collaboration technologies and, where required, is supplemented by hardcopy materials.

Corporate Unit Economics

As with our franchised stores, our corporate-owned stores consistently generate attractive cash-on-cash returns and typically see an approximately two-year payback on initial investment. Our attractive corporate-owned unit economics are demonstrated by an average corporate-owned store 4-Wall EBITDA Margin of over 25%¹¹ and an average sales to investment ratio of approximately four¹² times, implying cash-on-cash returns in excess of 100%.

Merchandise and In-Store Services

Products and Services Mix

We specialize in the retail sale of pet food and hardlines and pet specialty products, as well as select pet services. Our comprehensive product offering includes over 350 brands and over 7,000 specifically-selected and curated pet products specialized for dogs, cats, fish, birds, reptiles, and small animals. Our sales mix consists of:

- Consumable products, representing 78.1% of our system-wide sales in Fiscal 2023 (vs. 75.0% in Fiscal 2022), which primarily includes food and treats for dogs and cats, cat litter, and health and wellness solutions. These products are typically purchased on a weekly, monthly or bi-monthly frequency.
- Hardlines and pet specialty products, representing 19.6% of our system-wide sales in Fiscal 2023 (vs. 23.4% in Fiscal 2022), which primarily includes dog and cat toys, collars and leashes, waste management solutions, pet cages and carriers, flea and tick products, pet apparel and other related accessories that are typically purchased on a monthly, quarterly or annual frequency.
- In-store services, representing 2.3% of our system-wide sales in Fiscal 2023 (vs. 1.6% in Fiscal 2022), which primarily includes self-serve dog washes and grooming salons. The services we offer for pet parents are essential, recurring, and high frequency in nature. In addition to acting as a profitable driver of new customer acquisitions, services help retain customers, drive incremental customer traffic, extend the duration of customer store visits, and increase overall engagement. Approximately 66% of stores offer self-serve dog wash bays and 30% offer grooming salons, with over 20% of stores offering both and 75% of stores offering at least one.

Certain of our corporate-owned and franchised stores also sell live animals, including fish, birds, reptiles, and other small animals (the sale of which is reported in our hardlines and pet specialty categories), and/or facilitate the adoption of cats, dogs, or other small animals on behalf of local animal welfare organizations.

¹¹ Represents Fiscal 2023 performance for 190 corporate stores open for at least 24 months.

¹² Calculated by dividing the 2023 AUV of \$1.85 million by the historical investment cost of \$0.45 million.

National and Proprietary Brands

Our stores offer a curated assortment of the highest quality products for pets, which offers the functional breadth of assortment found in most pet warehouse stores all within a compact and easy-to-shop specialty pet store footprint. Our product selection, most of which has limited distribution outside of the pet specialty retail channel, is designed to support the needs of pet parents across the full lifecycle of their pets and provide the breadth and variety needed to cover all the daily needs to feed, train, play, and protect their pets.

We offer an extensive selection of well known, sought-after and premium national brands, many of which exclusively distribute through the pet specialty channel in Canada. National brands we offer include, but are not limited to, Acana, Orijen, Stella & Chewy's, Hill's Science Diet, Big Country Raw, Merrick, GO and Now! Fresh, and Kong.

To complement the national brands we offer, we also have a selection of award-winning proprietary brands available only to Pet Valu customers in Canada, which provide even more high-quality options for pet food and supplies. We believe these brands help Pet Valu attract and retain customers and offer our franchisees and us an enhanced margin profile. Our portfolio encompasses over 1,900 items across brands such as our Performatrin brand family (Performatrin Prime¹³, Performatrin Ultra, Performatrin Ultra Limited, Performatrin Naturals), Lovibles, Barker's Complete, Fresh 4 Life, Bailey & Bella, Jump and Essentials Pet Expert Approved. Performatrin Prime and Performatrin Ultra foods are the premier brands in our line-up, with more than 37 years and 21 years, respectively, of strong sales history within Pet Valu stores. More recently, the capabilities of our product development and store sales teams enabled further extensions of our proprietary brands. In Fiscal 2023, we broadened our Performatrin Ultra treats offering into new categories, introduced new innovation with Performatrin Ultra raw coated cow ears and bully-alternative chewers, and doubled our Performatrin Ultra freeze-dried raw portfolio. In hardlines, we expanded our Bailey & Bella Celebrations apparel collection, introduced over 200 new Jump toys and entered the litter accessories category. In Fiscal 2023, we generated approximately 25% of our system-wide product sales from our proprietary brands, similar to Fiscal 2022 as the introduction and growth of proprietary brands across the Chico banner was offset by the strong sales growth of national brands in natural culinary products where we had limited proprietary brand presence. Over the long term, we have a strong track record of increasing the penetration of our best-in-class portfolio of proprietary pet food and hardlines brands and expect there is room to grow these brands as part of our product mix.

Merchandise Sourcing

We purchase most of our merchandise centrally from manufacturers, wholesalers, manufacturers' representatives, and importers. Our strategy is to source merchandise directly from the lowest cost suppliers that meet our high-quality standards while maintaining appropriate supply chain resiliency. We currently source most of our merchandise from Canada, the United States, China, Thailand, Germany, France, Vietnam, Colombia, Brazil, Mexico, New Zealand and Italy. Approximately 23% of purchases were denominated in US Dollars during Fiscal 2023.

Our supplier base is well diversified, with no single supplier accounting for more than 15% of our total purchases during Fiscal 2021, Fiscal 2022 or Fiscal 2023. In Fiscal 2023, our top 10 suppliers represented 53% of our total purchases and our top 25 suppliers represented 70% of our total purchases. In our merchandise sourcing we strive to find a balance between building long-standing relationships with our vendors and identifying and working with new and innovative specialty vendors. We have strong and long-standing relationships with our suppliers, including relationships with six of our top 10 suppliers for more than 15 years and each of our top 10 suppliers for more than five years. We generally buy products on an order-by-order basis and usually do not enter into long-term purchase contracts or offer other assurances of continued product supply or guaranteed product cost. The strength and duration of these relationships combined with both our ability to establish new relationships with on-trend brands, and our purchasing scale and direct sourcing capabilities contribute to our competitive cost position and ability to offer a wide selection of products at our price points.

¹³ The original food formulas marketed under "Performatrin" were rebranded "Performatrin Prime" in January 2023.

In addition, our in-house nutritionist and proprietary brand teams develop the product formulation, design, packaging, and labeling concepts for our proprietary brands and work in concert with world-class manufacturers selected to produce each item to meet our exacting standards. We have had and highly-value our over 15 years of close working relationships with our primary proprietary brand manufacturer for our pet food products, which is our largest supplier. As our proprietary brand teams identify new formulations, launch alternative brands and continue expanding our product lines, we have diversified our proprietary brand manufacturing suppliers to increase the resiliency in our supply chain.

Omni-Channel Strategy

We operate six banner-specific websites. As of December 30, 2023, all websites, except chico.ca, operate on a shared platform. Our websites are continually evolving digital representations of our brand. We strive to offer an integrated experience for our customers where they are provided another access point to our offerings, are able to shop when and how they want and enjoy exceptional customer service as they would in our stores. We believe there is a synergistic relationship between our store network and digital presence, with the success of each channel benefitting the other through increased marketing, brand awareness and affinity. We do not favour selling in one channel over another, and purposefully do not partake in channel-specific vendor promotions, e.g., online-only promotions, or set arbitrary sales penetration targets.

Since 2019, we have made, and continue to make, significant strategic investments in building our omni-channel platform. Initially, our focus centred on positioning our websites as a channel to market to our customers and showcase our product catalogue. In recent years, we have made the following enhancements:

- Commencing in August 2020, we began a staged roll out of our transactional websites with direct-to-home delivery capabilities fulfilled through our distribution centres, with nationwide coverage in place as of February 2021. Throughout their development, launch and rollout, we worked closely with our Canadian Franchise Council and other representative franchisees to build a mutually-beneficial marketing and profit sharing program which includes the sharing of a net economic benefit from a direct-to-home online order where the customer is primarily loyal to a specific franchise store and/or where the business address for the order is within an existing franchisee's territory.
- In the third quarter of 2021, we completed Point of Sale (“POS”) and in-store order management technology upgrades, across all corporate-owned and franchised stores.
- In September 2021, we completed the activation of Click & Collect as a fulfillment option giving customers the ability to seamlessly purchase our products online using near real-time inventory visibility and to pick up in any of our corporate-owned or franchised stores outside of Québec, providing pick-up points closer to customers than any other specialty pet retailer in Canada.
- In December 2021, we upgraded the website and order management solutions to the latest cloud-based version to enable an improved customer experience. In September 2022, we launched Autoship, our subscription-based service, enabling customers to automatically receive the pet essentials they need on a recurring schedule of their choice. The service offers customers the option of having their essential products shipped to their home or ready for pick up in one of our local stores, outside of Québec. For every new eligible product added to an AutoShip subscription, Pet Valu makes a food donation to the Lions Foundation of Canada Dog Guides feeding program, subject to the program donation limit.
- In May 2023, we relaunched our non-transactional Performatrin website, which provides marketing and information support for our growing lineup of Performatrin food products.

In addition to these milestones, our teams deliver continuous improvements to enhance customer experience with and operational efficiency of our omni-channel platforms. In Fiscal 2023, we added e-commerce features including nearest store inventory and product badging, as well as loyalty account features such as saved addresses and payment, recent online and in-store purchase history, and pet profiles. Given our recent acquisition of Chico in February 2022, we are

in the process of developing our omni-channel strategy for our Chico banner. We currently operate a Chico website, chico.ca, focused on marketing to our customers and showcasing the breadth of our product offering. Over time, we plan to implement and enhance our omni-channel offering at Chico.

We are committed to protecting the security of customer data as our customers shop with our franchisees and us. We undertake administrative and technical measures to protect our systems and the customer data those systems process and store. We have developed policies and procedures designed to manage data security risks. We employ technical security defenses, monitor servers and systems, and use technical measures such as data encryption. We also use third parties to assist in our security practices as well as to prevent and detect fraud. See “Risk Factors – We are subject to risks related to online payment methods, including changes to regulations, compliance requirements and fraud” and “Risk Factors – Our marketing programs, digital commerce initiatives, and collection, use, sharing and other processing of consumer information, including personal information, are governed by an evolving set of laws and enforcement trends, and changes in privacy laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations”.

Loyalty Programs

We believe that our loyalty programs are our greatest assets in providing relevant, timely offers and messages to our customers. Our primary loyalty program, Your Rewards/VIP PlusTM, is available to customers across all our stores outside of Québec. Within Québec, we operate a dedicated loyalty program, the Chico Privilege Card, for customers of our franchised Chico stores. Together our loyalty programs consisted of approximately 2.9 million active members¹⁴ as of December 30, 2023, representing an increase of 11%, driven by membership growth in both programs. Our loyalty program penetration also increased to 81% of system-wide sales in Fiscal 2023, compared to 75% in Fiscal 2022, and 66% in Fiscal 2021.

Our Your Rewards/VIP Plus program was launched in 2015, and in Summer 2020, we and our franchisees implemented a significant upgrade to digitize the program, allowing us to seamlessly recognize our customers and provide personalized shopping suggestions across all participating brands. We attribute the continued growth in our Your Rewards /VIP Plus loyalty program to the strength of our Frequent Buyer Bag Program and our Frequent Dog Wash Program which, reward customers who buy 12 bags of pet food or four dog washes with a complimentary bag of dog food or a complimentary dog wash, respectively. Our program is currently focused on dog and cat food and select specialty pet items as well as dog washes and discount days, with our members-only Seniors & Military Day being our largest single sales day each month. We continue to add new brands to the program to broaden the appeal and usage. The program gives us the ability to provide our members personalized offerings based on their purchase history and shopping behaviours, resulting in increased engagement.

Our Chico Privilege Card is a points-based loyalty program, whereby customers are awarded two points for every dollar spent, pre-tax, on qualifying purchases at any of our franchised Chico locations in Québec. Chico Privilege Card holders can redeem these points towards subsequent purchases at Chico stores. The program also gives us the potential to provide our members personalized offerings based on their purchase history and shopping behaviours.

We have and continue to make significant investments in digital and omni-channel infrastructure to help build customer loyalty and better serve our customers. In Fiscal 2022, we expanded our analytics and loyalty marketing capabilities leveraging the data provided by our Your Rewards/VIP Plus program. These capabilities are now being used for specific marketing campaigns tied to specific customer behaviours such as channels shopped, product categories shopped, and time-based patterns. In Fiscal 2023, we launched our pet profile which allows us to create tailored marketing programs for our Devoted Pet Lovers. We expect the continued growth of our loyalty programs and our analytic capabilities to allow us to deepen our relationships with our customers; drive differentiated value for them; and continue to support strong store and digital business performance.

¹⁴ An active member is a customer transacting at any of our stores or online in the last 12 months. Fiscal 2022 figures restated to align Chico Privilege Card membership count with the Company’s definition of “active member.”

People and Culture

As of December 30, 2023, we had 2,185 full-time equivalent employees, of which 1,220 were employed in our corporate-owned stores, 502 were employed in our support offices, and 463 were employed in our distribution centres or in our distribution transportation network. We are not party to any collective bargaining agreements, and we believe our labour relations are generally good.

Our culture is grounded in “9 Core Beliefs” that begin with designing our operations and merchandising mix with the Devoted Pet Lovers and efficiency in mind, followed by influencing how we and our franchisees hire and develop people committed to becoming ACEs, how we value our close relationships with our franchisees, how we set expectations for leaders to be inspiring, supportive, and informative, how we combine our assets to drive profitable growth, and how we pause each day to recognize the fun in what we do. This culture is promulgated through ongoing communications, leadership development, and daily celebrations of the emotional connections we share with each other and with our customers and their pets.



We believe we are the best choice for people who are devoted to their pets. Meeting the higher expectations of these pet lovers drives what, how, and why we do what we do.



We are committed to providing the best products and services that create the healthiest, most playful life possible for the pet you love.



We hire and invest in people committed to becoming the best ACEs for our customers.



We believe consistently great execution allows us to invest in meaningful time with our customers.



We believe better results come from working as a team. We unite and solve our business problems together.



We believe franchisees are an invaluable part of the team who provide a unique perspective and help us grow.



We believe our leaders must create an inspired, informed, and supportive working environment.



We believe there are moments of fun in every day. We will look for them and celebrate them.



Finally, we believe taking these actions drives profit that fuels our growth and future success.

We have distilled the essence of these beliefs into the “Our Four Paws” service model. Our highly trained and passionate ACEs bring “Our Four Paws” to life by utilizing a consultative, compassionate approach to deliver knowledgeable advice and superior experiences to our customers. Our ACEs share a common bond: most of them are also Devoted Pet Lovers. From the moment they join Pet Valu, our ACEs, in both our corporate-owned and franchised stores, receive extensive initial training across animal health and safety, nutrition and wellness, products and services, operations, culture, legal and compliance. Thereafter, our ACEs continue learning about brands and pets of all types via recurring virtual education sessions.

Through “Our Four Paws”, our ACEs learn the importance of making good, prioritized decisions:

- Safety – operate safely to build long-term trust with our Devoted Pet Lovers and fellow ACEs;
- Compassion – extend compassion to our customers, their pets, our communities and to each other;
- Expertise – develop and offer approachable expertise to help our Devoted Pet Lovers make good choices to improve the overall welfare of pets across Canada; and
- Efficiency – make efficient use of time and resources to drive profitability.

In our corporate operations, we support our ACEs’ and store management’s commitment to “Our Four Paws” through a preferable pay structure that combines a competitive hourly wage and benefits programs with an attractive employee discount program and monthly sales incentives, in which our corporate-owned store ACEs, inclusive of hourly staff and store management, are eligible to receive a bonus and an accelerated 50% full-store discount for meeting local store sales targets during the month. Starting in late Fiscal 2022, we make targeted investments to wages for all full-time corporate ACEs, whose tenure at Pet Valu is at least one year, to meet living wage thresholds according to regional benchmarks.

Finally, we are committed to the long-term development and improvement of our culture and leaders. Launched in Fiscal 2021, we provide our Leadership Development Program: a company-wide leadership development curriculum, refreshed annually, centered on “Our Four Paws”, retail business acumen and leadership practices. Our executive leadership and learning development team work together to lead this program focusing on self- and team-leadership in a retail environment. The program directly ties leading retail management disciplines, such as personality profiles, situation-based leadership, self-accountability, and calculating return-on-investment, to key leadership practices such as diversity, equity and inclusion training and shaping organizational culture, to “Our Four Paws” and investing for long-term, profitable returns. Leveraging leading academic work on compassion in the workplace and deep insights into the culture of high-performing workplaces, this program is a critical element of the continued evolution and improvement of Pet Valu leaders as we prepare for future growth. In Fiscal 2022, we launched the Manager Essentials Program, a skills series designed to bridge the gap between ACE onboarding and the Leadership Development Program through a holistic learning culture tied to “Our Four Paws.” This series provides new and existing managers across the Company with the knowledge and tools to communicate effectively, successfully manage people and performance, drive talent development, and foster an environment of diversity and inclusion. In Fiscal 2023, we launched the Reach Accelerated Leadership Development program, designed to cultivate a diverse pool of identified high potential talent through external learning and internal networking opportunities.

Marketing and Advertising

Our approach to advertising and marketing is to reach customers across various online and offline channels. Our 360-degree marketing efforts leverage our efficient, cost effective and data rich loyalty platform to allow us to reach our current customers, as well as manage and track the effectiveness of our spending. We use different channels including print, television and digital advertising targeting potential customers across Canada strengthening our overall brand recognition and inviting new customers to Pet Valu.

We have established the Promotion Fund for advertising, marketing, website development, and public relations programs and materials. Each week, franchisees pay the Company or our designated affiliate a fee to be contributed to the Promotion Fund in an amount set by the Company (see “Franchise Store Network Model – Franchise Agreement” above). We direct all programs financed by the Promotion Fund, with sole control over all creative and business aspects. Currently, our policy is for our corporate-owned stores and direct-to-home delivery operations to contribute to the Promotion Fund at the same percentage as our franchisees. Additional advertising and marketing may also be placed through co-operative marketing and promotional funding with our product suppliers.

The Promotion Fund may pay for, among other things, the administration of national, regional, and multi-regional marketing and advertising programs, the re-imbursement of proprietary brand coupon programs, customer returns, repayment for discounted or expired food or merchandise, new store fixtures, preparing, producing and placing video,

audio and other electronic media, graphic design, point of purchase displays, trade show booths, posters, websites, public relations, market research, customer analysis, and other advertising, promotion, and marketing activities.

In addition to paid channels, we believe many of our new customers originate organically—from word-of-mouth and non-paid referrals from our customers as well as from general awareness of our product offering. Our ability to retain a high level of non-paid customer acquisitions reduces the level of marketing investment required to continue our growth.

We plan to further grow the customer base for our franchisees and us by cost-effectively acquiring new customers through targeted marketing campaigns and converting them into frequent customers. In addition, we regularly introduce new categories, brands and products to our customers and continually review our offerings with the goal of providing customers with a one-stop shop for all their pet needs, increasing customer loyalty and driving repeat purchasing.

Distribution Network

Our distribution centre network supports our franchisees and our stores nationwide and fulfilled 86% of our retail goods in Fiscal 2023. Our distribution centre network includes five distribution centres and two forward deployment cross-dock centres, all of which are leased other than our Ottawa, Ontario cross-dock centre which we own. In addition, we engage with third-party logistics companies to provide additional storage space in select markets. Bulk and piece-pick items are shipped to our stores across Canada from our distribution centres. Direct-to-home deliveries transacted through our website are fulfilled through our distribution centres.

The below table describes our distribution centres and forward deployment cross-dock centres utilized as of December 30, 2023, excluding third-party locations.

Location	Type	Size (square feet)
Delta, British Columbia	Distribution centre	109,000
Calgary, Alberta	Distribution centre	155,000
Mississauga, Ontario	Distribution centre	75,000
Brampton, Ontario	Distribution centre	670,000
Varenes, Québec	Distribution centre	13,000
London, Ontario	Forward deployment cross-dock centre	18,000
Ottawa, Ontario	Forward deployment cross-dock centre	10,000

We only sell the products we carry directly to consumers or, in the case of our franchise business, to our own franchisees. We primarily purchase our products directly from our vendors; however, in certain markets and with certain products, we rely on third-party distributors to conduct our business. Any relationships we have with third-party vendors and distributors are governed by non-exclusive agreements that do not obligate us to minimum volume or fees, and such agreements may be terminated by either party on 90 days' prior written notice.

Transportation

We must constantly replenish depleted inventory through deliveries of merchandise to our distribution centres and third-party storage facilities, and from our distribution centres to our stores by various means of transportation,

including shipments by sea, train and truck on the roads and highways of Canada. We operate a hybrid model between a leased, company-managed fleet and the use of third-party carriers for deliveries to our stores. Within proximity to our distribution centres and forward deployment centres, we directly lease rolling stock and operate store deliveries using our drivers. This flexibility gives us the ability to leverage off-hour deliveries in 44% of our stores, minimizing disruption during operating hours. For further distances from our distribution centres, we leverage our in-house procurement staff to competitively bid and then contract with specific third-party carriers on a regional basis to provide consistency of service, delivery times, and routes to our franchised and corporate-owned stores. Our transportation costs are subject to fuel cost increases or surcharges and therefore fluctuate over time.

Environmental, Social and Governance Factors

Our mission, values and strategy are anchored in the belief that utilizing sustainable business practices helps deliver profitable growth and create value over the long-term. As a result, our approach to managing many ESG factors, and particularly those that can reasonably be expected to affect the Company’s prospects and influence decisions by existing and potential investors (“**Primary ESG Factors**”), is consistent with our approach to other business factors.

ESG Governance

Pet Valu’s Board of Directors (the “**Board**”) has delegated oversight of the Company’s ESG activities and disclosure to the Governance and Nominating Committee of the Board (the “**Governance and Nominating Committee**”). To demonstrate the Company’s commitment to managing ESG matters, in Fiscal 2023, the Board adopted an ESG policy (the “**ESG Policy**”) outlining the Company’s governance, strategy, risk management, measurement and disclosure of Primary ESG Factors relevant to our operations.

We have designated Pet Valu’s executive leadership team, comprised of the Company’s CEO and the CEO’s direct reports, as our ESG steering committee. This committee, supported by appropriate working groups and accountable executive sponsors, is responsible for identification of Primary ESG Factors, implementation and adherence to appropriate procedures and disclosure of key performance indicators. The Governance and Nominating Committee receives quarterly progress updates on ESG matters from this committee.

ESG Reporting

On November 15, 2023, the Company issued the 2022 ESG Report, that provides a comprehensive overview of nine Primary ESG Factors, which were identified through a materiality assessment completed in early Fiscal 2023 as having a critical role in the delivery of Pet Valu’s strategic, operational and financial aspirations. The 2022 ESG Report focuses on the importance of our approach to, performance on, and outlook for each of the Primary ESG Factors, discussed across five distinct sections:

Section	Franchisee Relationships	ACE Working Environment	Energy and Emissions Management	Responsible Stewardship	Product Safety and Quality
Primary ESG Factor(s)	Franchisee Relationships	Labour Practices and Retention Diversity, Equity and Inclusion Development and Training	Greenhouse Gas Emissions Energy Management	Corporate Governance Data Privacy and Information Security	Product Safety and Quality

Pet Valu’s 2022 ESG Report, along with other related materials are available on our investor relations website at investors.petvalu.com. The information on our website does not form part of this AIF and our ESG report is not incorporated by reference herein.

Seasonality

Our operations are impacted to a limited degree by seasonality, given the high penetration of consumables products sold throughout the year. In particular, we sell select holiday merchandise that is not part of our core assortment during the rest of the year, such as holiday specific toys, apparel and giftable items, and, as a result, see a slightly higher proportion of volume sales in the fourth quarter. Fiscal 2021, and to a lesser extent in Fiscal 2022, system-wide sales and revenue seasonality were significantly affected by the various forms of government mandated operating restrictions and related shifts in consumer behaviour related to the COVID-19 pandemic. The Company believes the system-wide sales and revenue cadence in Fiscal 2023 were more reflective of Pet Valu's historical seasonality under normal operating conditions.

Quarterly results may also be affected by the timing of new store openings, completion of renovation, expansion or relocation projects, the timing of certain holidays and severe weather conditions.

	System-wide Sales (% of annual)					Revenue (% of annual)			
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
Fiscal 2021	22.0%	23.2%	25.9%	28.9%		21.9%	23.5%	25.9%	28.7%
Fiscal 2022	22.2%	24.2%	25.7%	27.9%		22.4%	23.9%	25.7%	28.0%
Fiscal 2023	23.9%	24.2%	25.2%	26.7%		23.7%	24.3%	24.8%	27.2%

Properties

We have one leased headquarter office space located in Markham, Ontario, and one leased regional corporate office space connected to our distribution centre in Varennes, Québec, comprising a combined total of 48,748 square feet. In Fiscal 2023, we consolidated our headquarter office space in Markham, Ontario into a single location and completed enhancements to the facility to better serve as a meeting hub for our corporate ACEs.

We lease all our distribution centre and forward deployment cross-dock centre locations, other than our Ottawa, Ontario cross-dock centre, which is owned, and 688 of our stores. Approximately 17% of our franchised stores are either owned or leased by the franchisee themselves. Our stores are leased from a wide variety of third parties. The original lease term for our stores is generally 10 years, with certain leases being shorter or longer, and which contain renewal options. The average remaining duration of our store leases, inclusive of unexercised renewal options, is approximately 13 years. To date, we have not experienced difficulty in either renewing leases for existing locations or securing suitable leases for new stores. With few exceptions, our leases are considered "net leases", meaning that in addition to basic rent we must also pay our proportionate share of property taxes, utilities, common area maintenance and insurance. A small portion of our leases also include early release clauses tied to specific sales performance thresholds or the continuous operation of an anchor tenant, providing us with additional operating flexibility should a store not reach sales expectations.

In addition, we sublease approximately 83% of our franchised stores to our franchisees. The original sublease term for our franchised stores is generally 10 years, with certain subleases being shorter or longer, and includes the right for the franchisee to acquire two additional five-year successor terms provided that the franchisee satisfies certain renewal conditions prior to each successor term. Many of these subleases contain renewal options. The vast majority of our franchised store subleases, excluding renewal options, expire at various dates over the next 10 years.

Intellectual Property

We own the material trademarks used in connection with the production, marketing, distribution, and sale of all our proprietary brand products in Canada. Our key trademarks include "Pet Valu", "Bosley's By Pet Valu", "Paulmac's Pets", "Tisol", "Total Pet", "Bailey & Bella", "Jump", "Essentials Pet Expert Approved", "Performatrin",

“Performatrin Ultra”, “Performatrin Ultra Limited”, “Performatrin Naturals”, “Performatrin Prime”, “Your Pet. Your Store”, “Fresh 4 life”, “Lovibles”, “Barker’s Complete”, “Naturally Crafted”, “Solesca Woods”, “Companions for Change”, “Love Lives Here”, “Groomingdale’s”, “Health Diet”, “Our Four Paws”, “Chico”, “Chico Gourmet”, “Le Spa Chico” and “Zoo & Co Produits pour Animaux Animals products”. We have approximately 66 trademarks in Canada, approximately 33 trademarks in the United States, and approximately 23 trademarks in China, all of which are either registered or pending, and approximately 105 domain name registrations. We own registrations in China for the following trademarks: “Pet Valu”, “Jump”, “Bailey & Bella” and “Essentials Pet Expert Approved”. We intend to continue to strategically register trademarks and domain names that we use today and those we develop in the future.

We are not currently aware of any claims of infringement or challenges to our right to use any of our marks in Canada, the United States or China.

Technology

We rely on information systems to manage all aspects of our business, including customer facing systems such as point of sale, e-commerce, loyalty, and business systems including accounting, finance, human resources, inventory management, and store communications. The implementation of these systems has enabled management to efficiently support our customers, conduct our operations and gather, analyze, and assess information across all business segments and geographic locations. We believe that our information technology infrastructure is sufficient to support our operational growth and provide us with the information we need to effectively run our business; however, we continue to assess and invest in additional modules to current systems, enhancements to current systems and new systems when required to continue to improve the efficiency and allow for continued future growth. The Company continually makes investments to support and enhance its information technology systems and infrastructure. We also utilize technology to secure, manage and monitor the environment, and use technical measures such as data encryption, including engaging third-party managed services to assist in our security practices as well as to prevent and detect fraud. Through best practices guided by internationally recognized security frameworks and leveraging the expertise of third-party cyber security and privacy services, we work to protect Pet Valu against cybersecurity risks while safeguarding our customers’ most sensitive information and review our monitoring, preventative actions and employee training quarterly with the Audit Committee of the Board. See “Risk Factors – Operational Risks – Our business depends on data networks and infrastructure, our third-party data centre hosting facilities, cloud service providers, other third-party providers, and our ability to maintain and scale our technology. Any significant interruptions or delays in service on our website or any undetected errors or design faults could result in limited capacity, reduced demand, processing delays, and loss of customers”.

Regulatory Matters

We are subject to a broad range of federal, provincial, local, and foreign laws and regulations. While the Canadian Food Inspection Agency (“CFIA”) does not regulate the manufacture of pet food in Canada, CFIA does regulate pet food imports and related products to prevent animal diseases from being introduced into Canada. The labelling and advertising of pet food is regulated by the *Consumer Packaging and Labelling Act* (Canada) and the *Competition Act* (Canada), administered by the Competition Bureau, a federal institution that is part of Innovation, Science and Economic Development Canada. The Competition Bureau administers legislation requiring that prepackaged pet food destined for retail consumption be labelled in accordance with legislative requirements. The legislation also prohibits false and misleading representations and the making of unsubstantiated claims among other deceptive marketing practices. Health Canada administers legislation prohibiting unsubstantiated and unapproved health claims and products, particularly as they relate to veterinary health products and pet pest control products. Provincial consumer protection laws also regulate marketing and advertising claims that we make. Given that there is little regulation of, or specific organizations in Canada governing, the production of pet food, recalls are largely voluntary and are generally the responsibility of the manufacturer. Our Québec business activities and operations are subject to Québec language laws which provide French language requirements in respect of various business communications (customer service, advertising materials, website and social media content), contracts (including related documents and forms) and obligations relating to the French language being used in the workplace.

The United States Food and Drug Administration (“**FDA**”) regulates animal feed, including pet food, under the United States *Federal Food, Drug, and Cosmetic Act* (the “**FFDCA**”), and its implementing regulations. Although pet foods in the United States are not required to obtain premarket approval from the FDA, the FFDCA requires that all pet foods are safe for consumption, produced under sanitary conditions, contain no harmful substances, and are truthfully labelled. The Association of American Feed Control Officials is a voluntary, non-governmental membership association of local, state, and federal agencies that are charged with regulation of the sale and distribution of animal feed, including pet foods. The degree of oversight of the implementation of these regulations varies by state, but typically includes a state review and approval of each product label as a condition of sale in that state. Under Section 423 of the FFDCA, the FDA may require the recall of an animal feed product if there is a reasonable probability that the product is adulterated or misbranded and the use of or exposure to the product will cause serious adverse health consequences or death. In addition, pet food manufacturers may voluntarily recall or withdraw their products from the market. If the FDA issues a product recall for a product that we sell, we will comply with the recall.

We must also comply with the franchise laws and regulations of the six Canadian provinces (Alberta, British Columbia, Manitoba, New Brunswick, Ontario and Prince Edward Island) that require pre-sale disclosure to be made with respect to the offer and sale of franchises by way of delivery of a franchise disclosure document (“**FDD**”) prepared in accordance with the regulations in these six provinces. See “Risk Factors – We may be subject to risks related to compliance with Canadian franchise disclosure laws and regulations.”

We purchase national branded products from third party suppliers who are responsible for the quality, packaging and labelling of their products, including associated health claims. Among other things, we reserve the right to immediately hold sales and discontinue acceptance of products from any suppliers that are not in compliance with applicable laws and regulations or that do not meet our standards and requirements. We also have strict operating standards for our proprietary brand products that we require our suppliers to meet in order to protect the integrity and value of our brands, including among others, certification to the Hazard Analysis & Critical Control Points protocol in relation to proprietary brand pet food products. Our proprietary brand manufacturing suppliers are subject to regulation by various federal, provincial, local, and foreign authorities regarding the processing, packaging, storage, distribution, advertising, labeling, and import of our proprietary brand products. Failure to comply with such laws and regulations may result in enforcements, recalls, and other adverse actions that could disrupt our operations and adversely affect our financial results.

In addition to the above manufacturer activities to monitor quality, we regularly review returned products from both end user customers as well as franchisees and, when deemed appropriate, we send returned national brands products back to the manufacturer for their review. We also review inbound customer service call records to identify possible product quality issues. In cases of potential quality issues, we notify the manufacturer and where we deem necessary, place a hold on all sales and withdraw products from our shelves until such issues are adequately investigated. If a manufacturer issues a product recall for a product that we sell, we will comply with the recall. Please read “Risk Factors – Legal and Regulatory Compliance Risks”.

Our business is subject to foreign and domestic laws and regulations applicable to the manner in which we collect, use, store, or transfer personal or sensitive information, and which, among other things, impose obligations on us in the event of a security breach or an inadvertent disclosure of such information. Our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends. Please read “Risk Factors – Legal and Regulatory Compliance Risks”.

Enterprise Risk Management

The Company has established a framework that integrates risk management into its activities and has developed an Enterprise Risk Management (“**ERM**”) process to identify and manage the risks it faces in support of achieving its strategic and business objectives. Our risks are generally categorized as strategic, operational, financial and reporting, and legal and regulatory compliance. Some of the Company’s risks span more than one category. In Fiscal 2022, the Company undertook initial phases of enterprise risk identification, risk assessment and prioritization for mitigation planning and execution, including initial reviews and prioritization of risks so identified with the Board. In Fiscal 2023, the Company further developed its risk mitigation tactics and control activities for the major risks that have been

identified and added new risks, as applicable, to align with current economic conditions. The ERM process will continue to be monitored to verify that risk mitigation activities and controls are in place and that identified tactics are tracking to progress.

RISK FACTORS

An investment in the securities of the Company is speculative and involves a number of risks. In addition to the other information contained in this AIF and risks outlined in the Company's other public filings, the risk factors described below should be considered carefully. The events arising from these risks could materially adversely affect the Company's business, financial condition, revenues, profitability or prospects. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Additional risks not currently known to the Company or which are deemed to be immaterial may also impair the business operations, financial condition or prospects of the Company.

The major risks and uncertainties that could materially affect the Company's future business results are divided into the following risk categories: strategic, operational, financial and reporting, and legal and regulatory compliance.

Strategic Risks

A decline in consumer spending or a change in consumer preferences or demographics could reduce our sales or profitability and adversely affect our business.

Our sales depend on consumer spending, which is influenced by factors beyond our control, including general economic conditions, disruption or volatility in global financial markets, changes in interest rates, the availability of discretionary income and credit, weather and natural disasters, consumer confidence, unemployment levels and health epidemics, pandemics, and similar outbreaks and government responses thereto. We may experience declines in sales or changes in the types of products and services sold during economic downturns. Our business could be harmed by any material decline in the amount of consumer spending, which could reduce our sales, or a decrease in the sales of higher-margin products, which could reduce our profitability and adversely affect our business.

We have also benefited from increasing pet ownership, discretionary spending on pets and current trends in humanization and premiumization in the pet industry, as well as favourable pet ownership demographics. To the extent these trends slow or reverse, our sales and profitability would be adversely affected. In particular, the COVID-19 pandemic drove an increase in pet-related demand for our products; and indications are that the industry began returning to historical growth levels during the latter months of Fiscal 2022 and early Fiscal 2023. The success of our business depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences. Failure to timely identify or effectively respond to changing consumer tastes, preferences, spending patterns and pet care needs could adversely affect our relationship with our customers, the demand for our products and services, our market share and our profitability.

Competition in the markets in which we operate, including internet-based competition, is strong and if we are unable to compete effectively, our ability to generate sales may suffer and our operating income and net income could decline.

The pet care industry is highly competitive. We compete with a number of specialty pet store chains, and independent pet stores. We also compete with online retailers, supermarkets, warehouse clubs and mass merchants. The pet care industry has become increasingly competitive due to the expansion of pet-related product offerings by certain supermarkets, warehouse clubs, other retail merchandisers, and online retailers, and the entrance of additional independent pet stores with unique product offerings and other pet specialty retailers into the pet food and pet supply market, some of which have developed store formats similar to ours. Some competitors are larger and have access to greater capital and the ability to invest in more resources than we do.

We may face greater competition from national, regional, local and online retailers in the future. In particular, if any of our major competitors seeks to gain or retain market share by reducing prices or by introducing additional products or services, we may be required to reduce prices on our key products or services or introduce new offerings in order to remain competitive, which may negatively affect our profitability and require a change in our operating strategies.

If consumer preferences change and thereby decrease the attractiveness of what we believe to be our competitive advantages, including our extensive product assortment, premium product offerings, competitive pricing, high-quality service offerings, and unique customer experience, or if we fail to differentiate our product offerings or customer experience otherwise positively from that of our competitors, our business, financial condition and results of operations could be materially and adversely affected.

The growth of our business depends in part on our ability to accurately predict consumer trends, successfully introduce new products and services, improve existing products and services, and expand into new offerings.

Our growth depends, in part, on our ability to successfully introduce new and reposition our existing products and services to meet the requirements of our customers and the needs of their pets. This, in turn, depends on our ability to predict and respond to evolving consumer trends, demands and preferences. The introduction of innovative new products and expansion into new offerings involves considerable costs. In addition, it may be difficult to establish new supplier relationships and determine appropriate product selection when developing a new product or offering. Any new product or offering may not generate sufficient customer interest and sales to become a profitable product or to cover the costs of its development and promotion and, as a result, may reduce our operating income. In addition, any such unsuccessful effort may adversely affect our brand and reputation. If we are unable to anticipate, identify or market products, or any new offerings, that respond to changes in requirements and preferences, or if our new product introductions, repositioned products, or new offerings fail to gain consumer acceptance, we may be unable to grow our business as anticipated, our sales may decline and our margins and profitability may decline or not improve. As a result, our business, financial condition, and results of operations may be materially and adversely affected.

Failure to successfully execute our omni-channel strategy and the cost of our investments in e-commerce and technology may materially adversely affect our market position, financial condition, and results of operations.

As part of our growth strategy, we seek to further integrate our in-store and online operations and have made significant investments to integrate and grow our e-commerce business. We may require additional capital in the future to sustain or grow our e-commerce business. Business risks related to our e-commerce business include our inability to keep pace with rapid technological change, failure, and greater cost, to recruit or retain digital talent, failure in our security procedures or operational controls, failure or inadequacy in our systems or labour resource levels to effectively process customer orders in a timely manner, government regulation and legal uncertainties with respect to e-commerce, and collection of sales or other taxes by one or more provinces or territories. If any of these risks materialize, it could have an adverse effect on our business.

In some circumstances, increased transactions through our website may result in reduced customer traffic in our stores, particularly as customers take advantage of home delivery services available for online orders when making certain types of purchases, such as for bulk orders or heavy pet products. There is a risk that any such reduced customer traffic may reduce the sales of certain products and services in our stores. Free shipping offered to online orders over an identified spend threshold increases our costs and could adversely affect our profitability. In addition, we have faced, and may continue to face in the future, increased competition from both internet retailers and traditional brick-and-mortar retailers who aspire to grow their e-commerce business, as well as new entrants to the market. Our failure to positively differentiate our product and services offerings or customer experience from other retailers could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to execute our growth strategies successfully or manage and sustain our growth, and as a result, our business may be adversely affected.

Our growth strategies include opening additional stores, maintaining sales growth from our existing stores, improving our marketing and data capabilities, enhancing our proprietary brand portfolio, and introducing new offerings to better connect with our customers. However, we may not be able to execute on these strategies as effectively as anticipated. Our ability to execute on these strategies depends on a number of factors, including:

- (i) our ability to identify new store sites and/or relocate smaller, older stores and obtain favourable sites and negotiate acceptable lease terms;

- (ii) our ability to hire, train and retain skilled managers and personnel, including information technology, marketing, and product development professionals, proprietary brand merchants, and supply chain professionals;
- (iii) our ability to effectively and efficiently utilize marketing to generate sales from new and existing customers through our stores and omnichannel platform;
- (iv) our ability to continue to upgrade our information technology and other operating systems and to make use of the data we collect through these systems to offer better products and services to our customers; and
- (v) our ability to use data analytics and business intelligence to drive targeted and efficient marketing that creates personalized recommendations and experiences for our customers.

To the extent we are not able to implement or capitalize on our growth strategies, there could be a material adverse effect on our business, financial condition and results of operations.

We occasionally seek to grow our business through acquisitions of, or investments in, new or complementary businesses, products, or services, or through strategic ventures, and the failure to successfully identify these opportunities, manage and integrate these acquisitions, investments, or alliances, or to achieve an adequate return on these investments, could have an adverse effect on us.

The pet care industry is highly fragmented. We have completed acquisitions in the past and may pursue expansion and acquisition opportunities in the future. If we are unable to manage acquisitions, investments, or strategic ventures, or integrate any acquired businesses, services, or technologies effectively, we may not realize the expected benefits from the transaction relative to the consideration paid, and our business, financial condition, and results of operations may be adversely affected. To be successful, the integration process requires us to achieve the benefits of combining the companies, including generating operating efficiencies and synergies and eliminating or reducing redundant costs. This integration process involves inherent uncertainties, and we cannot assure you that the anticipated benefits of these acquisitions will be fully realized without incurring unanticipated costs or diverting management's attention from our core operations.

From time to time, we also make strategic investments. These investments typically involve many of the same risks posed by acquisitions, particularly those risks associated with the diversion of our resources, the inability of the new venture to generate sufficient revenues, the management of relationships with third parties, and potential expenses. Strategic ventures have the added risk that the other strategic venture partners may have economic, business, or legal interests or objectives that are inconsistent with our interests and objectives.

Further, we may be unsuccessful in identifying and evaluating business, legal, or financial risks as part of the due diligence process associated with a particular transaction. In addition, some investments may result in the incurrence of debt or may have contingent consideration components that may require us to pay additional amounts in the future in relation to future performance results of the subject business. If we do enter into agreements with respect to these transactions, we may fail to complete them due to factors such as failure to obtain regulatory or other approvals. We may be unable to realize the full benefits from these transactions, such as increased net sales or enhanced efficiencies, within the timeframes that we expect or at all. These events could divert attention from our other businesses and adversely affect our business, financial condition, and results of operations. Any future acquisitions also could result in potentially dilutive issuances of equity securities, the incurrence of additional debt, or the assumption of contingent liabilities.

Operational Risks

Our continued success is substantially dependent on positive reputational perceptions of us as well as our services, brands, relationships with franchisees and the community and our owned or exclusive brands.

To be successful in the future, we must continue to preserve, grow, and leverage the value of our reputation and our brand. Reputational value is based in large part on perceptions of subjective qualities, and even isolated incidents that erode trust and confidence, particularly if they result in adverse publicity or widespread reaction on social media, governmental investigations, or litigation, can have an adverse impact on these perceptions and lead to adverse effects on our business, including decreased comparable sales, consumer boycotts, loss of new store development opportunities, lower franchisee or ACE morale and productivity, or franchisee and talent recruiting difficulties.

In addition, we sell many products under our proprietary brands. Maintaining consistent product quality, competitive pricing, and availability of our branded products for our customers is essential to developing and maintaining customer loyalty and brand awareness. These products often have higher margins than national brand products. If one or more of these brands experience a loss of consumer acceptance or confidence, our sales and gross margin could be adversely affected.

A significant pet product safety, quality, or health concern could adversely affect our business.

We could be adversely affected if consumers lose confidence in the safety and quality of our supplier-supplied pet products and supplies. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying our products or cause supplier production and delivery disruptions. The actual or perceived sale of contaminated pet food products by our suppliers or us and our franchisees could result in product liability claims against our suppliers or us and our franchisees and a loss of consumer confidence, which could have an adverse effect on our sales and operations. In addition, if our products are alleged to pose a risk of injury or illness or the scientific community changes information regarding the nutritional value of specific ingredients, or if our products are alleged to have been mislabeled, misbranded, or adulterated, or to otherwise be in violation of governmental regulations, we and our franchisees may need to discard or otherwise dispose of products, which could adversely affect our results of operations. If this occurs after the affected product has been distributed, we and our franchisees may need to withdraw or recall the affected product. Given the difficulty in converting pet food customers, if we or our franchisees lose customers due to a loss of confidence in safety or quality, it may be difficult to reacquire such customers.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell and the ingredients in those products is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labour, safety, anti-corruption, and environmental laws, and to otherwise meet our required supplier standards. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner, is a challenge.

Political and economic instability, as well as other impactful events and circumstances in the countries in which our suppliers and their manufacturers are located, the financial instability of suppliers, suppliers' failure to meet our terms and conditions or our supplier standards (including our responsible sourcing standards), labour problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption or delay in the transportation of merchandise from the suppliers and manufacturers to corporate-owned and franchised stores, including as a result of labour slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

We are highly dependent on third-party supplier relationships to fill product orders at competitive costs.

We are dependent on the supply of our products for the operation of our business, and our success is dependent upon, among other things, our continuing ability to offer our services and products at competitive prices. Our relationships with certain key suppliers, including our largest supplier of pet food and key suppliers of our brand products, include short term contracts, and in some cases we and our suppliers may operate by way of purchase order only. If one of our suppliers ceases carrying on business, or were to terminate its relationship with us without cause by ceasing to supply or provide services to us, we could incur substantial delays and expenses in finding an alternative supplier on at least as favourable of terms or at all.

Our suppliers may be adversely impacted by economic weakness and uncertainty, such as increased commodity costs, increased fuel costs, tight credit markets and various other factors. In such an environment, our suppliers may seek to change the terms on which they do business with us to lessen the impact of any current and future economic challenges on their businesses or may cease or suspend operations. If we are forced to renegotiate the terms upon which we conduct business with our suppliers or find alternative suppliers to provide key products or services, it could adversely impact the profit margins at our locations, which in turn could materially and adversely affect our business and results of operations.

Disruptions in our supply-chain, and loss of any of our key merchandise suppliers, exclusive distribution arrangements with certain of our suppliers, or movement of key brands from specialty to mass channels could negatively impact our business.

We purchase significant amounts of products from a number of suppliers with limited supply capabilities. There can be no assurance that our current pet food or supply suppliers will be able to accommodate our anticipated growth and expansion of our locations and e-commerce business. Our suppliers may not be able to supply us with products in a timely or cost-effective manner as a result of macroeconomic effects. While we believe these disruptions may be temporary, any long-term or permanent disruption in our supply chain that may occur in the future could have an adverse effect on our business, financial condition and results of operations. Any supplier could discontinue selling to us at any time. In addition, some of our key suppliers have operations outside of the markets in which we operate, which could expose us to events in the countries of those suppliers' operations, including government intervention, and foreign currency fluctuation. To date, supplier-related supply challenges have not had a material effect on our business or our sales and profitability. However, the loss of any of our significant suppliers or a large number of other suppliers of pet food, particularly premium pet food, or pet supplies that we offer could have a negative impact on our business, financial condition, and results of operations.

We continually seek to expand our base of pet food and supply suppliers and to identify new pet products. If we are unable to identify or enter into distribution relationships with new suppliers or to replace the loss of any of our existing suppliers, we may experience a competitive disadvantage, our business may be disrupted, and our results of operations may be adversely affected.

Most of the premium pet food brands that we purchase are not widely carried in supermarkets, warehouse clubs, or mass merchants. If any premium pet food manufacturers were to make premium pet food products widely available in supermarkets or through mass merchants, or if the premium brands currently available to supermarkets and mass merchants were to increase their market share at the expense of the premium brands sold only through specialty pet food and supplies retailers, our ability to attract and retain customers or our competitive position may suffer. Further, if supermarkets, warehouse clubs, or mass merchants begin offering any of these premium pet food brands at lower prices, our sales and gross margin could be adversely affected.

Our principal suppliers currently provide us with certain incentives such as volume purchasing, trade discounts, cooperative advertising and market development funds. A reduction or discontinuance of these incentives would increase our costs and could reduce our profitability.

Fluctuations in the prices and availability of certain commodities, such as grains, and meat protein could materially and adversely affect our operating results.

The pet food and supplies industry is subject to risks related to increases in the price of and the availability of certain commodities used in the production of certain pet food and other pet-related products, specifically seed, wheat, and rice, as well as other materials used in certain pet accessories. Additionally, increased human consumption or population increases may potentially limit the supply of, or increase prices for, certain of meat proteins used in animal feed. Historically, in circumstances where these price increases have resulted in our manufacturers or suppliers increasing the costs we pay for our pet food products, we have been able to pass these increases on to customers. However, our ability to pass on increased purchase costs in the future will be significantly impacted by market conditions and competitive factors. If we are unable to pass on any increased purchase costs to customers, we may experience reduced margins, which could have a material adverse effect on our business, financial condition, and results of operations.

Negative publicity arising from claims that we or our franchisees do not properly care for animals we or our franchisees care for or sell or our or our franchisees relationships with shelters or other organizations that come under negative public scrutiny could adversely affect how we and our franchisees are perceived by the public and reduce our sales and profitability.

From time to time, we have received claims or complaints alleging that we or our franchisees do not properly care for some of the pets we handle within our grooming services, which may include dogs or cats, or for companion animals we handle and sell, which may include birds, fish, reptiles, and other small animals. Deaths or injuries sometimes occur while animals are in our care. As a result, we and our franchisees may be subject to claims that our animal care practices, including grooming and other services, or the related training of our associates, do not provide the proper level of care. Any such claims or complaints, as well as any related news reports or reports on social media, even if inaccurate or untrue, could cause negative publicity, which in turn could harm our business and have a material adverse effect on our brands, reputation and results of operations.

Our business is affected by the financial results of our franchisees.

Our business is impacted by the operational and financial success of our franchisees, including the franchisees' implementation of our strategic plans and their ability to secure adequate financing. The employees of franchisees are not our employees. We provide training and support to franchisees, but the quality of franchised store operations may be diminished by a number of factors beyond our control. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements or may not hire and train qualified managers and other store personnel. If they do not, our image, brands and reputation may suffer, and revenues could decline. Additionally, if our franchisees are impacted by weak economic conditions and are unable to secure adequate sources of financing, their financial health may worsen, our revenues may decline and we may need to offer extended payment terms or make other concessions. Additionally, refusal on the part of franchisees to renew their franchise agreements, or our inability to replace expiring franchisees, may result in decreased payments from franchisees. Furthermore, if our franchisees are not able to obtain the financing necessary to purchase a new or resold store, or complete planned remodel and construction projects, they may be forced to postpone or cancel such projects.

A majority of our stores are owned and operated by franchisees and, as a result, we are highly dependent upon our franchisees and subject to risks associated with our franchisees.

Franchisees, as operating entities, may be natural persons or legal entities. Under certain of the franchise agreements, franchisee entities are not required to be limited-purpose entities, making them potentially subject to business, credit, financial and other risks, which may be unrelated to the operations of our locations. These unrelated risks could materially and adversely affect a franchisee and its ability to make its franchisee payments in full or on a timely basis. A decrease in franchisee payments could have a material adverse effect on our business and results of operations.

While the franchise agreements are designed to maintain brand consistency, approximately 72% of stores are owned and operated by franchisees, which may expose us to risks not otherwise encountered if we had owned and controlled the stores. In particular, we are exposed to the risk of defaults or late payments by franchisees of franchisee payments.

Other risks include limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings; inability to participate in business strategy changes due to financial constraints; inability to meet rent obligations on subleases; failure to report sales information accurately; efforts by one or more large franchisees or an organized franchise association to cause poor franchise relations; and failure to comply with quality and safety requirements that result in potential losses even when we are not legally liable for a franchisee's actions or failure to act.

In addition, while franchisees are contractually obligated to operate their stores for the contractual terms and in accordance with the standards and other requirements set forth in the franchise agreements, franchisees are independent third parties that we do not control, and the franchisees own, operate and oversee the daily operations of their stores. As a result, the ultimate success and quality of any franchised store rests with the franchisee. Franchisees may provide substandard service, which may adversely impact the goodwill of our brands. If franchisees do not successfully operate stores for the contractual terms and in accordance with the standards and other requirements set forth in the franchise agreements, we may be unable to successfully implement our business model and company policies. In addition, we may be unable to successfully implement the strategies that we believe are necessary for further growth if franchisees do not support or participate in our marketing strategies or implementation of our strategic initiatives.

Although we believe that our current relationships with franchisees are generally good, there can be no assurance that we will maintain strong franchise relationships. While inherent in the franchise business model, our dependence on franchisees could adversely affect our business and financial condition, our reputation, and our brands.

We may be unable to identify, recruit and contract with a sufficient number of new franchisees and, as a result, our ability to open new franchised stores and offer existing corporate-owned stores for resale to new franchisees could be materially adversely affected.

Opening new franchised stores and offering corporate-owned stores for resale depends, in part, upon the availability of prospective franchisees who meet our criteria. We may not be able to identify, recruit or contract with suitable franchisees in our target markets on a timely basis or at all. If we are unable to recruit suitable franchisees or if franchisees are unable or unwilling to open new stores as planned, it could have a material adverse impact on our ability to successfully execute our growth strategy.

We may not be able to retain franchisees or maintain the quality of existing franchisees and we may be subject to costs associated with the termination of franchisees.

Each franchised location is heavily reliant on its franchisee (or the franchisee's principal operator), many of whom are individuals who have numerous years of experience addressing a broad range of concerns and issues relevant to its business. We attempt to retain such franchisees by providing them with competitive franchising opportunities. However, we cannot guarantee the retention of any, including the top-performing, franchisees in the future, or that we will maintain the ability to attract, retain, and motivate sufficient numbers of franchisees of the same calibre, and the failure to do so could materially and adversely affect our business and results of operations. In the event a franchisee leaves our franchise system and a successor franchisee is not found, or a successor franchisee that is approved is not as successful in operating the location as the former franchisee or franchisee principal, the sales and performance of the store may be impacted. The quality of existing franchisee operations may be diminished by factors beyond our control, including franchisees' failure or inability to hire or retain qualified managers and other personnel or franchisees experiencing financial difficulty, including those franchisees that become over-leveraged. Training of managers and other personnel may be inadequate. These and other such negative factors could reduce the franchisees' revenues, could impact payments under the franchise agreements and could have a material adverse effect on our business and results of operations.

We may be unable to successfully implement our business model, company policies, or brand development strategies if our franchisees do not actively participate in such implementation. The failure of our franchisees to focus on the fundamentals of each business' operations, such as quality and service (even if such failures do not rise to the level of breaching the franchise agreements), could materially and adversely affect our business and results of operations.

The franchise agreements are subject to termination by the franchisor in the event of a default by the franchisee generally after expiration of applicable cure periods. Examples include the failure by the franchisee to pay taxes when due or the failure to make any payments due to the franchisor or suppliers. Under certain circumstances, the franchise agreements may be terminated by the franchisor immediately without an opportunity to cure, including an unauthorized transfer or assignment of the franchise, breach of the confidentiality provisions or health and safety violations, breach of applicable laws, a bankruptcy or insolvency of the franchisee, or in the event the franchisee (or any of its owners) is convicted of an indictable offence or otherwise engage in dishonest, dangerous, unethical or inappropriate conduct. Generally, the default provisions under the franchise agreements are drafted broadly and include, among other things, any breach of the franchise agreement including the failure to meet operating standards and actions that may threaten our intellectual property. There are no provisions for termination of the franchise agreements by the franchisee.

In addition, certain of the franchise agreements have terms that will expire over the next 12 months. In many such cases, the franchisees may renew the franchise agreement and receive a “successor” franchise agreement for an additional term. Such option, however, is contingent on the franchisee’s execution of the then-current form of franchise agreement (which may include increased franchise royalty rates, advertising fees and other costs or requirements), the satisfaction of certain conditions (including modernization of the store and related operations) and the payment of a renewal fee. If a franchisee is unable or unwilling to satisfy any of the foregoing conditions, such franchisee’s expiring franchise agreement and the related franchisee payments will terminate upon expiration of the term of the franchise agreement unless we decide to restructure the franchise agreement in order to induce such franchisee to renew the franchise agreement.

Termination or expiration of franchise agreements could reduce franchise payments or require us to incur expenses to solicit and qualify new franchises, which in turn may materially and adversely affect our business and results of operations.

Franchisee sales or changes in control may cause complications.

The franchise agreements prohibit a sale of the business or “changes in control” of a franchisee without the consent of the franchisor. In the event we provide such consent, there is no assurance that a successor franchisee would be able to perform the former franchisee’s obligations under the franchise agreement or successfully operate its franchise. In the event of the death or disability of a franchisee or the principal of a franchisee entity, the personal representative of the franchisee or principal of a franchisee entity may not find an acceptable transferee. In the event that an acceptable successor franchisee is not identified, the franchisee would be in default under its franchise agreement or otherwise not be able to comply with its obligations under the franchise agreement and, among other things, the franchisee’s right to operate its franchise could be terminated. If a successor franchisee is not found, or a successor franchisee that is approved is not as successful in operating the location as the former franchisee or franchisee principal, the sales and performance of the store would be impacted or we may be forced to repurchase the store and franchise rather than have it fail, which could adversely impact our business and results of operations.

Our success depends in part on the effectiveness of our marketing and advertising programs.

Brand marketing and advertising significantly affect sales. Our marketing and advertising programs may not be successful, which may prevent us from attracting new customers and retaining existing customers. Also, because many of the franchisees are contractually obligated to pay advertising fees based on a percentage of their gross revenues and because we will deduct a portion of the gross revenues of the corporate-owned stores to fund marketing and advertising fees, our advertising budget depends on sales volumes at these locations. If sales decline, we will have fewer funds available for marketing and advertising, which could materially and adversely affect our revenues, business and results of operations.

As part of our marketing efforts, we rely on a 360-degree approach that uses digital, print, television and radio advertisements, as well as social media platforms and other digital marketing to attract and retain customers. These efforts may not be successful, resulting in expenses incurred without the benefit of higher revenues or increased employee or customer engagement. Customers are increasingly using websites and social media to inform their purchasing decisions and to compare prices, product assortment, and feedback from other customers about quality,

responsiveness and customer service before purchasing our services and products. If we are unable to continue to develop successful marketing and advertising strategies, especially for online and social media platforms, or if our competitors develop more effective strategies, we could lose customers and sales could decline. In addition, a variety of risks are associated with the use of social media and digital marketing, including the improper disclosure of proprietary information, negative comments about, or negative incidents regarding, us, exposure of personally identifiable information, fraud or out-of-date information. The inappropriate use of social media and digital marketing vehicles by us, our franchisees, customers, employees or others could increase our costs, lead to litigation or result in negative publicity that could damage our reputation. Many social media platforms immediately publish the content, videos and/or photographs created or uploaded by their subscribers and participants, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of negative information related to our brands could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording us an opportunity for redress or correction. The occurrence of any such developments could have an adverse effect on our business results and on our profits. As digital marketing evolves, targeting and data becomes more important, if we are unable to keep pace in finding the right customers and providing the right product recommendations it will affect our revenue and business results.

Our results may be adversely affected by serious disruptions or catastrophic events, including public health issues, geopolitical events, and weather.

Geopolitical events, such as war or civil unrest in a country in which our suppliers or operations are located, terrorist or military activities, significant public health or pandemic outbreaks and resulting government actions disrupting transportation, communication, or utility systems, and unrest and natural disasters such as hurricanes, tornadoes, floods, earthquakes, wildfires and other adverse weather and climate conditions, whether occurring in Canada or abroad, particularly during peak seasonal periods, could disrupt our operations or the operations of one or more of our suppliers, or could severely damage or destroy one or more of our stores or distribution centres located in the affected areas. For example, day-to-day operations, particularly our ability to receive products from our suppliers or transport products to our stores, could be adversely affected, or we could be required to close or severely restrict normal operations in stores or distribution centres in the affected areas or in areas served by the affected distribution centre. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in Canada and global financial markets and economy. These or other occurrences could significantly impact our operating results and financial performance.

A disruption, malfunction, or increased costs in the operation, expansion or replenishment of our distribution centres or our supply chain would affect our ability to deliver to our locations and e-commerce customers and/or increase our expenses, which could harm our sales and profitability.

Our suppliers generally ship merchandise to one or more of our distribution centres, which receive and allocate merchandise to corporate-owned and franchised stores and e-commerce customers. The success of our stores depends on their timely receipt of merchandise. If any shipped merchandise were to be delayed because of the impact of weather, our operations would likely be significantly disrupted. Disruption to shipping and transportation channels due to slowdowns or work stoppages at ports have occurred in the past and continue to occur, and such disruptions could cause us to rely more heavily on airfreight or other expedited freight services to achieve timely delivery to our customers, resulting in significantly higher freight costs. We may not be able to pass all or any portion of these higher costs on to our customers or adjust our pricing structure in a timely manner in order to remain competitive, either of which could have a material adverse effect on our results of operations.

If any of our distribution centres were to shut down, suffer substantial labour shortages, or lose significant capacity for any reason, our operations would likely be significantly disrupted. We compete with other retailers for the supply of personnel to staff our distribution centres, some of whom are larger than us and have access to greater capital resources than we do. If we are unable to successfully recruit and retain personnel to staff our distribution centres, we may face labour shortages or be forced to increase wages and enhance benefits for such personnel, which may have an adverse effect on our results of operations. In addition, any interruption or malfunction in our distribution operations, including, but not limited to, the loss of a key supplier that provides transportation of merchandise to or from our distribution

centres, or regulatory issues with respect to any of our distribution centres, could adversely affect our sales and results of operations. An interruption in our inventory supply chain could result in out-of-stock or excess merchandise inventory levels or adversely affect our ability to make timely deliveries to corporate-owned and franchised stores and e-commerce customers, and could adversely affect our sales and results of operations.

We depend on key personnel, and if we lose the services of any of our senior leadership team or key personnel, we may not be able to run our business effectively.

We are dependent upon the efforts, expertise and experience of our senior leadership team. The loss of any of our senior leadership team or key personnel could affect our ability to run our business effectively. Our success will depend on our ability to retain our current management and employees and to attract and retain qualified personnel in the future. Competition is intense, and we cannot assure you that we can retain our personnel. The loss of a member of the senior leadership team requires the remaining executive officers to divert immediate and substantial attention to seeking a replacement. The inability to fill vacancies in our key personnel on a timely basis could adversely affect our ability to implement our business strategy, which would negatively impact our results of operations.

Failure to attract and retain quality sales associates, supply chain associates and experienced management personnel could adversely affect our performance.

Our performance depends on recruiting, developing, training, and retaining capable sales and supply chain associates in large numbers and experienced management personnel who have developed expertise throughout our business. Our ability to meet our employment needs including providing emotionally and physically safe workplaces while controlling employment costs is subject to external factors such as the condition of the retail environment, unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs, pandemic or other health crisis impacts, and governmental labour and employment requirements. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing our wages could cause our earnings to decrease. If we do not continue to attract, train, and retain quality associates and management personnel, our performance, reputation and/or ability to achieve our strategic objectives could be adversely affected.

The Company's employees are not unionized. Should there be an attempt to unionize, the successful negotiation of a collective bargaining agreement is not assured. Protracted and extensive work stoppages or labour disruptions could materially adversely affect the Company's business and financial results.

Our business depends on data networks and infrastructure, our third-party data centre hosting facilities, cloud service providers, other third-party providers, and our ability to maintain and scale our technology. Any significant interruptions or delays in service on our website or any undetected errors or design faults could result in limited capacity, reduced demand, processing delays, and loss of customers.

A key element of our strategy is to generate a high volume of traffic on, and use of, our website. Our reputation and ability to acquire, retain and serve our customers are dependent upon the reliable performance of our website and the underlying network infrastructure. As our customer base and the amount of information shared on our website continue to grow, we will need an increasing amount of network capacity and computing power. We have spent and expect to continue to invest in technology including third party subscriptions and related network infrastructure to handle the traffic on our website. The operation of these systems is complex and could result in operational failures. In the event that the volume of traffic of our customers exceeds the capacity of our current network infrastructure or in the event that our customer base or the amount of traffic on our website grows more quickly than anticipated, we may be required to invest to add capacity and enhance the underlying network infrastructure. Interruptions or delays in these systems, whether due to system failures, computer viruses, physical or electronic break-ins, undetected errors, design faults or other unexpected events or causes, could affect the security or availability of our website and prevent our customers from accessing our website. If sustained or repeated, these performance issues could reduce the attractiveness of our services. Any web platform interruption or inadequacy that causes performance issues or interruptions in the availability of our website could reduce consumer satisfaction and result in a reduction in the number of consumers using our

products and services. Any slowdown or failure of our website or the underlying technology infrastructure could harm our business, reputation and our ability to acquire, retain and serve our customers.

If our systems, infrastructure or third-party systems that we rely upon fail to perform as designed, are interrupted for a significant period of time, or replacement parts supply is constricted, our business could be adversely affected.

The efficient operation of our business is dependent on our information technology systems. In particular, we rely on our systems and third-party systems to effectively manage our financial and operational data, including paying our vendors and employees, to maintain our in-stock positions, create marketing materials and campaigns with potential customers, and to transact the sale of our products in our stores. The failure of our systems or such third-party systems to perform as designed, loss of data, or any interruption of our information systems for a significant period of time could disrupt our business.

Our operations also depend on our ability and the ability of our third-party providers to maintain and protect the computer systems we use to manage our purchase orders, store inventory levels, web applications, payroll and accounting functions, and other critical aspects of our business. Our systems are vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures, terrorist and cyber-attacks, and similar events. Our disaster recovery planning may not be sufficient to adequately respond to any such events. In addition, we may have inadequate insurance coverage to compensate for any related losses and expenses. Any of these events could damage our brands or reputation, disrupt our business, and be expensive to remedy.

We continue to invest in our systems and information technology infrastructure. Enhancement to or replacement of our major financial or operational information technology systems could have a significant impact on our ability to conduct our business operations and increase our risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new information systems. It may also require us to divest resources to ensure that implementation is successful. We can make no assurances that the costs of investments in our information technology systems will not exceed estimates, that the systems will be implemented without material disruption, or that the systems will be as beneficial as predicted. If any of these events occur, our results of operations could be adversely affected.

We do not own certain software that is used in operating our business, and our proprietary platforms and tools incorporate open source software.

We utilize both commercially available third-party software and proprietary software to run point-of-sale, e-commerce, loyalty, pricing, inventory and various other key functions. While such software can be replaced, the delay, additional costs, and possible business interruptions associated with obtaining, renewing or extending software licenses or integrating a large number of substitute software programs contemporaneously could adversely impact the operation of our locations, thereby reducing profits and materially and adversely impacting our business and results of operations.

In addition, we use open source software in connection with our proprietary software and expect to continue to use open source software in the future. Some open source licenses require licensors to provide source code to licensees upon request, or prohibit licensors from charging a fee to licensees. While we try to insulate our proprietary code from the effects of such open source license provisions, we cannot guarantee we will be successful. Accordingly, we may face claims from others for infringement or seeking to enforce the license terms applicable to such open source software, including by demanding release of the derivative works or our proprietary source code that was developed or distributed with such open source software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our proprietary software, any of which would have a negative effect on our business and results of operations. In addition, if the license terms for the open source code change, we may be forced to re-engineer our proprietary software or incur additional costs. We cannot assure you that we have not incorporated open source software into our proprietary software in a manner that may subject our proprietary software to an open source license that requires disclosure, to customers or the public, of the source code to such proprietary software. Any such disclosure would have a negative effect on our business and the value of our proprietary software.

Our reputation and business may be harmed if our or our suppliers' system security or any of the databases containing customer, consumer, employee, or other personal information maintained by us or our third-party providers is compromised, which could materially adversely affect our results of operations.

We collect, store, and transmit proprietary or confidential information regarding our customers, employees, job applicants, and others, including credit card information, which we collect and transmit, but do not store, and personally identifiable information. We also collect, store, and transmit employees' personal information in order to administer employee benefits; accommodate disabilities and injuries; and to comply with public health requirements in the workplace. The protection of customer, employee, and company data in the information technology systems we use (including those maintained by third-party providers) is critical.

To date, we do not believe we have experienced any identified security events of a material or significant nature, including to our reputation or business operations, or had a material financial impact. We cannot assure you that such incidents or future cyber-attacks will not expose us to material liability in the future. Security could be compromised and confidential information, such as customer information, credit card numbers, employee information, or other personally identifiable information that we or our suppliers collect, transmit, or store, could be misappropriated or system disruptions could occur. In addition, cyber-attacks, such as ransomware attacks, could lock us out of our information systems and disrupt our operations. We may not have the technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our customers, our employees, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the breach or compromise of the technology used by us to protect transactions or other sensitive data. In addition, data and security breaches could also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships, that result in the unauthorized release of personal or confidential information. Any compromise or breach of our or our suppliers' computer network security could result in a violation of applicable privacy and other laws, costly investigations, litigation, including class actions, and notification, as well as potential regulatory or other actions by governmental agencies and harm to our brand, reputation, business, and results of operations. As a result of any of the foregoing, we could experience adverse publicity, loss of sales, the cost of remedial measures and significant expenditures to reimburse third parties for damages, which could adversely impact our results of operations. Any insurance we maintain against the risk of this type of loss may not be sufficient to cover actual losses or may not apply to the circumstances relating to any particular loss.

Financial and Reporting Risks

Our indebtedness could adversely affect our cash flows and prevent us from fulfilling our obligations under existing debt agreements and/or limit our operating flexibility, which could harm our long-term interests.

We have substantial indebtedness, much of which is subject to variable interest rates, which could restrict our operations and could have important consequences. For example, it could:

- (i) increase our vulnerability to general adverse economic and industry conditions;
- (ii) require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, especially in periods of rising interest rates, thereby reducing the availability of our cash flows to fund working capital and capital expenditures, and for other general corporate purposes;
- (iii) limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- (iv) limit, along with the financial and other restrictive covenants in the documents governing our indebtedness, among other things, our ability to obtain additional financing for working capital and capital expenditures, and for the other general corporate purposes.

Our quarterly operating results may fluctuate due to a number of factors, including those related to corporate-owned stores, new store openings, closings and relocations and increases and decreases in same store growth.

Our expansion plans, including the timing of new and remodeled stores, and related pre-opening costs, the amount of net sales contributed by new and existing stores, and the timing of, and estimated costs associated with, store openings, closings or relocations, may cause our quarterly results of operations to fluctuate. Further, new stores tend to experience higher payroll, advertising and other store-level expenses as a percentage of net sales than more mature stores, and such openings also often contribute to lower store operating margins until those stores become established, which may result in quarterly fluctuations in operating results.

Quarterly operating results may also vary depending on a number of other factors, including:

- (i) changes in our pricing policies or those of our competitors;
- (ii) changes in consumer preferences and competitive conditions;
- (iii) our sales and channels mix and the relevant gross margins of the products and services sold;
- (iv) increases or decreases in same-store sales growth;
- (v) the hiring and retention of key personnel;
- (vi) wage and cost pressures for corporate-owned stores;
- (vii) store operating costs for corporate-owned stores;
- (viii) changes in fuel prices, electrical rates or other commodity prices;
- (ix) disruption to operations caused by natural and other weather-related disasters; and
- (x) general economic factors including inflation and foreign currency exchange.

Insurance coverage may not be adequate, and increased self-insurance and other insurance costs could adversely affect our results of operations.

We and our franchisees maintain insurance, and these insurance policies may not be adequate to protect us from liabilities that we incur in our business. Certain extraordinary hazards, for example, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits, and policy payments made to us or our franchisees may not be made on a timely basis. Any such loss or delay in payment could lead to a decline in the sales and operating results of our locations, which could in turn have a material and adverse effect on our revenues, results of operations, business, and financial condition.

Insurance premiums in our industry and generally have materially increased as a result of the COVID-19 pandemic and other factors such as geopolitical events, including war or civil unrest, terrorist or military activities, other significant public health or pandemic outbreaks, natural disasters such as hurricanes, tornadoes, floods, earthquakes, wildfires and other adverse weather and climate conditions. In the future, insurance premiums may increase and we and our franchisees may not be able to obtain similar levels of insurance on reasonable terms, or at all. Although we seek to manage our claims to prevent increases, such increases can occur unexpectedly and without regard to our efforts to limit them. If such increases occur, our locations may be unable to pass them along to the consumer through product or service price increases, resulting in decreased profitability, which could have a material adverse effect on our business and results of operations.

In the event that liability to third parties arises, to the extent losses experienced by such third parties are either not covered by the franchisee's or our insurance or exceed the policy limits of the franchisee's or our insurance, such parties could seek to recover their losses from us, whether or not they are legally or contractually entitled to do so, which could increase litigation costs or result in liability for us. Additionally, a substantial unsatisfied judgment could result in the bankruptcy of one or more of our operating entities, which could have a material adverse effect on our results of operations, business, and financial condition.

Our foreign purchasing activities and evolving governmental foreign trade policy may result in additional market risks, which may adversely affect our business.

Our results may be increasingly affected by the risks associated with our purchasing activities in foreign jurisdictions, including:

- (i) fluctuations in currency exchange rates;
- (ii) the imposition of taxes, duties, tariffs, or other trade barriers;
- (iii) shipping delays or custom delays;
- (iv) the burden of complying with foreign laws, including regulatory regimes and tax laws;
- (v) political and economic instability and developments; and
- (vi) that health epidemics, pandemics, and similar outbreaks spread widely in any country where we have significant suppliers of merchandise, essential employee presence or critical operations, thereby impairing our ability to source merchandise, manage day-to-day operations and service our customers, increasing our costs of operations, and resulting in potential losses in revenue.

If additional tariffs are imposed on our products, or other retaliatory trade measures are taken, our costs could increase, and we may be required to raise our prices or identify alternative sources for such products and materials. Further, efforts to mitigate this tariff risk could result in increased costs and disruption to our operations. These potential outcomes could result in the loss of customers and adversely affect our operating performance.

If we fail to generate or obtain sufficient capital to finance our growth strategies, we may be unable to sustain our growth and our business may be adversely affected.

Our growth rate depends, to a large degree, on the availability of adequate capital to fund the opening of new stores and expansion and renovations of our existing stores and improvements of our offerings, including digital capabilities, which in turn will depend in large part on cash flow generated by our business and the availability of equity and debt capital. We cannot assure you that we will be able to maintain sufficient cash flow or obtain sufficient equity or debt capital on acceptable terms, or at all, to support our expansion plans.

Moreover, the Credit Agreement, which is described under the heading "Description of Material Indebtedness", contains provisions that restrict the amount of debt we may incur in the future, and certain other covenants that may restrict or impair our growth plans. If we are not successful in generating or obtaining sufficient capital, we may be unable to invest in our growth, which may adversely affect our results of operations.

We may be exposed to certain liabilities arising from, or involving, former subsidiaries.

In connection with Pre-Closing IPO transactions, the Company sold all of the shares of Pet Retail Brands, Inc., which is the owner of U.S. businesses Pet Valu, Inc. and Pet Supermarket Inc., to the Company's existing shareholders. As of the closing of the IPO, the Company had no economic interest in Pet Retail Brands, Inc. or any of its subsidiaries, any inter-company indebtedness was extinguished and the Company does not have any operations in the U.S. However, we may continue to be exposed to certain liabilities arising in connection with the operations of Pet Retail Brands, Inc. and

its subsidiaries. We and Pet Retail Brands, Inc. and its subsidiaries have agreed to release and indemnify each other for liabilities that may affect the other arising out of the operation of the respective businesses prior to the closing of the IPO; however, there can be no assurance that all claims will be fully indemnified or that such indemnification will mitigate all potential losses. The time and expense that we may be required to dedicate to such matters may be material to us and our subsidiaries and may adversely impact our capital resources.

The price of the Shares in public markets may experience significant fluctuations and volatility.

The market price of the Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- (i) actual or anticipated fluctuations in our quarterly results of operations;
- (ii) changes in estimates of our future results of operations by us;
- (iii) changes in forecasts, estimates or recommendations of securities research analysts regarding our future results of operations or financial performance;
- (iv) changes in the economic operating, performance or market valuations of other companies in the industry in which we operate or of other companies that investors deem comparable to us;
- (v) failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow it, or our failure to meet these estimates or the expectations of investors;
- (vi) release or expiration of lock-up or other transfer restrictions on outstanding Shares or securities issuable upon exchange of options;
- (vii) price and volume fluctuations in the trading of the Shares and in the overall stock market, including as a result of trends in the economy as a whole;
- (viii) changes in general political, economic, industry and market conditions and trends;
- (ix) market conditions resulting from health epidemics, pandemics, and similar outbreaks;
- (x) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- (xi) new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry;
- (xii) lawsuits threatened or filed against us for claims relating to intellectual property, employment issues, or otherwise;
- (xiii) sales or perceived intent to sell Shares by our insiders or the issuance of additional Shares by us;
- (xiv) the size of the public float;
- (xv) changes in the Board, our management or other key personnel;
- (xvi) short sales, hedging, and other derivative transactions involving Shares; and
- (xvii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Shares may decline even if our business, financial condition and results of operations or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in Shares by those institutions, which could materially adversely affect the trading price of the Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our business, financial condition and results of operations could be materially adversely impacted, and the trading price of the Shares could also be materially adversely affected.

The Principal Shareholders have substantial influence over the business and significant transactions and shareholders may not have the same corporate governance protections they would have with other widely held companies.

The Principal Shareholders control a significant share of our voting power and are entitled to elect five of our directors. As a result, the Principal Shareholders have the ability to exert substantial influence over many matters affecting our business, policies and affairs, including:

- (i) the composition of the Board and, through the Board, any determination with respect to the business plans and policies, including the appointment and removal of our officers;
- (ii) determinations with respect to acquisitions of businesses, mergers or other business combinations;
- (iii) our capital structure, including financing activities;
- (iv) compensation, option programs and other human resource policy decisions;
- (v) changes to agreements that may adversely affect us; and
- (vi) our payment or non-payment of dividends.

There can be no assurance that we will be in a position to pay dividends.

The declaration and payment of future dividends will be at the discretion of the Board and may be subject to restrictions under our credit facilities and may be affected by various other factors, including, but not limited to, our earnings, financial condition and legal or contractual restrictions. There can be no assurance that we will be in a position to pay dividends at the same rate (or at all) in the future. See "Dividends".

We are a holding company with no operations of our own and, as such, we depend on our subsidiaries for cash to fund our operations and expenses, including future dividend payments, if any.

As a holding company for our operating subsidiary, we do not have any significant operations of our own. Our principal source of cash flow to fund our obligations, including payment of dividends, are dividends and distributions from our operating subsidiary. Therefore, our ability to fund and conduct our business, service our debt and pay dividends, if any, in the future will depend on the ability of our operating subsidiary to generate sufficient cash flow to make upstream cash distributions to us. The ability of any of our subsidiaries to distribute cash to us will also be subject to, among other things, the availability of sufficient funds in such subsidiary, as well as statutory, regulatory, contractual, tax or other limitations. Claims of any creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and shareholders. If the cash we receive from our subsidiaries pursuant to such distributions is insufficient, or if the subsidiaries are unable to make such distributions, we may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets to fund our

obligations. However, there can be no assurance that we would be able to raise cash by any of these means in a timely manner or on terms that are favourable to the Company.

Public shareholders have limited control over our operations.

Public shareholders have limited control over changes in our policies and operations. The Board determines major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the shareholders. Shareholders only have a right to vote, as a class, in the circumstances described under “Description of Share Capital – Shares – Voting rights and meetings of shareholders”. The Board’s broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in us.

As of December 30, 2023, the Principal Shareholders held approximately 47.5% of our total issued and outstanding Shares. As a result, the Principal Shareholders have substantial influence with respect to all matters submitted to our shareholders for approval, including without limitation the election and removal of directors, amendments to our constituting documents and the approval of certain material transactions.

Failure to establish and maintain effective internal controls in accordance with NI 52-109 could have a material adverse effect on our business and the market price of the Shares.

Effective disclosure controls and procedures and internal controls over financial reporting are necessary for us to provide reliable financial reports and effectively prevent fraud. However, we do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

We may in the future discover significant deficiencies or material weaknesses in our internal controls, and we cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of the Shares. Additionally, the existence of any significant deficiency or material weakness could require management to devote significant time and incur significant expense to remediate any such significant deficiency or material weakness, and management may not be able to remediate any such significant deficiency or material weakness in a timely manner, or at all. Moreover, any failure to maintain effective internal controls over financial reporting could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the market value of the Shares.

The Principal Shareholders control a significant share of our voting power, which may reduce the likelihood that we may be acquired by a third party and that shareholders will receive a premium upon a change of control.

The Principal Shareholders have substantial influence over the transfer of control of us, which may reduce the likelihood of transactions involving a change of control of us, including transactions in which a shareholder might otherwise receive a premium for its Shares over the then-current market price.

Our real estate leases generally obligate us for long periods, which subjects us to various financial risks.

We lease virtually all of our store and distribution centre locations generally for long terms. While we have the right to terminate some of our leases under specified conditions by making specified payments, we are generally not able to terminate a particular lease if or when we would like to do so. If we decide to close stores where the lease permits, we are required to continue paying rent and operating expenses for the balance of the lease term, or to pay to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign or sublease vacated locations, we are generally required to obtain the landlord's consent and we remain liable for the lease obligations if the assignee or sublessee does not perform. In the case of locations we sublease to franchisees, in the event the applicable franchisee fails to make required payments, we are required to make lease payments without guarantee of being able to recover those amounts from our franchisee. Approximately 175 of our leases contain a redevelopment clause whereby the landlord can terminate the lease under specified conditions and after providing requisite notice if the landlord elects to redevelop the subject property. In addition, when leases for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms, or at all, which could cause us to close stores in desirable locations or otherwise negatively affect profits. Accordingly, we are subject to the risks associated with leasing real estate, which could have a material adverse effect on our operating results.

Further, the success of our stores depends on a number of factors including the sustained success of the shopping centre where the store is located, consumer demographics, and consumer shopping habits and patterns. Changes in consumer shopping habits and patterns, reduced customer traffic in the shopping centres where our stores are located, financial difficulties of our landlords, anchor tenants, or a significant number of other retailers, and shopping centre vacancies or closures could impact the profitability of our stores and increase the likelihood that our landlords fail to fulfill their obligations and conditions under our lease agreements. While we have certain remedies and protections under our lease agreements, the loss of business that could result if a shopping centre should close or if customer traffic were to significantly decline as a result of lost tenants or improper care of the facilities or due to macroeconomic effects could have a material adverse effect on our financial position, results of operations, and cash flows.

Legal and Regulatory Compliance Risks

Changes in laws, tax practices or interpretations, accounting standards, and subjective assumptions, estimates, and judgments by management related to complex accounting matters could significantly affect our financial results.

Accounting principles generally accepted in Canada and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters relevant to our business are highly complex, continually evolving, and involve many subjective assumptions, estimates, and judgments by us. Changes in these rules or their interpretation, or changes in facts, underlying assumptions, estimates, or judgments by us could significantly impact our reported or expected financial performance.

Product recalls and product liability, as well as changes in product safety and other consumer protection laws, may adversely impact our operations, merchandise offerings, brands, reputation, financial condition, results of operations, and cash flows.

We are subject to regulations by a variety of federal, provincial, and international regulatory authorities, including regulations regarding the safety and quality of our products. We purchase merchandise from several hundred different suppliers. One or more of our suppliers might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise ships to our corporate-owned and franchised stores. Any issues of product safety or allegations that our products are in violation of governmental regulations, including, but not

limited to, issues involving products manufactured in foreign jurisdictions, could cause those products to be recalled. If our suppliers fail to manufacture or import merchandise that adheres to our quality control standards, product safety requirements or applicable governmental regulations, our reputation and brands could be damaged, potentially leading to customer litigation against us. Further, to the extent we are unable to replace any recalled products, we may have to reduce our merchandise offerings, resulting in a decrease in sales. If our suppliers are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labour costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws. In the event that we are unable to timely comply with regulatory changes or regulators do not believe we are complying with current regulations applicable to us, significant fines or penalties could result, and could adversely affect our brands, reputation, financial condition, results of operations, and cash flows.

We are party to routine litigation arising in the ordinary course of our business and may become involved in additional litigation, all of which may materially affect our business, brands and reputation.

We may be subject to claims, including class action lawsuits, filed by customers, franchisees, independent operators, employees, suppliers, landlords, governmental authorities and others in the ordinary course of business. Significant claims may be expensive to defend and may divert time and resources away from our operations, causing adverse impacts to our results of operations and liquidity. In addition, adverse publicity related to litigation could negatively impact the reputation of our brand, even if such litigation is not valid, or a substantial judgment against us could negatively impact the reputation of our brand, resulting in further adverse impacts to results of operations and liquidity. Franchisees are subject to similar litigation risks.

In the ordinary course of business, we will be, from time to time, the subject of complaints or litigation from franchisees, which could relate to alleged breaches of contract, alleged non-compliance with franchise disclosure law, or wrongful termination under the franchise agreements. These claims may also reduce the willingness of franchisees to enter into new franchise agreements with us. In addition, litigation against a franchisee, whether in the ordinary course of business or otherwise, may include claims against us by virtue of our relationship with the franchisee, including, without limitation, for allegedly being a joint employer with a franchisee with respect to the obligations of the franchisee to its employees for wages and other employment related benefits and vicarious liability claims for acts and omissions at franchised locations over which we have little or no control over day-to-day operations. Litigation may lead to a decline in the sales and operating results of our locations and divert our management resources regardless of whether the allegations in such litigation are valid or whether we are liable.

Further, we, or our franchisees, may be subject to employee and other claims in the future based on, among other things, discrimination, harassment and wrongful termination. We have been subject to these types of claims in the past, and if one or more of these claims were to be successful or if there is a significant increase in the number of these claims, our business, financial condition and operating results could be harmed.

Our marketing programs, digital commerce initiatives, and collection, use, sharing and other processing of consumer information, including personal information, are governed by an evolving set of laws and enforcement trends, and changes in privacy laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, directly and from franchisees, maintain, use, and share consumer personal information provided to or collected by us or our service providers through online activities and other consumer interactions in our business. Our current and future marketing programs depend on our ability to collect, maintain, use and share this information with service providers, and our ability to do so depends on our privacy policies and certain contractual restrictions in third-party contracts as well as requirements in current and evolving federal, provincial, and international laws, including privacy laws, and enforcement trends. While we strive to comply with all such regulatory and contractual obligations and believe that we are good stewards of our customers' data, this area is rapidly evolving, and it is possible that these requirements may be interpreted and applied in a manner that is inconsistent with our practices. If so, we may suffer damage to our reputation and be subject to investigations, proceedings or actions against us by governmental entities or others. Any such investigation, proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management, increase our costs of doing business, and result in monetary liability.

One of the ways we track consumer data and interactions for marketing purposes is through the use of third-party "cookies" or similar tracking tools. Federal and provincial privacy laws regulate the use of third-party cookies and other methods of online tracking for behavioral advertising and other purposes. These laws may be amended or interpreted in a way that could significantly restrict the ability of companies and individuals to engage in these activities, such as by changing the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which could if widely adopted result in the use of third-party cookies and other methods of online tracking becoming significantly less effective. Changes to the regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers and market to existing customers on cost-effective terms and, consequently, materially and adversely affect our business, financial condition, and results of operations.

In addition, various federal and provincial legislative and regulatory bodies, or self-regulatory organizations, may expand or further enforce current laws or regulations, enact new laws or regulations, or issue revised rules or guidance regarding privacy, data protection, consumer protection including electronic commerce, and advertising. Such privacy, security, and data protection laws and regulations and others, regulating our use of certain electronic mail marketing and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business costlier or less efficient to conduct. In addition, any such changes could compromise our ability to develop an adequate marketing strategy and pursue our growth strategy effectively, which, in turn, could adversely affect our business, financial condition, and results of operations.

Our failure and our franchisees' failure to comply with federal, provincial and local laws and regulations may lead to losses and harm our brand.

We and our franchisees, as well as some of our suppliers, are subject to various federal, provincial, and local laws and regulations, including, among others, the *Consumer Packaging and Labelling Act* (Canada), the *Food and Drugs Act* (Canada), the *Competition Act* (Canada), provincial employment or labour standards legislation, French language legislation, privacy legislation and provincial franchise and consumer protection laws and regulations. These laws and regulations govern, among other things, relationships with employees, including minimum wage requirements, overtime, terms and conditions of employment, workplace harassment, and working conditions; the use of French language in the conduct of our Québec business and operations (including, without limitation, with respect to consumers, contracts and the workplace); the collection, use, storage and disclosure of personal information; relationships with franchisees, including pre-sale franchise disclosure and ongoing obligations to franchisees; the manufacturing and distribution of pet foods, veterinary products, and controlled substances intended for animal use;

the transportation, handling, and sale of small pets; emissions to air and water and the generation, handling, storage, discharge, transportation, disposal, and remediation of waste and hazardous materials; the processing, storage, distribution, safety, advertising, labeling, promotion, and import or export of our products; providing services to our customers; contracted services with various third-party providers; credit and debit card processing; the handling, security, protection, and use of customer and associate information; and the licensing and certification of services.

Violations of or liability under applicable laws and regulations may result in administrative, civil or criminal fines, penalties or sanctions against us, revocation or modification of applicable permits, licenses, or authorizations, environmental, health and safety investigations or remedial activities, voluntary or involuntary product recalls, warning or other regulatory letters or cease and desist orders against operations that are not in compliance, or third-party liability claims against us, among other things. Such laws and regulations generally have become more stringent over time and may become more so in the future, and we may incur (directly, or indirectly through our outsourced proprietary brand manufacturing suppliers) material costs to comply with current or future laws and regulations or in any required product recalls. Some of these laws and regulations are subject to varying and uncertain interpretations, application, and enforcement by courts and regulatory authorities with broad discretion, which can mean that our efforts to maintain compliance in all jurisdictions are not always successful. Liabilities under, costs of compliance with, and the impacts on us of any alleged or determined non-compliance with any such laws and regulations could materially and adversely affect our business, brands, reputation, financial condition, and results of operations. In addition, changes in the laws and regulations to which we are subject could impose significant limitations and require changes to our business, which may increase our compliance expenses, make our business costlier and less efficient to conduct, and compromise our growth strategy. Although we routinely seek to obtain broad indemnities from our suppliers in respect of their products, we could be adversely affected if we were found not to be in compliance with applicable regulations.

Among other regulatory requirements, the Competition Bureau and Health Canada both regulate claims in pet product labelling. Legislation administered by the Competition Bureau and other regulatory bodies prohibits false and misleading representations, the making of unsubstantiated claims, and certain pricing practices among other deceptive marketing practices. Health Canada administers legislation prohibiting unsubstantiated and unapproved health claims and products, particularly as they relate to veterinary health products. Products that contain certain ingredients make claims that they are intended to treat or prevent disease in pets may meet the definition of a drug or pest control product and necessitate complicated product licensing and highly regulated labelling and advertising to ensure compliance. Failure to obtain proper approvals and/or the making of unapproved claims can result in civil or criminal penalties, recalls, the inability to import products and/or adverse public relations among other consequences.

In addition to the risk of adverse legislation or regulations being enacted in the future, we cannot predict how existing or future laws or regulations will be administered or interpreted. Further, we cannot predict the amount of future expenditures that may be required in order to comply with any such laws or regulations. Noncompliance by us or our franchisees with any of the foregoing laws and regulations could lead to various claims and reduced profits.

We are subject to tax-related risks.

Significant judgment is required in determining our provision for income taxes and other tax liabilities. Various internal and external factors may have favourable or unfavourable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, new accounting pronouncements or new interpretations of existing accounting pronouncements, changes in estimates of prior years' items, changes in the valuation of our deferred tax assets and liabilities, and the impact of transactions we complete, including inter-company transactions. Although we strive to ensure that our tax estimates and filing positions are reasonable, we cannot assure you that the final determination of any tax audits and litigation that we may become subject to will not be different from what is reflected in our historical income tax provisions and accruals, and any such differences may materially affect our financial results for the affected period or periods, or in future periods, and could have a material adverse effect on our financial position.

We are subject to routine audits of our tax filing positions by the CRA. In September 2023, the CRA reassessed us an additional approximately \$6,000 of income tax plus interest in respect of our 2018 taxation year on the basis that certain

interest expenses incurred in that year were not deductible. It is possible that the CRA will reassess certain subsequent taxation years on a similar basis. We have filed an objection to, and intend to vigorously contest, the reassessment. We and our tax advisors believe that the tax filing positions are appropriate. Accordingly, no amounts or provision has been recorded in the consolidated financial statements in respect of the 2018 reassessment.

The CRA is also currently examining our tax filings for the 2016 and subsequent taxation years with respect to certain cross-border matters. To date, the CRA has not proposed any reassessment of our tax liability as a consequence of such audit. We and our tax advisors continue to believe that our tax filing positions are appropriate, and accordingly no amounts have been accrued in our consolidated financial statements in respect of any such potential reassessment that may result from such audit. If the CRA were to reassess us, we would vigorously oppose any such reassessment. We have tax insurance against the risk of ultimately being unsuccessful in opposing certain potential reassessments that may arise in connection with its acquisition of its former interest in Pet Supermarket, Inc., although there can be no assurance that such insurance will fully cover the amount of tax which may ultimately be imposed.

Failure to establish, maintain, protect, and enforce our intellectual property and proprietary rights or prevent third parties from making unauthorized use of our technology or our brand could harm our competitive position or require us to incur significant expenses to enforce our rights.

Our trademarks, such as “Pet Valu”, “Bosley’s By Pet Valu”, “Paulmac’s Pets”, “Tisol”, “Total Pet”, “Chico”, among others, are valuable assets that support our brand and consumers’ perception of our products. We rely on trademark, copyright, trade secret, and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our trademarks, trade names, proprietary information, technologies, and processes. We might not be able to obtain broad protection in Canada for all of our intellectual property. The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may be unable to broadly enforce all of our trademarks. Any of our trademarks, or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Our trademark applications may never be granted. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. Further, our nondisclosure agreements and confidentiality agreements may not effectively prevent disclosure of our proprietary information, technologies and processes and may not provide an adequate remedy in the event of unauthorized disclosure of such information, which could harm our competitive position. In addition, effective intellectual property protection may be unavailable or limited for some of our trademarks in some foreign jurisdictions. We might be required to expend significant resources to monitor and protect our intellectual property rights. For example, we may need to engage in litigation or similar activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others. However, we may be unable to discover or determine the extent of any infringement, misappropriation, or other violation of our intellectual property rights and other proprietary rights. Despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights and other proprietary rights. Any such litigation, whether or not resolved in our favour, could require us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. If we fail to protect our intellectual property, our business, financial condition and results of operations may be materially adversely affected.

We may be subject to intellectual property infringement claims or other allegations, which could result in substantial damages and diversion of management’s efforts and attention.

We have obligations with respect to the non-use and non-disclosure of third-party intellectual property. The steps we take to prevent misappropriation, infringement, or other violation of the intellectual property of others may not be successful. While we are not aware of any material intellectual property infringement claims against us at this time, from time to time, third parties have asserted intellectual property infringement claims against us and may continue to do so in the future. While we believe that our operations do not infringe in any material respect upon proprietary rights of other parties and/or that meritorious defenses would exist with respect to any assertions to the contrary, we may from time to time be found to infringe on the proprietary rights of others.

Any claims that our products, services or marketing materials infringe the proprietary rights of third parties, regardless of their merit or resolution, could be costly, result in injunctions against us or payment of damages by us, and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could, among other things, be required to:

- (i) pay substantial damages;
- (ii) cease the use, distribution, or sale of the infringing products, operations, or services;
- (iii) discontinue the use of the infringing methods or processes;
- (iv) expend significant resources to develop non-infringing products, operations, or services or re-brand our business and products; and
- (v) obtain a license from the third party claiming infringement, which may not be available on commercially reasonable terms, or may not be available at all.

If any of the foregoing occurs, our ability to compete could be affected or our business, financial condition, and results of operations may be materially adversely affected.

We are subject to risks related to payment methods, including changes to regulations, compliance requirements and fraud.

We currently accept payments using a variety of methods, including credit cards, debit cards, and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud, and other risks. As a merchant that accepts debit and credit cards for payment, we are subject to the Payment Card Industry (“PCI”) Data Security Standard (“PCI DSS”), issued by the PCI Council. PCI DSS contains compliance guidelines and standards with regard to security surrounding the physical administrative and technical storage, processing, and transmission of individual cardholder data. Failure to be PCI compliant or to meet other payment card standards may result in the imposition of financial penalties or the allocation by the card brands of the costs of fraudulent charges to us.

Further, as our business changes, we may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. In the future, as we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements, and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines, legal proceedings, or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments. If any of these events were to occur, our reputation, business, financial condition, and results of operations could be materially and adversely affected.

If franchisees and other licensees do not observe the required quality and trademark usage standards, our brands may suffer reputational damage, which could in turn adversely affect our business.

We license certain intellectual property to franchisees, advertisers and other third parties. The franchise agreements and other license agreements require that each franchisee or other licensee use our trademarks in accordance with established or approved quality control guidelines and, in addition to supply agreements, subject the franchisees, other licensees and suppliers that provide products under our brands, as applicable, to specified product quality standards and other requirements in order to protect the reputation of our brands and to optimize the performance of our stores. We contractually require that our franchisees and licensees maintain the quality of our brands, however, there can be no assurance that the permitted licensees, including franchisees, advertisers and other third parties, will follow such

requirements, standards and guidelines, and accordingly their acts or omissions may negatively impact the value of our intellectual property or the reputation of our brands. Noncompliance by these entities with the terms and conditions of the applicable governing franchise or other agreement may adversely impact the goodwill of our brands. For example, franchisees and other licensees may use our trademarks improperly in communications, resulting in the weakening of the distinctiveness of our brands. Although we monitor and restrict franchisee activities through our franchise agreements, franchisees or third parties may refer to or make statements about our brands that do not make proper use of trademarks or required designations, that improperly alter trademarks or branding, or that are critical of our brands or place our brands in a context that may tarnish their reputation. Franchisees may also receive through the supply chain defective products, which may adversely impact the goodwill of our brands. There can be no assurance that the franchisees or other licensees will not take actions that could have a material adverse effect on our intellectual property.

We may be subject to risks related to compliance with Canadian franchise disclosure laws and regulations.

We must comply with the franchise laws and regulations of the six Canadian provinces (Alberta, British Columbia, Manitoba, New Brunswick, Ontario and Prince Edward Island) that require pre-sale disclosure to be made with respect to the offer and sale of franchises by way of delivery of a FDD prepared in accordance with the regulations in these six provinces. An FDD is to be provided to a prospective franchisee, and subject to very limited exceptions, to any renewing franchisee and purchaser of an existing franchise store. The complete failure to provide an FDD when required by law, or provision of an FDD that is materially deficient, provides the franchisee with a two-year absolute right of rescission from the date of entering into the franchise agreement. If an FDD is not provided within the time required by the provincial legislation, or if the contents of the FDD does not meet the requirements of the laws or regulations, the franchisee is provided with a 60 day right of rescission from date the FDD was received. The statutory right of rescission gives the franchisee the right to require the franchisor to purchase back the business assets, receive back all monies paid, and to recover for its losses, if any. The franchise legislation in these six provinces also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the FDD, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. In addition, the six provincial franchise laws mandate that franchisors and franchisees owe each other a duty of good faith in the performance and enforcement of the franchise agreement, and provide franchisees with a right to associate. A franchisor may be liable for damages if it were to impede this right.

We may be subject to risks related to compliance with the Charter of the French Language (Québec).

Since the acquisition of Chico on February 25, 2022, we must comply with the French language requirements set out in the *Charter of the French Language* (Québec), revised on June 1, 2022, which makes French the official language of the Province of Québec, confers on every person in Québec the right to be communicated with in French and imposes obligations on companies carrying on business in Québec. Among other things, the *Charter of the French Language* (Québec) grants workers the right to carry on their activities in French and consumers the right to interact with a business in French, and imposes obligations to use French in commercial advertising and signs, in inscriptions on products, their packaging and documents supplied with them and in certain contracts and related documents. Compliance with these requirements is monitored and enforced by the Québec *Office de la langue française* and non-compliance with such requirements can lead to actions by, among others, employees and consumers, enhanced scrutiny, penalties and other measures by the *Office de la langue française*, as well as damage to the Company's reputation.

DIVIDENDS

On November 16, 2021, the Company announced that its Board declared its first quarterly cash dividend payment on the Shares for the quarter ended October 2, 2021, in an amount equal to \$0.01 per Share. The dividend was paid on December 15, 2021 to shareholders of record as at the close of business on November 30, 2021.

The Board declared a quarterly cash dividend payment on the Shares for the quarters ended January 1, 2022, April 2, 2022, July 2, 2022, October 1, 2022, in an amount equal to \$0.06 per Share. The dividends were paid on April 15, 2022, June 15, 2022, September 15, 2022, and December 15, 2022 to shareholders of record as at the close of business on March 31, 2022, May 31, 2022, and November 30, 2022, respectively.

In March 2023, the Board approved an increase to quarterly dividends to \$0.10 per Share. The Board declared a quarterly cash dividend payment on the Shares for the quarters ended December 31, 2022, April 1, 2023, July 1, 2023, September 30, 2023, in an amount equal to \$0.10 per Share. The dividends were paid on April 17, 2023, June 15, 2023, September 15, 2023, and December 15, 2023 to shareholders of record as at the close of business on March 31, 2023, May 31, 2023, August 31, 2023, and November 30, 2023, respectively.

The Board has declared a quarterly cash dividend payment on the Shares for the quarter ended December 30, 2023, in an amount equal to \$0.11 per Share. The dividend is payable on April 15, 2024, to shareholders of record as at the close of business on March 28, 2024.

The Board reviews the Company's dividend policy periodically in the context of, among other things, the Company's earnings, financial condition and other relevant factors. Management reviews the Company's financial results on a monthly basis. The Board reviews the financial results on a quarterly basis, or as requested by management, and determine whether a dividend shall be declared and paid based on a number of factors including, but not limited to, the Company's financial results, capital requirements, available cash flow, the need for funds to finance ongoing operations and other factors that the Board may consider relevant. There can be no assurance that the Company will be in a position to declare or pay quarterly dividends at the same rate (or at all) in the future.

The actual payment, amount and timing of any dividends are not guaranteed and are subject to the discretion of our Board. We are also a holding company that does not conduct any business operations of our own. As a result, we are dependent upon cash dividends and distributions and other transfers from our subsidiaries to make dividend payments on our common stock. The agreements governing our indebtedness contain, and agreements governing any of our future indebtedness may contain, various covenants that limit our ability to pay dividends. See "Risk Factors – There can be no assurance that we will be in a position to pay dividends".

DESCRIPTION OF SHARE CAPITAL

The following description of the Company's share capital summarizes certain provisions contained in the Articles. These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Articles.

General

The Company's authorized share capital consists of (i) an unlimited number of Shares and (ii) an unlimited number of preferred shares, issuable in series. As at the date hereof, an aggregate of 71,463,986 Shares are issued and outstanding and no preferred shares are issued and outstanding.

Shares

Voting rights and meetings of shareholders

Holders of Shares are entitled to receive notice of any meetings of shareholders, to attend and to cast one vote per Share at all such meetings. The quorum for the transaction of business at a meeting of shareholders is two persons who are,

or who represent by proxy, shareholders who, in the aggregate, hold at least 25% of the issued shares entitled to vote at the meeting.

Dividends

Holders of the Shares are entitled to receive on a *pro rata* basis dividends, if any, out of the Company's assets legally available for the payment of such dividends at such times and in such amounts and form as the Board may from time to time deem advisable.

Liquidation

Upon the liquidation, dissolution or winding-up of the Company, whether voluntarily or involuntarily, holders of Shares, without preference or distinction, will be entitled to receive on a *pro rata* basis the net assets of the Company remaining after payment of all debts and liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the Shares with respect to dividends or liquidation.

Preferred Shares

The preferred shares may at any time and from time to time be issued in one or more series. Prior to the issue of preferred shares of any series, the Board shall, subject to the rights, privileges, restrictions and conditions attached to the preferred shares as a class, the Articles and the provisions of the BCBCA, by resolution amend the Articles to fix the number of preferred shares in such series and determine the designation of, and the rights, restrictions, privileges and conditions attached to, the preferred shares of such series, including any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on the Company's liquidation, dissolution or winding-up and any sinking fund or other provisions, attached to the preferred shares of the series.

Voting rights and meetings of shareholders

Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to receive notice of, attend or vote at any meeting of shareholders.

Dividends

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank *pari passu* with the preferred shares of every other series and be entitled to preference over the Shares and any other of the Company's shares ranking junior to the preferred shares with respect to payment of dividends.

Liquidation

Upon the liquidation, dissolution or winding-up of the Company, whether voluntarily or involuntarily, holders of preferred shares will be entitled to preference with respect to distribution of the net assets of the Company remaining after payment of all debts and liabilities over the Shares and any other of the Company's shares ranking junior to the preferred shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the preferred shares.

NORMAL COURSE ISSUER BID

On November 28, 2023, the Company announced that the TSX had accepted the Company's notice of intention to launch an NCIB. Pursuant to the NCIB, the Company proposed to purchase for cancellation up to an aggregate of 1,786,599 Shares, representing approximately 2.5% of the Company's issued and outstanding Shares as at November

16, 2023. As at November 16, 2023, the Company had 71,463,986 Shares issued and outstanding, and the average daily trading volume for the six months ended October 31, 2023 was 147,887. Under the NCIB, daily purchases are limited to 36,971 Shares, representing 25% of the average daily trading volume for the six months ended October 31, 2023. Purchases were permitted to commence on November 30, 2023, and continue until the earliest of (a) the close of trading on November 29, 2024, (b) the date upon which Pet Valu acquires the maximum number of Shares to be purchased under the NCIB and (c) the date on which Pet Valu provides written notice of termination of the NCIB to the TSX. The NCIB will be conducted through the facilities of the TSX or alternative Canadian trading systems, if eligible, at the market price of the Shares at the time of purchase or as otherwise may be permitted. Purchases under the NCIB will be made by means of open market transaction or other such means as a security regulatory authority may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority.

In connection with the NCIB, the Company entered into, but has not initiated, an automatic securities purchase plan with a designated broker to facilitate purchases of the Company's Shares. Before entering a blackout period, the Company may, but is not required to, instruct its designated broker to make purchases at the broker's sole discretion, subject to price limitations, other terms of the plan and TSX rules, at times when the Company would not otherwise be active in the market due to its own internal blackout periods, insider trading rules or otherwise.

The Company has not purchased and cancelled any Shares under the NCIB.

MARKET FOR SECURITIES

Trading Price and Volume

The Shares are listed for trading on the TSX under the symbol "PET". The following table shows the monthly range of high and low prices per Share at the close of market on the TSX, as well as total monthly volumes of the Shares traded on the TSX from January 1, 2023 to the year ended December 30, 2023:

Month	Share Price (C\$ per Common Share)		Volume (# of Shares)
	High	Low	
January 2023	\$40.10	\$38.70	1,164,553
February 2023	\$42.87	\$39.54	962,789
March 2023	\$42.00	\$35.80	2,131,055
April 2023	\$37.19	\$35.88	1,248,426
May 2023	\$36.49	\$30.90	3,125,669
June, 2023	\$31.58	\$30.29	2,772,124
July 2023	\$31.01	\$29.60	4,238,942
August 2023	\$30.55	\$25.05	4,106,355
September 2023	\$26.10	\$24.05	2,612,741
October 2023	\$25.71	\$23.75	1,925,827
November 2023	\$28.07	\$24.72	1,463,550
December 1-30, 2023	\$29.20	\$26.36	914,272

Prior Sales

The following table summarizes details of sales of Shares or securities converted or exercised into Shares during the financial year ended December 30, 2023.

Date of Issuance	Type of Security	Number of Securities	Issue / Exercise Price Per Security
March 7, 2023 ⁽¹⁾	Shares	8,000	\$9.73
March 7, 2023 ⁽²⁾	Shares	8,241	\$9.73
March 10, 2023 ⁽³⁾	Shares	2,320	\$9.73
March 10, 2023 ⁽⁴⁾	Shares	2,320	\$9.73
March 10, 2023 ⁽⁵⁾	Shares	400	\$28.14
March 13, 2023 ⁽⁶⁾	Shares	400	\$28.14
March 21, 2023 ⁽⁷⁾	Shares	7,433	\$20.00
March 23, 2023 ⁽⁸⁾	Shares	1,673	\$9.73
March 24, 2023 ⁽⁹⁾	Shares	5,000	\$9.73
March 24, 2023 ⁽¹⁰⁾	Shares	3,400	\$9.73
March 27, 2023 ⁽¹¹⁾	Shares	5,000	\$9.73
March 27, 2023 ⁽¹²⁾	Shares	5,000	\$9.73
March 29, 2023 ⁽¹³⁾	Shares	3,920	\$9.73
May 12, 2023 ⁽¹⁴⁾	Shares	2,320	\$9.73
May 12, 2023 ⁽¹⁵⁾	Shares	2,320	\$9.73
May 12, 2023 ⁽¹⁶⁾	Shares	4,641	\$9.73
May 12, 2023 ⁽¹⁷⁾	Shares	11,600	\$9.73
May 15, 2023 ⁽¹⁸⁾	Shares	60,000	\$9.73
May 16, 2023 ⁽¹⁹⁾	Shares	60,000	\$9.73
May 16, 2023 ⁽²⁰⁾	Shares	928	\$32.12
May 17, 2023 ⁽²¹⁾	Shares	79,205	\$9.73
May 18, 2023 ⁽²²⁾	Shares	80,795	\$9.73
May 19, 2023 ⁽²³⁾	Shares	80,000	\$9.73
June 12, 2023 ⁽²⁴⁾	Shares	14,751	\$0.01
June 13, 2023 ⁽²⁵⁾	Shares	14,751	\$0.01
June 14, 2023 ⁽²⁶⁾	Shares	11,459	\$0.01

Date of Issuance	Type of Security	Number of Securities	Issue / Exercise Price Per Security
June 15, 2023 ⁽²⁷⁾	Shares	11,460	\$0.01
July 7, 2023 ⁽²⁸⁾	Shares	178	\$28.14

Notes:

1. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on April 19, 2017.
2. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on April 19, 2017.
3. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on January 27, 2021.
4. Issue to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on January 27, 2021.
5. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on March 8, 2022.
6. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on March 8, 2022.
7. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on June 30, 2021.
8. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
9. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
10. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
11. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
12. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
13. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on February 9, 2017.
14. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on April 19, 2017.
15. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on April 19, 2017.
16. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on April 19, 2017.
17. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted April 19, 2017.
18. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on November 15, 2018.
19. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on November 15, 2018.
20. Issue to an employee of the Company pursuant to the exercise of options to acquire Shares granted on May 9, 2022.
21. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on November 15, 2018.
22. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on November 15, 2018.
23. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on November 15, 2018.
24. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on July 1, 2011.
25. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on July 1, 2011.
26. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on March 30, 2011.
27. Issued to an employee of the Company pursuant to the exercise of options to acquire Shares granted on March 30, 2011.
28. Issued to a former employee of the Company pursuant to the exercise of options to acquire Shares granted on March 8, 2022.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

The Board consists of nine directors. All directors are elected by shareholders at each annual meeting of the Company's shareholders and hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. The following table sets forth the name, place of residence, principal occupation

and duration of service of the current directors of the Company. The table also identifies which directors are “independent” within the meaning of National Policy 58-201 – Corporate Governance Guidelines (“NP 58-201”). Additional biographical information for each individual is provided below.

Applicable corporate law permits the Board to appoint directors to fill any casual vacancies that may occur. The Board is permitted to add additional directors between successive annual meetings of holders of Shares so long as the number appointed does not exceed more than one-third of the number of directors appointed at the previous annual meeting. Individuals appointed as directors to fill casual vacancies on the Board or added as additional directors hold office like any other director until the next annual meeting at which time they may be re-elected or replaced.

Name, Province and Country of Residence	Director Since	Principal Occupation
Danielle Barran ⁽¹⁾⁽²⁾ Ontario, Canada	July 2, 2023	Corporate Director
Sarah Davis ⁽¹⁾⁽²⁾	July 28, 2021	Corporate Director
Clayton Harmon	January 18, 2021	Managing Director, Roark Capital Management, LLC
Patrick Hillegass	February 28, 2019	Principal, Roark Capital Management, LLC
Kevin Hofmann ⁽²⁾	November 15, 2019	Managing Director, Roark Capital Management, LLC
Richard Maltsbarger	November 15, 2018	President and Chief Executive Officer of Pet Valu
Lawrence Molloy ⁽¹⁾⁽²⁾	May 9, 2023	Corporate Director
Anthony Truesdale ⁽¹⁾	August 15, 2019	Chair of the Board and Corporate Director
Erin Young ⁽¹⁾⁽²⁾	May 3, 2021	Chief Marketing and Merchandising Officer, McKesson Canada

Notes:

- (1) Independent director for purposes of NI 58-101.
- (2) Each of the directors of the Company has had the principal occupation indicated opposite his or her name during the past five years, except: (a) Danielle Barran, who, prior to February 2024, served as President, North American Potato & Canada, McCain Foods Ltd. and, from August 2018 to October 2020, served as President of McCain Foods Ltd. (Canada); (b) Sarah Davis, who, prior to May 2021, served as President of Loblaw Companies Limited; (c) Kevin Hofmann, who, prior to April 2019, served as President of Online and Chief Marketing Officer of The Home Depot, Inc.; (d) Lawrence Molloy, who, prior to December 2023 was Chief Financial Officer, Sprouts Farmers Market, Inc; and (e) Erin Young, who, prior to September 2020 served as President of Well.ca and, from October 2013 to September 2019, served as Chief Marketing and Merchandising Officer of Well.ca.

Committees of the Board of Directors

The Board has three committees: the Audit Committee, the Compensation Committee, the Governance and Nominating Committee.

The current members of these Committees are as follows:

Audit Committee	Compensation Committee	Governance and Nominating Committee
Lawrence Molloy (Chair)	Sarah Davis (Chair)	Erin Young (Chair)
Danielle Barran	Danielle Barran	Clayton Harmon
Sarah Davis	Clayton Harmon	Lawrence Molloy
Anthony Truesdale	Patrick Hillegass	
	Erin Young	

Audit Committee

The Audit Committee is comprised of Lawrence Molloy (Chair), Danielle Barran, Sarah Davis and Anthony Truesdale. The education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee member is described below.

Member	Experience
Lawrence Molloy (Chair)	Lawrence “Chip” Molloy has served on the Board since May 9, 2023. Mr. Molloy was Chief Financial Officer of Sprouts Farmers Market, Inc. (“ Sprouts ”) from September 2021 to December 2023. Mr. Molloy also served as a member of the Board of Directors of Sprouts from 2013 to 2021, Chair of the Audit Committee from 2013 to 2019 and Chair of the Compensation Committee from 2019 to 2021, and as Interim Chief Financial Officer at Sprouts from June 2019 to February 2020. Previously, Mr. Molloy served as Chairman of the Board of Pet Supermarket from 2020 to 2021 and as a member of the Board of Directors of Torrid Inc. from 2018 to 2021. He also served as Interim Chief Executive Officer of Torrid Holdings Inc. in 2018. Other past experiences include serving as Chief Financial Officer of PetSmart, Inc. from 2019 to 2020, Chief Financial Officer of Under Armour, Inc. and as a member of the Board of Directors of Party City Holdco Inc. and Wingstop Inc. Mr. Molloy currently serves as a director of Sally Beauty Holdings, Inc., a position he has held since July 2022 and as Chair of the Audit Committee, a position he has held since January 2023. Mr. Molloy formerly served as a U.S. Navy fighter pilot for 10 years, later retiring from the Naval Reserve with the rank of Commander. Mr. Molloy holds a Bachelor’s Degree in Computer Science from the United States Naval Academy and a Master of Business Administration Degree from the University of Virginia.
Danielle Barran	Danielle Barran has served as a member of the Board since July 2023. Ms. Barran was President North American Potato & Canada, McCain Foods Ltd. from October 2020 to February 2024, and President of McCain Foods Ltd. (Canada) from August 2018 to October 2020. Before joining McCain Foods Ltd., she held multiple senior positions at J.M. Smucker Company over a 16-year period, including leadership roles in its pet, coffee, and natural foods operations. As Vice President of Commercial Strategy for its pet division, Ms. Barran set the strategic growth agenda for iconic pet brands such as Meow Mix®, Natural Balance® and Milk-Bone®. She currently serves as a director of The Grocery Foundation. Ms. Barran holds an Honors Business Administration and a Master of Business Administration from Ivey Business School at Western University, and an ICD.D

designation. Ms. Barran is a Certified Public Accountant, Certified Management Accountant and a member of the Chartered Professional Accountants of Ontario.

Sarah Davis

Sarah Davis, FCPA, FCA has served as a member of the Board since July 2021. Ms. Davis was President of Loblaw Companies Limited (“**Loblaw**”), from 2017 until May 2021. As President she was responsible for the strategic direction and day-to-day operations of Canada’s largest retailer and the nation’s food and pharmacy leader. Ms. Davis also served as Chief Administrative Officer at Loblaw from 2014 to 2017 and as Chief Financial Officer from May 2010 to 2014, during which time she played a crucial role in transforming the company from a regionally managed grocer into an omni-channel food, health and wellness retailer with \$52.7 billion in revenue. Ms. Davis was Chair of the Board of PC® Children’s Charity and T&T Supermarkets from 2017 until her retirement in 2021, and served as a member the Board of PC Financial from 2010 to 2021. From 2014 to 2022, she was a member of the Board, and Audit and Compensation Committees of AGF Management Limited and served as Chair of the Compensation Committee from 2016 to 2022. Prior to joining Loblaw, Ms. Davis spent two decades in various financial roles at Rogers Communications and Bell Canada. She is a director and Audit Committee Chair of Victoria Secret & Co., a director and Audit Committee member of Amdocs Limited, and a director of New Look, a privately owned retailer of eyeglasses. Ms. Davis holds an Honours Bachelor of Commerce degree from Queen’s University, is a Chartered Accountant and is a Fellow of the Chartered Professional Accountants.

Anthony Truesdale

Anthony Truesdale is Chair of the Board and has served as a member of the Board since August 2019. Mr. Truesdale served as Chairman of the Board of Recreational Equipment, Inc. (“**REI**”) from May 2020 to May 2022, and as a director from May 2013 to October 2023 and Audit Committee member from May 2022 to October 2023. Before retiring, Mr. Truesdale was Chief Executive Officer of The Vitamin Shoppe, Inc. from 2011 to 2015. He also served as President and Chief Merchandising Officer of The Vitamin Shoppe, Inc. from 2006 to 2011. Prior to The Vitamin Shoppe, Inc., Mr. Truesdale was Senior Vice President of Merchandising at PetSmart, Inc., where he worked for over seven years. In addition, Mr. Truesdale was Senior Manager of Produce for Sainsbury’s, the second largest supermarket chain in the United Kingdom, and a Principal at Shaw’s Supermarkets in New England from 1981 to 1997. He is a director of Party City Holdco Inc., a vertically integrated designer, manufacturer, distributor, and retailer of party goods in North America, and a director of Pet Supermarket, Inc., a pet products retailer. Mr. Truesdale is also a director of VetCor, a veterinary hospital manager, and Affordable Care Inc., a leading consumer retail healthcare company, both of which are investments of Harvest Partners, LP. Mr. Truesdale earned a Bachelor’s Degree in Business Administration and a Master of Business Administration from Northeastern University.

It is the Board’s determination that each member of the Audit Committee is financially literate within the meaning of such definition as set out in National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators (“**NI 52-110**”). A director is “financially literate” within the meaning of NI 52-110 if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. Each member of the Audit Committee has been determined by the Board to be independent within the meaning of NI 52-110.

Each of the Audit Committee members has an understanding of the accounting principles used to prepare the Company’s financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The members of the Audit Committee will be appointed annually by the Board, and each member of the Audit Committee will serve at the discretion of the Board until the member resigns, is removed or ceases to be a member of the Board.

Policies and procedures for the engagement of audit and non-audit services

The Audit Committee has established a policy under which all requests for permitted non-audit services to be provided by the auditors for the Company must be brought to the attention of the Chair of the Audit Committee before such work is commenced. The Chair is authorized to approve all such requests, but if any such service exceeds or is expected to exceed \$200,000 in fees, or the service is of a sensitive or unusual nature, the Chair consults with the Committee before approving the service. The Chair of the Committee has the responsibility to inform the Audit Committee of all pre-approved services at its next meeting.

External audit service fees

The following table sets forth the aggregate fees billed for professional services rendered by Ernst & Young LLP to the Company and its subsidiaries for Fiscal 2023 and Fiscal 2022:

	Fiscal 2023	Fiscal 2022
Audit Fees ⁽¹⁾	\$1,158,500	\$1,139,000
Audit-Related Fees ⁽²⁾	\$25,000	\$187,828
Tax Fees ⁽³⁾	\$48,500	\$135,000
All Other Fees	\$-	\$-
Total	\$1,232,000	\$1,461,828

Notes:

- (1) The aggregate fees incurred for the services associated with the annual audit of the Company's financial statements, interim reviews, secondary offerings and translation services. Fiscal 2022 figures include a reclassification of certain amounts from Audit-Related Fees and All Other Fees to Audit Fees.
- (2) The aggregate fees incurred for a statutory review of financial statements in Fiscal 2022 and 2023 and in Fiscal 2022 services related to a due diligence for an acquisition. Fiscal 2022 figures include a reclassification of certain amounts from Audit-Related Fees to Audit Fees and All Other Fees to Audit-Related Fees.
- (3) The aggregate fees incurred for professional services rendered for tax advice and planning.

The Audit Committee Mandate is attached hereto as Schedule A.

Executive Officers

The following table sets forth the name, place of residence, and principal occupation of each current executive officer of the Company as of the date of this AIF.

Name, Province and Country of Residence	Principal Occupation⁽¹⁾
Richard Maltsbarger⁽²⁾ Florida, United States; Ontario, Canada	President and Chief Executive Officer
Linda Drysdale⁽³⁾ Ontario, Canada	Chief Financial Officer
Liliane Bedrossian Ontario, Canada	Chief Accounting Officer

Name, Province and Country of Residence	Principal Occupation⁽¹⁾
Tanbir Grover Ontario, Canada	Chief Digital and Marketing Officer
Catherine Johnston Ontario, Canada	Chief Legal Officer, General Counsel & Secretary
Kendalee MacKay Nova Scotia, Canada	Chief Merchandising Officer
Christine Martin Bevilacqua	Chief Administrative Officer
Ontario, Canada	
Nico Weidel	Chief Supply Chain Officer
Ontario, Canada	

Notes:

- (1) Each of the executive officers of the Company has had the principal occupation indicated opposite his or her name during the past five years, except: (a) Linda Drysdale, who from February 2020 to March 2023 was Chief Financial Officer of Interac Corp., and prior to November 2019, served as Vice President, Financial Planning & Analysis at Canadian Tire Corporation, Limited; (b) Liliane Bedrossian who, from March 2018 to November 2020, served as Vice President of Finance and Corporate Controller of ABC Technologies Inc.; (c) Tanbir Grover who, from January 2020 to November 2020, served as Vice President, Digital of Co-operators Group Limited, and prior to January 2020 served as Vice President of e-commerce and Omnichannel of Lowe's Canada; (d) Catherine Johnston who, from May 2019 to January 2021, was an independent consultant, and prior to May 2019 served as Vice President, Assistant General Counsel & Assistant Secretary of KIK Custom Products; (e) Kendalee MacKay who prior to March 2020 served as Vice President Merchandising and Business Development (Shoppers Drug Mart); and (f) Nico Weidel, who held multiple positions with Hudson's Bay Company from June 2017 to May 2022, most recently serving as Senior Vice President, Supply Chain & Logistics.
- (2) Richard Maltsbarger was the Secretary of the Company from November 15, 2018 to May 10, 2022. Catherine Johnston was appointed as the Secretary of the Company on May 10, 2022.
- (3) Linda Drysdale was a member of the Board from August 12, 2021 to March 6, 2023, and was appointed Chief Financial Officer of the Company on March 6, 2023.

Ownership Interest

The directors and executive officers of the Company, as a group, either directly or indirectly, owned 236,972 Shares, representing approximately 0.33% of the issued and outstanding Shares as of December 30, 2023.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders and Bankruptcies

Other than as set out below, none of the directors or executive officers of the Company, and to the best of the Company's knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this AIF, or has been within the 10 years before the date of this AIF: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Truesdale served as the chairman of the board of directors of Guitar Center, Inc. from September 2016 to December 2020. Guitar Center Inc. filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on November 21, 2020.

Individual Bankruptcies

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

The BCBCA requires, among other things, that the directors and executive officers of the Company act honestly and in good faith with a view to the best interest of the Company, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with the Company and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA as administered by the Governance and Nominating Committee.

To the knowledge of the Company, there are no known existing or potential conflicts of interest between the Company and its directors or executive officers as a result of their outside business interests.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary of certain provisions of agreements and instruments evidencing the Company's material indebtedness as at the date of this AIF. This summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of such agreements and instruments, including the definitions of certain terms therein that are not otherwise defined in this AIF.

The Credit Agreement

Pet Valu Canada Inc. (the “**Borrower**”), a subsidiary of the Company, entered into a credit agreement dated June 30, 2021, with the Canadian chartered bank affiliate of RBC, as administrative agent, and a syndicate of lenders, including the chartered bank or financial institution affiliates of RBC, CIBC, NBF, TD, ATB, Laurentian Bank and Raymond James (the “**Credit Agreement**”). The Credit Agreement is comprised of (i) a \$355 million term facility (the “**Term Facility**”) and (ii) a \$130 million revolving credit facility, a portion of which not in excess of \$20 million is available for the issuance of letters of credit in Canadian or U.S. dollars (the “**Revolving Facility**” and together with the Term Facility, the “**Credit Facilities**”). The Credit Facilities will mature on June 30, 2026.

Borrowings under the Credit Facilities bear interest, according to the type of borrowing advanced, at short-term floating rates (based on a reference rate of U.S. base rate, the Canadian prime rate or the secured overnight financing rate (SOFR) or Canadian reference rate, as applicable), plus a margin per annum depending on the Company's net total leverage ratio.

The Term Facility is repayable in quarterly installments and contains mandatory prepayment provisions with respect to non-ordinary course asset sales, excess cash flow and issuances of debt obligations (excluding debt permitted to be incurred under the Credit Agreement) by the Company and its subsidiaries (in each case, subject to customary thresholds, qualifications and exceptions set forth in the Credit Agreement). Voluntary prepayments of the Term Facility are permitted at any time (subject to minimum repayment amounts and customary notice periods set forth in the Credit Agreement) without premium or penalty (other than customary “breakage” costs, if applicable) and reduce the scheduled principal repayments. The Credit Agreement provides that amounts under the Revolving Facilities may be borrowed, repaid and re-borrowed.

The obligations under the Credit Agreement are unconditionally guaranteed by the Company, Pet Valu Canada Holding Corporation, Pet Holdings ULC and all of the material wholly-owned subsidiaries of the Borrower (together with the Borrower, the “**Loan Parties**”). The Credit Agreement and guarantees are secured by a charge over substantially all of the property and assets of the Borrower and the guarantors.

The Credit Agreement contains affirmative and negative covenants customary for credit facilities of this nature, subject to certain exceptions set forth in the Credit Agreement. The Credit Agreement also contains financial covenants over the term of the Credit Facilities that require the Company to maintain:

- (i) a net total leverage ratio not to exceed 5.75x, subject to two step downs;
- (ii) a net first lien leverage ratio not to exceed 4.75x, subject to two step downs; and
- (iii) an interest coverage ratio of not less than 3.00x.

The Credit Agreement provides for customary events of default (in each case, subject to customary grace periods, basket and materiality thresholds set forth in the Credit Agreement). Upon the occurrence of an event of default that is continuing and absent a waiver or an amendment from the lenders, the administrative agent at the discretion of the required lenders, can terminate the commitments and accelerate payment of all outstanding obligations under the Credit Agreement, subject to, in the case of a financial covenant default, the applicable cure period.

PRINCIPAL SHAREHOLDERS

As of December 30, 2023, our Principal Shareholders collectively owned or controlled 33,931,450 Shares, representing approximately 47.5% of the issued and outstanding Shares.

Investor Rights Agreement

The Company entered into an investor rights agreement dated June 30, 2021 (the “**Investor Rights Agreement**”) with the Pet Retail Brands LP. Upon liquidation of Pet Retail Brands LP immediately following the closing of the IPO, the Principal Shareholders, acting jointly, assumed Pet Retail Brand LP’s rights under the Investor Rights Agreement.

The following is a summary of the material attributes and characteristics of the Investor Rights Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics. The Investor Rights Agreement is available for review under the Company’s profile on SEDAR at www.sedar.com.

Nomination Rights

The Investor Rights Agreement provides that the Principal Shareholders are entitled to nominate five of the Company’s directors for so long as they, together with their affiliates, own, control or direct at least 50% or more of our outstanding Shares (on a non-diluted basis), provided that the number will be reduced: (a) to four directors for so long as the Principal Shareholders, together with their affiliates, own, control or direct less than 50% but 30% or more of the outstanding Shares (on a non-diluted basis); (b) to three directors for so long as the Principal Shareholders, together with their affiliates, own, control or direct less than 30% but 20% or more of the outstanding Shares (on a non-diluted

basis); (c) to two directors for so long as the Principal Shareholders, together with their affiliates, own, control or direct less than 20% but 10% or more of the outstanding Shares (on a non-diluted basis); (d) to one director for so long as the Principal Shareholders, together with their affiliates, own, control or direct less than 10% but 5% or more of the outstanding Shares (on a non-diluted basis); and (e) no directors once the Principal Shareholders, together with their affiliates, own, control or direct less than 5% of our outstanding Shares (on a non-diluted basis).

For so long as the Principal Shareholders have the right to nominate at least two directors, the Board shall not be comprised of more than nine directors unless agreed to by the Principal Shareholders.

As long as the Principal Shareholders have the right to nominate at least four directors, they shall be entitled to have two director nominees serve on each standing committee and select the chair of each committee, subject to applicable law. As long as the Principal Shareholders have the right to nominate at least two directors, they shall be entitled to have one director nominee serve on each standing committee, subject to applicable law. As long as the Principal Shareholders have the right to nominate any director, they will have the right to designate one of their nominees as an observer of each committee of the Board, subject to applicable law.

As long as the Principal Shareholders have the right to nominate at least three directors, they shall be entitled to have one director nominee serve as Chair of the Board.

Subject to the requirements of applicable securities laws (including “independence” requirements), the nominees of the Principal Shareholders to the Board may be directors, officers or employees of the Principal Shareholders or their affiliates or other persons, in their discretion. The Principal Shareholders will be permitted to nominate, for appointment or election to the Board, a replacement for any nominee who ceases to be a director.

Quorum

The Investor Rights Agreement provides that for so long as the Principal Shareholders shall have the right to nominate at least two directors, the quorum for any meeting of the Board shall require, in addition to all applicable requirements of the Company’s constating documents, the presence (in person or by telephonic or electronic means) of at least one director nominee of the Principal Shareholders, and the Company will agree not to transact any business at any meeting of the Board except in compliance with this requirement, provided that, if a directors meeting is adjourned due to insufficient quorum, the directors that attend the adjourned meeting shall constitute quorum irrespective of the attendance by the Principal Shareholders nominees, provided that such adjourned meeting is held in accordance with the requirements of the Company’s constating documents, including applicable notice provisions.

Registration Rights

The Investor Rights Agreement provides the Principal Shareholders with the right (the “**Piggy-Back Registration Right**”) to require the Company to include Shares held by the Principal Shareholders in any future public offering undertaken by the Company by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Distribution**”). The Company will be required to use reasonable commercial efforts to cause to be included in the distribution all of the Shares that the Principal Shareholders requests to be sold, provided that if the distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be first allocated to the Company.

In addition, the Investor Rights Agreement provides the Principal Shareholders with the right (the “**Demand Registration Right**”) to require the Company to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities qualifying Shares held or controlled by the Principal Shareholders for public distribution (a “**Demand Distribution**”). The Principal Shareholders are entitled to request not more than three Demand Distributions in any 12 month period, and each Demand Distribution must be comprised of such number of Shares that would reasonably be expected to result in aggregate gross proceeds of at least \$20 million per Demand Distribution; provided that if any one Demand Distribution is delayed or does not successfully close, the Principal Shareholders shall have the right to make one additional Demand Distribution request in the relevant 12-

month period. The Company may also distribute its Shares in connection with a Demand Distribution; provided that, if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such Demand Distribution should be limited for certain prescribed reasons, the Shares to be included in the Demand Distribution will be first allocated to the Principal Shareholders in full. Any distribution contemplated by a Demand Registration Right will be through underwriters selected by the Principal Shareholders in consultation with the Company.

Each of the Piggy-Back Registration Right and the Demand Registration Right is exercisable at any time, provided that the Principal Shareholders, together with their affiliates, own, control or direct, at least 5% of the issued and outstanding Shares (on a non-diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right are subject to customary blackout and other conditions and limitations, and the Company is entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 60 days. All expenses in respect of a Piggy-Back Distribution or a Demand Distribution, excluding underwriting fees, will be borne by the Company, including offering expenses and legal expenses on the sale of Shares by the Principal Shareholders.

The Investor Rights Agreement provides that the Company will indemnify the Principal Shareholders for any misrepresentation in a prospectus under which Shares held by the Principal Shareholders are distributed (other than in respect of any information provided by the Principal Shareholders, in respect of the Principal Shareholders, for inclusion in the prospectus) and the Principal Shareholders will indemnify the Company for any information provided by the Principal Shareholders, in respect of the Principal Shareholders, for inclusion in the prospectus.

Pre-Emptive Rights

The Principal Shareholders, for so long as the Principal Shareholders, together with their affiliates, own, control or direct at least 10% of the issued and outstanding Shares, have the right to participate in any offering of securities of the Company in order to maintain their pro rata interest in the Company, subject to customary exceptions (such as the issuance of shares as direct consideration for bona fide acquisitions, dividend reinvestment programs, conversions of warrants, and executive compensation arrangements).

Information Rights

As long as the Principal Shareholders, together with their affiliates, own at least 5% of the issued and outstanding Shares, the Principal Shareholders have certain information rights pursuant to the Investor Rights Agreement. Such information rights include:

- (i) the right to access the Company's books, records and accounts;
- (ii) the right to access monthly financial statements;
- (iii) the right to receive business plans, budgets and other information, including the right to receive a monthly report in form and substance reasonably satisfactory to the Principal Shareholders, the contents of which shall be reasonably specified by the Principal Shareholders to the Company from time to time;
- (iv) the right to have its representatives attend the Company's monthly operating review meetings;
- (v) the right to receive daily cash and debt reports; and
- (vi) the right to receive from time to time such other information regarding the financial condition, operations, or business of the Company as the Principal Shareholders may reasonably request, subject to applicable law.

Term

The rights afforded to the Principal Shareholders under the Investor Rights Agreement will terminate as of the first date upon which the Principal Shareholders, together with their affiliates, cease to own, control or direct at least 5% of the issued and outstanding Shares (on a non-diluted basis). In addition, the Investor Rights Agreement will terminate on

the earlier of: (a) the date on which the Investor Rights Agreement is terminated by written agreement of the Principal Shareholders and the Company; and (b) the Company's dissolution or liquidation.

Assignment

The Principal Shareholders have the right, in their sole discretion, to assign their rights under the Investors Rights Agreement to any affiliate or any purchaser who acquires 20% or more of the issued and outstanding Shares from the Principal Shareholders.

LEGAL PROCEEDINGS

Legal Proceedings

The Company may, from time to time, be involved in certain legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of business. The Company believes that the amount of liability, if any, for any pending claims of any type (either alone or combined) is not reasonably likely to have a material adverse effect on its financial position, operating results or liquidity. However, the ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on our business because of defense costs, negative publicity, diversion of management resources and other factors.

Regulatory Actions

We are not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against us, nor have we entered into any settlement agreements before a court or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this AIF, none of (a) the Company's directors or executive officers, (b) the shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's voting securities, or (c) any associate or affiliate of the persons referred to in (a) and (b), has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

AUDITOR, REGISTRAR AND TRANSFER AGENT

The Company's auditor is Ernst & Young LLP located at 100 Adelaide Street West, Toronto, Ontario, M5H 0B3. Ernst & Young LLP has advised the Company that it is independent in the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

The transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the following are the only material contracts of the Company, which the Company has entered into since the beginning of the last financial year, or entered into prior to such date but which material agreement is still in effect:

- (i) the Investor Rights Agreement, which is described under the heading "Principal Shareholders – Investor Rights Agreement"; and
- (ii) the Credit Agreement, which is described under the heading "Description of Material Indebtedness".

Copies of such agreements are available under the Company's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Ernst & Young LLP is the auditor of the Company and has confirmed that it is independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found at SEDAR+, which can be accessed at www.sedarplus.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company's information circular for its upcoming annual and special meeting of Shareholders. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the financial year ending December 30, 2023.

SCHEDULE A
PET VALU HOLDINGS LTD.
AUDIT COMMITTEE MANDATE

Effective Date: June 30, 2021

Updated: May 5, 2022

1. Purpose

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Pet Valu Holdings Ltd. (the “**Company**”) is to exercise the responsibilities and duties set out in this Mandate, including to assist the Board in its oversight of (1) the integrity of the Company’s financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the independent auditors’ qualifications and independence, (4) the performance of the Company’s independent auditors, (5) the review and oversight of the Company’s control environment, and (6) the design and implementation of the Company’s internal audit function and the performance of the internal audit function.

The Committee’s role is one of oversight. Management is responsible for the preparation, presentation and integrity of the Company’s financial statements and financial disclosures, design and execution of the control environment and for the appropriateness of the accounting principles and the reporting policies used by the Company. The independent auditors are responsible for auditing the Company’s annual consolidated financial statements and reviewing the Company’s unaudited interim financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or are in compliance with International Financial Reporting Standards (“**IFRS**”).

2. Composition

The Committee shall be comprised of not less than three members of the Board. Each member of the Committee must be independent in accordance with applicable requirements established by the *Business Corporations Act* (British Columbia), National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time, the rules and regulations of any exchange on which securities of the Company are traded and any other regulator or governmental authority having jurisdiction over the Company from time to time (the “**Applicable Requirements**”), provided however that the Company may avail itself of any exemption available pursuant to the Applicable Requirements.

Each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Each member of the Committee shall be appointed annually by the Board and shall serve at the discretion of the Board until the member resigns, is removed or ceases to be a member of the Board. Any vacancies on the Committee shall be filled by the Board. The Committee Chair shall be appointed by the Board on the recommendation of the Governance and Nominating Committee, provided that if the Board does not so appoint a Committee Chair, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

3. Meetings and Operations

The Committee will meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once during each fiscal quarter. Meetings may be called by the Committee Chair, any member of the Committee, the independent auditors, the chair of the Board (if any), the lead director of the Board (if any), the Chief Executive Officer or the Chief Financial Officer. The Committee Chair will, in conjunction with appropriate members of the Committee and management, establish the meeting calendar and set the agenda for each meeting.

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present in person or by telephone or other electronic means that permits all persons participating in the meeting to speak and hear each other. A majority of the members of the Committee shall constitute a quorum.

The independent auditors are entitled to receive notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

The Committee must meet at least once a year, in separate sessions, with each of management, the independent auditors and the Company personnel primarily responsible for the design and implementation of the internal audit function. With respect to Committee meetings with the independent auditors, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

In connection with each meeting of the Committee, the Committee shall hold an *in camera* session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such information as the Committee requests.

The Committee shall maintain minutes or other records of meetings and activities of the Committee. Following each of its meetings, the Committee Chair shall report at the next regularly scheduled meeting of the Board, as required by the Applicable Requirements or as deemed necessary by the Committee or as requested by the Board, on material matters arising, or significant issues considered, at Committee meetings, including any issues as to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, management's responsibility for assessing and reporting on the effectiveness of internal control over financial reporting and disclosure controls and procedures, the performance and independence of the Company's independent auditors, or the performance of the Company's internal audit function, and such other matters delegated by the Board, and where applicable, shall present the Committee's recommendation to the Board for its approval.

The time and place of the Committee meetings and the further procedures for such meetings not otherwise specified in this Mandate shall in all respects be determined by the Committee, in accordance with the Applicable Requirements.

4. Responsibilities and Duties

The Committee shall have the following responsibilities and duties:

Financial Reporting and Disclosure

- (a) To oversee the accounting and financial reporting processes of the Company and the audits of the financial statements.
- (b) To review the annual consolidated audited financial statements of the Company, the independent auditors' report thereon and, if required pursuant to the Applicable Requirements, the related management's discussion

and analysis of financial condition and financial performance (“**MD&A**”), and, after completing its review, if advisable, recommend for Board approval such annual financial statements and the related MD&A.

- (c) To review the interim consolidated financial statements of the Company, the independent auditors’ review report thereon and, if required pursuant to the Applicable Requirements, the related MD&A, and, after completing its review, if advisable, recommend for Board approval such interim financial statements and any related MD&A.
- (d) In conducting its review of the annual financial statements or the interim financial statements and any related MD&A, the Committee shall:
 - i. meet with management and the independent auditors, as applicable, to discuss the financial statements and, if applicable, the MD&A;
 - ii. review the disclosures in the financial statements;
 - iii. review the audit report or report prepared by the independent auditors;
 - iv. discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the Company’s financial statements;
 - v. regularly review the Company’s critical accounting policies followed and critical accounting and other significant estimates, judgments and reserves underlying the financial statements as presented by management, including reviewing with the auditors alternative accounting treatments under applicable accounting principles discussed with management and the effects on the financial statements of same;
 - vi. consider the effect of significant accounting principles followed and financial statement presentations, including any significant changes to the Company’s selection or application of accounting principles and alternative treatments under IFRS;
 - vii. review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
 - viii. consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
 - ix. inquire at least annually of both management, accounting group and the independent auditors as to whether either has any concerns relative to the quality or aggressiveness of management’s accounting policies;
 - x. review management’s process for formulating sensitive accounting estimates and the reasonableness of these estimates;
 - xi. review significant recorded and unrecorded audit adjustments;
 - xii. review with management any significant changes in IFRS, as well as emerging accounting and auditing issues, and their potential effects;
 - xiii. review management’s report on the effectiveness of internal controls over financial reporting and disclosure controls and procedures, including major issues as to their adequacy and any special audit steps adopted in light of material control deficiencies;

- xiv. review analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues;
 - xv. review any material effects of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements as presented by management, including requirements relating to complex or unusual transactions;
 - xvi. review with management matters that may have a material effect on the financial statements;
 - xvii. review factors identified by management as factors that may affect future financial results;
 - xviii. review responses received under the Internal Reporting Procedures (as defined below); and
 - xix. review any other matters related to the Company's financial statements that are brought forward by the independent auditors or management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.
- (e) To review and, if advisable, recommend for Board approval, financial disclosure in a prospectus or other securities offering document of the Company, the Annual Information Form of the Company, as well as earnings press releases.
 - (f) The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures.

Company Policies and Compliance

- (g) To review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Company's present and former external auditors.
- (h) To review reports from the Chief Legal Officer and General Counsel on: (i) any significant legal, compliance, or regulatory matters that may have a material impact on the Company's financial statements and financial condition; (ii) the effectiveness of the Company's compliance policies; and (iii) any material communications received from regulators or governmental agencies that raise issues regarding the Company's financial statements or continuous disclosure.
- (i) To review with management the status of material tax matters for the Company and its subsidiaries.
- (j) To review with management tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters are disclosed in the financial statements.
- (k) To review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.
- (l) To adopt as directed by the Board and upon adoption oversee the Company's Policy on Related Party Transactions and review and approve, ratify or disapprove all related party transactions as required by such policy, including all payments to be made pursuant to any related party transactions involving executive officers and members of the Board, and the Committee shall consider the results of any review of the Policy on Related Party Transactions by the independent auditors.
- (m) With the assistance of the Governance and Nominating Committee, to develop, as directed by the Board, and oversee the Company's Business Conduct and Compliance Program, including a Company Code of Business Conduct and Ethics (collectively, the "**Code**"), and, at least annually, meet to review the implementation and

effectiveness of the Company's legal and ethical compliance programs with the Chief Legal Officer and General Counsel.

- (n) To establish, as directed by the Board, and periodically monitor, procedures in compliance with applicable law for (i) the receipt, retention, and treatment of complaints received by the Company and submitted to the Committee, whether through the whistleblower hotline or otherwise, regarding questionable accounting, internal accounting controls, or auditing matters (the "**Internal Reporting Procedures**").
- (o) To review any complaints or concerns that are received through the Internal Reporting Procedures on a quarterly basis and, if the Committee determines that the matter requires further investigation, to direct the Committee Chair to engage outside advisors, as necessary or appropriate, to investigate the matter and to work with management and the Chief Legal Officer and General Counsel to reach a satisfactory conclusion.

Risk Management

- (p) To provide oversight and review of the Company's risk management processes for identification and assessment of the principal risks to the operations of the Company.
- (q) To review and recommend to the Board for approval the Company's Risk Management Program, pursuant to which the Committee will be responsible for determining that the Company has in place an effective process for identifying, assessing, managing and monitoring key risks in the business on a continuous basis as the business evolves, with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company.
- (r) To:
 - i. at least annually, require management to report to the Committee and to review reports prepared by management that assess the risks in the business (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and disaster recovery plans), identify the risk controls that are in place to mitigate and manage these risks and the appropriate degree of risk mitigation and control, overall compliance with and the effectiveness of the Company's Risk Management Program;
 - ii. periodically monitor risk and risk management capabilities within the Company including crisis preparedness, business continuity and disaster recovery plans; and
 - iii. at least annually, report to the Board on its review of the Company's Risk Management Program, including with respect to the principal risks faced by the Company, the steps implemented by management to manage these risks and an assessment of whether the program is being followed and is effective.
- (s) To review quarterly reports from management containing its assessment of the adequacy of the Company's computerized information system controls and security and related risks, including cybersecurity and data protection risk.
- (t) To review the adequacy and quality of insurance coverages maintained by the Company and approve new insurance coverage and renewals thereof, as applicable.

Independent Auditors

- (u) To review and, if advisable, recommend for Board approval the independent auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Company and to approve the compensation of the independent auditors. The Committee shall have ultimate

authority to approve all audit engagement terms and fees, including the auditors' audit plan. The Company's independent auditors shall report directly to the Committee.

- (v) To approve in advance all audit and permitted non-audit services to be provided by the independent auditors to the Company or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the auditors.
- (w) To review, at least annually, a summary of the independent auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.
- (x) To establish and maintain a policy under which all requests for permitted non-audit services to be provided by the independent auditors shall be brought to the attention of the Committee Chair before such work is commenced. The Committee Chair is authorized to approve all such requests, but if any such service exceeds or is expected to exceed \$200,000 in fees, or the service is of a sensitive or unusual nature, the Committee Chair shall consult with the Committee before approving the service. The Committee Chair has the responsibility to inform the Committee of all pre-approved services at its next Committee meeting.
- (y) To review a report prepared by the independent auditors in respect of each of the interim financial statements of the Company.
- (z) To assess the effectiveness of the working relationship of the independent auditors with management and resolve any disagreements between management and the independent auditors as to financial reporting matters brought to its attention.
- (aa) To meet regularly with the independent auditors in the absence of management to discuss any restrictions that may have been placed on the scope and extent of the audit examinations by the independent auditors or the reporting of their findings to the Committee.
- (bb) To review all issues related to a proposed change of the independent auditors, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.
- (cc) To review all reportable events, including disagreements, unresolved issues and consultations with the independent auditors, whether or not there is to be a change of independent auditors.
- (dd) To monitor and evaluate the qualifications, performance, and independence of the independent auditors on an ongoing basis, and, in conducting such evaluations, to:
 - i. receive, at least annually, an oral and/or written report from the external auditors describing their internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities;
 - ii. obtain written confirmation from the independent auditors, and to affirm that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the independent auditors belong and other Applicable Requirements;
 - iii. at least annually, review and evaluate the qualifications, performance, and independence of the lead audit partner of the independent auditors;

- iv. discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner, and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself; and
 - v. discuss with the independent auditors any material written communications between the independent auditors and management, such as any “management” letter or schedule of unadjusted differences.
- (ee) Provide the independent auditors and the internal auditors with access to the Board, including access without representatives of management present.
- (ff) To periodically discuss with the independent auditors such other matters as are required by applicable auditing standards to be discussed by the independent auditors with the Committee.

Internal Audit

- (gg) The Committee should:
- i. review and concur with management’s appointment, termination or replacement of the head of the internal audit function and the selection of vendors for any outsourcing of the internal audit function;
 - ii. confirm with the head of the internal audit function that he or she is aware of his or her obligation to report directly to the Committee on matters affecting the Committee’s duties, irrespective of his or her other reporting relationships;
 - iii. review the resources, adequacy, authority and independence of the internal audit function;
 - iv. review proposed internal audit plans, receive reports on and review the results of internal audits and examinations conducted by the internal audit function with respect to those controls that mitigate strategic, financial and operational risks and any other matters appropriate to the Committee’s duties, and the remediation status of internal audit findings; and
 - v. direct management to make changes that the Committee deems advisable in respect of the internal audit function.

Internal Controls

- (hh) To review the Company’s system of internal controls.
- (ii) To require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure controls and procedures, and to review these controls and procedures and, at least annually, to consider and review with management and the independent auditors:
- i. the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company’s internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls and procedures (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management’s conclusions;
 - ii. any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company’s periodic regulatory filings, if such filings are required pursuant to the Applicable Requirements;

- iii. any material issues raised by any inquiry or investigation by the Company's regulators;
- iv. the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- v. any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls and procedures.

General

- (jj) To, annually, review this Mandate and recommend changes to the Mandate for Board approval.
- (kk) To, annually, evaluate the performance of the Committee in light of this Mandate in accordance with the evaluation process developed by the Governance and Nominating Committee, and implement any changes in its own performance suggested by such review.
- (ll) To perform any other responsibilities the Board specifically delegates to the Committee, in each case subject to the limitations on the Board or any committee thereof contained in the Company's Certificate of Incorporation or the Applicable Requirements, as each is in effect from time to time.
- (mm) In addition to any of the functions and responsibilities noted within this Mandate, the Committee shall perform the functions and duties required of an audit committee by any Applicable Requirements.

Audit Committee Disclosures

- (nn) To prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

5. Delegation to Subcommittee

To the extent permitted by the Applicable Requirements, the Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. The Committee may, in its discretion, delegate to the Committee Chair the authority to pre-approve any audit or non-audit services to be performed by the independent auditors. Any actions taken pursuant to any such delegations shall be reported to the full Committee at its next scheduled Committee meeting.

6. Resources and Authority of the Committee

The Committee shall have unrestricted access to management and employees and the books and records of the Company, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with the independent auditors, the Chief Financial Officer, the Chief Executive Officer and the Chief Legal Officer and General Counsel.

The Committee will have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, advisors, accountants or other experts and advice from a source independent of management, at the expense of the Company, with notice to either the chair of the Board (if any) or the Chief Executive Officer, as it deems appropriate to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for the services of these advisors.