



## Q2 FY21 Earnings Call

October 25, 2021

# Safe Harbor and Non-GAAP Measures

This Presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including statements regarding our environmental and other sustainability plans and goals and potential acquisitions, investments and dispositions. Although PetMeds believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. There can be no assurance that any forward-looking results will occur or be realized, and nothing contained in this Presentation is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of PetMeds. Such forward-looking statements can be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. All forward-looking statements are based on assumptions or judgments about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of PetMeds. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from the potential results discussed in the forward-looking statements, including, without limitation, those identified in this Presentation, the risk factors that we identify in our Securities and Exchange Commission filings, as well as the following: (i) increased competition (including from multichannel retailers and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a privacy or security breach; (x) our ability to effectively manage strategic ventures, alliances or acquisitions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) interruptions and other supply chain issues; (xiii) catastrophic events, health crises, and pandemics, including the potential effects that the ongoing COVID-19 pandemic and/or corresponding macroeconomic uncertainty could have on our financial position, results of operations and cash flows; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; and (xix) changes in our credit ratings. The occurrence of any such factors, events, or circumstances could significantly alter the results set forth in these statements.

PetMeds cautions that the foregoing list of important factors is not complete, and any forward-looking statements speak only as of the date they are made. PetMeds undertakes no duty to update publicly any forward-looking statement that it may make, whether as a result of new information, future events or otherwise, except as may be required by applicable law, regulation or other competent legal authority.

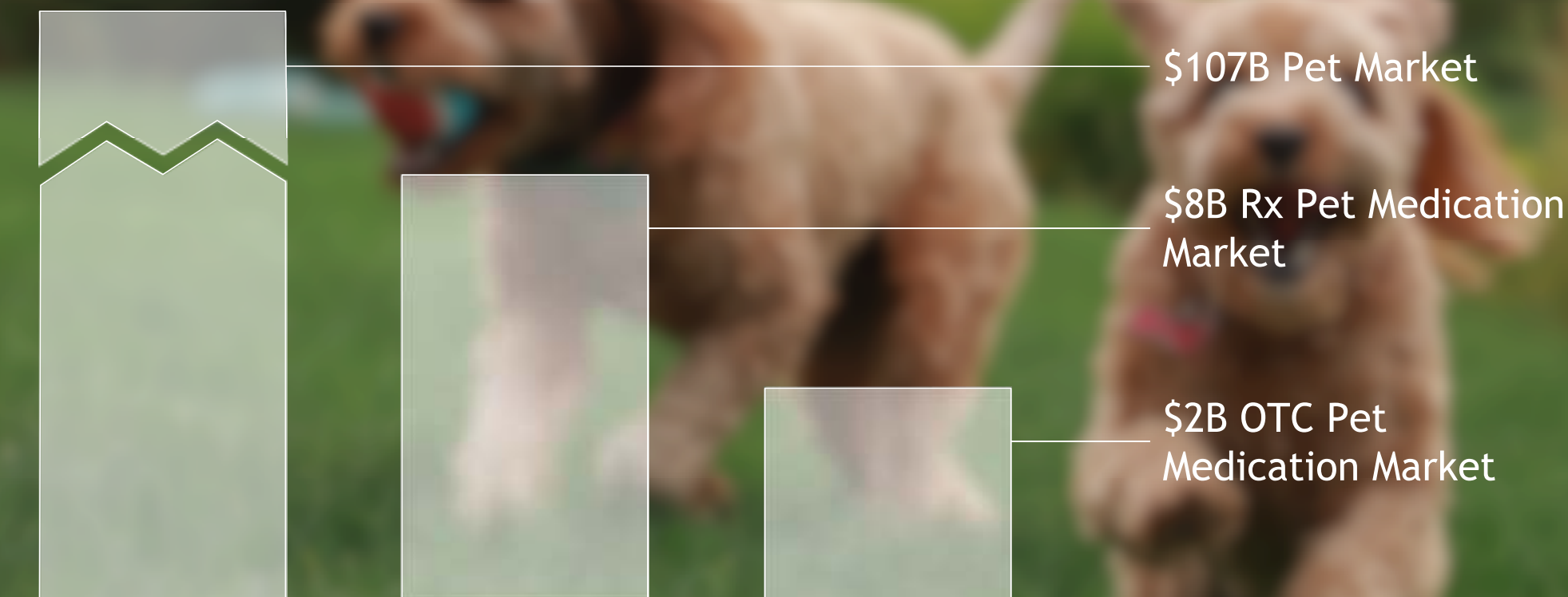
Included in this Presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) that are designed to supplement, and not substitute, PetMeds’ financial information presented in accordance with GAAP, including, but not limited to, Adjusted EBITDA, Trailing Twelve Month Adjusted EBITDA, Adjusted EPS, and free cash flow. The non-GAAP measures as defined by PetMeds may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude non-recurring items, should not be construed as an inference that PetMeds’ future results, cash flows, or leverage will be unaffected by other non-recurring items. Refer to information about the non-GAAP measures contained in this Presentation. This Presentation also includes forward-looking estimates of Adjusted EBITDA and Adjusted EPS as part of our financial guidance. We do not reconcile these non-GAAP measures for future periods to their most comparable GAAP measures due to the uncertainty and potential variability of reconciling items. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide a reconciliation of these non-GAAP measures without unreasonable effort. Forward-looking estimates of Adjusted EBITDA and Adjusted EPS are estimated in a manner consistent with the relevant definitions and assumptions noted herein.

# Introduction



# \$107 Billion Pet Market In the U.S.

Vet Care & RX Medications Grew 12.7% In 2020



Source: Packaged Facts, U.S. Pet Market Outlook, 2021-2022



# Key Industry Trends Are Favorable



Increasing Pet  
Ownership



Increase in digital  
pet product sales



Customers are  
increasingly seeking  
pet healthy  
destinations



Rise in human  
telehealth is a  
promising proxy for  
televet  
opportunities

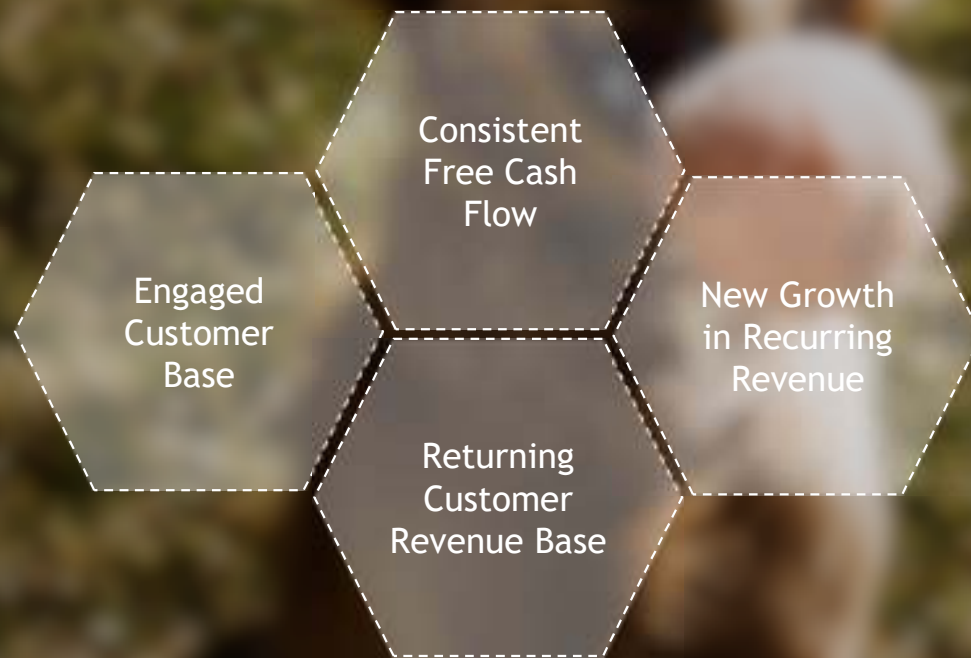
# Key Assets To Leverage



## Key Insights

- Widely Known And Trusted Brand
- Operational And Quality Efficiency
- 70,000 + Veterinarian And Vet Clinics, 17,000 Using Our Online Portal
- Strong Customer Loyalty
- Differentiated, Focused Provider

# Strong Fundamentals



## Key Insights

- Over \$100 Million In Cash
- Return On Equity >30%
- Building Higher Lifetime Value; Compounding Relationships
- Large Base Of Returning Customers



## Company Highlights



Expert online  
pet pharmacy

**2+** 2.2 million unique  
customers

**82**

Net Promoter  
Score of 82

**50** states  
licensed



Robust cash flow

**25** years of pharmacy  
experience





## Q2 Results

### 2nd Fiscal Quarter:

- Sales were \$67.4 million
- Reorder sales were \$62.0 million; New sales were \$5.4 million
- AOV was \$92
- Gross profit as a percent of sales in Q2 was 28.5%
- Net Income was \$6.3 million
- EPS was \$0.31
- \$106.6 million in cash and cash equivalents; with no debt.

# Facing Forward

We See Opportunities To Improve The Business



Optimize data and insights



Drive more personalization



Improve customer acquisition



Expand product and services



## Vision & Mission



## Q2 FY21 Financials

October 25, 2021



# Q2 Financial Statements

## Condensed Consolidated Balance Sheets

(in thousands, except per share data)

	September 30, 2021 (Unaudited)	March 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 106,562	\$ 118,718
Accounts receivable, less allowance for doubtful accounts of \$28 and \$39, respectively	1,854	2,587
Inventories - finished goods, net	19,733	34,420
Prepaid expenses and other current assets	4,397	4,503
Prepaid income taxes	899	959
Total current assets	133,445	161,187
Noncurrent assets:		
Property and equipment, net	25,081	25,450
Intangible assets	860	860
Total noncurrent assets	25,941	26,310
Total assets	\$ 159,386	\$ 187,497
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 11,183	\$ 39,548
Accrued expenses and other current liabilities	5,089	5,387
Total current liabilities	16,272	44,935
Deferred tax liabilities	1,627	1,281
Total liabilities	17,899	46,216
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.001 par value, 5,000 shares authorized; 3 convertible shares issued and outstanding with a liquidation preference of \$4 per share	9	9
Common stock, \$.001 par value, 40,000 shares authorized; 20,943 and 20,269 shares issued and outstanding, respectively	21	20
Additional paid-in capital	8,711	7,111
Retained earnings	132,746	134,141
Total shareholders' equity	141,487	141,281
Total liabilities and shareholders' equity	\$ 159,386	\$ 187,497

# Q2 Financial Statements

## Condensed Consolidated Statements of Income (Unaudited) (in thousands, except for per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Sales	\$ 67,386	\$ 75,436	\$ 146,698	\$ 171,640
Cost of sales	<u>48,212</u>	<u>52,418</u>	<u>105,744</u>	<u>121,837</u>
Gross profit	<u>19,174</u>	<u>23,018</u>	<u>40,954</u>	<u>49,803</u>
Operating expenses:				
General and administrative	6,958	6,809	14,999	14,563
Advertising	3,435	5,131	11,108	14,164
Depreciation	<u>694</u>	<u>607</u>	<u>1,341</u>	<u>1,169</u>
Total operating expenses	<u>11,087</u>	<u>12,547</u>	<u>27,448</u>	<u>29,896</u>
Income from operations	8,087	10,471	13,506	19,907
Other income:				
Interest income, net	74	66	159	156
Other, net	<u>170</u>	<u>338</u>	<u>454</u>	<u>593</u>
Total other income	<u>244</u>	<u>404</u>	<u>613</u>	<u>749</u>
Income before provision for income taxes	8,331	10,875	14,119	20,656
Provision for income taxes	<u>1,982</u>	<u>2,463</u>	<u>3,342</u>	<u>4,476</u>
Net income	\$ <u>6,349</u>	\$ <u>8,412</u>	\$ <u>10,777</u>	\$ <u>16,180</u>
Net income per common share:				
Basic	\$ <u>0.31</u>	\$ <u>0.42</u>	\$ <u>0.53</u>	\$ <u>0.81</u>
Diluted	\$ <u>0.31</u>	\$ <u>0.42</u>	\$ <u>0.53</u>	\$ <u>0.81</u>
Weighted average number of common shares outstanding:				
Basic	<u>20,178</u>	<u>20,063</u>	<u>20,144</u>	<u>20,024</u>
Diluted	<u>20,568</u>	<u>20,154</u>	<u>20,384</u>	<u>20,098</u>
Cash dividends declared per common share	\$ <u>0.30</u>	\$ <u>0.28</u>	\$ <u>0.60</u>	\$ <u>0.56</u>

# Q2 Financial Statements

## Condensed Consolidated Statements of Cash Flow (Unaudited) (in thousands)

	Six Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 10,777	\$ 16,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,341	1,169
Share based compensation	1,600	1,513
Deferred income taxes	346	408
Bad debt expense	58	61
(Increase) decrease in operating assets and increase (decrease) in liabilities:		
Accounts receivable	675	1,570
Inventories - finished goods	14,687	(3,567)
Prepaid income taxes	60	-
Prepaid expenses and other current assets	106	916
Accounts payable	(28,365)	(3,600)
Accrued expenses and other current liabilities	(210)	391
Income taxes payable	-	147
Net cash provided by operating activities	1,075	15,188
Cash flows from investing activities:		
Purchases of property and equipment	(972)	(1,193)
Net cash used in investing activities	(972)	(1,193)
Cash flows from financing activities:		
Dividends paid	(12,259)	(11,413)
Net cash used in financing activities	(12,259)	(11,413)
Net (decrease) increase in cash and cash equivalents	(12,156)	2,582
Cash and cash equivalents, at beginning of period	118,718	103,762
Cash and cash equivalents, at end of period	\$ 106,562	\$ 106,344
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 2,935	\$ 4,206
Dividends payable in accrued expenses	\$ 110	\$ 126