



Mid-Year Pet Industry Overview Webinar

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June 28, 2023

Important disclosures
can be found in Appendix



Webinar Agenda

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|-----------|----------------|
| 01 | MACRO OVERVIEW |
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|-----------|----------------------|
| 02 | HIGHLIGHTS FROM 1H23 |
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|-----------|-----------------------------------|
| 03 | 2023 SALES & MARKET SHARE OUTLOOK |
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| 04 | CONCLUSION |
|-----------|------------|
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Macro Overview

Pet Categories Outpacing Weakening Economic Backdrop



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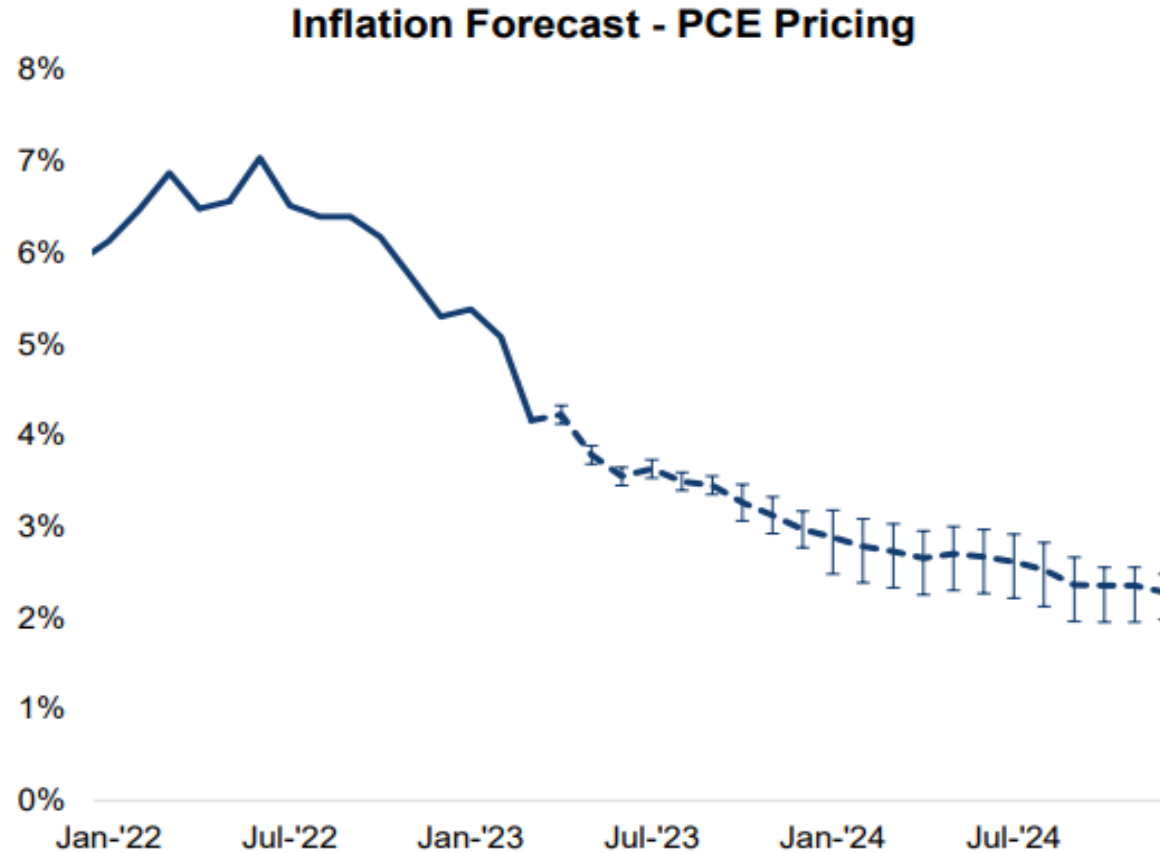
MID-YEAR PET INDUSTRY
OVERVIEW WEBINAR





Inflation Expected to Remain Elevated

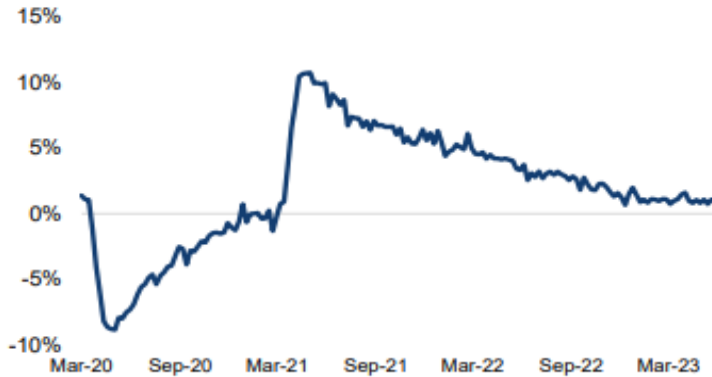
While moderating sequentially, still relevant for retail planning/consumer behavior



Economic Activity & Financial Conditions

Elevated inflation leading to slowing economic activity & rising credit card debt levels

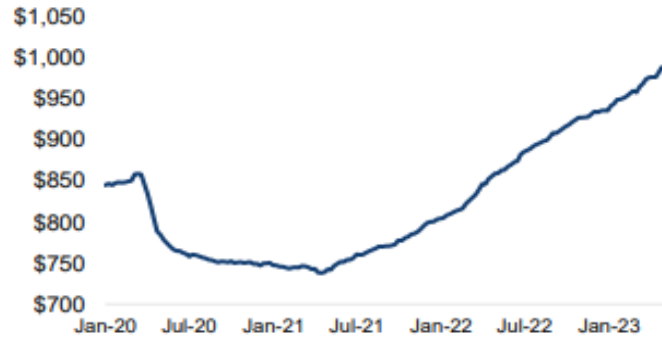
Weekly Economic Index



Source: New York Fed

Note: an index of weekly indicators of real economic activity, scaled to align with the four-quarter GDP growth rate, which reflects easy comps.

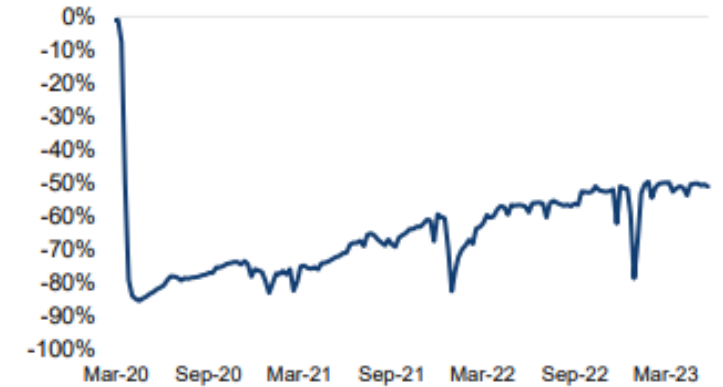
Credit Cards and Other Revolving Plans in the US
in billions of dollars



Source: FRED

Note: consumer loans of credit cards and other revolving plans at all commercial banks

Back to Work Barometer



Source: Kastle

Note: Data reflects average swipes of Kastle access controls of commercial property from the top 10 cities vs. pre-pandemic



Long-Term Scenario Forecasts & Assumptions

Below are our forecasts of major economic indices based on three scenarios: soft-landing, mild recession (base case), and stagflation.

Forecasts Scenarios	Soft-Landing		Mild Recession (Base Case)		Stagflation	
	2023	2024	2023	2024	2023	2024
Full Year						
Real GDP	1.2%	1.0%	1.0%	0.5%	0.6%	-1.0%
Total PCE Inflation	3.5%	2.1%	3.8%	2.6%	4.5%	3.5%
Unemployment Rate	3.6%	4.0%	3.7%	4.3%	4.8%	6.0%
Assumptions	Inflation falls faster than expected in 2023 and 2024, and moves closer to 2%. Demand of major economic entities recovers faster than expected. The Fed starts to lower interest rates before 2024. Financial stability and consumption is restored faster.		Inflation moves lower but stays closer to 3% than 2% in 2024. The economy hits a mild recession in 2H23, with the unemployment rate reaching a peak of 4.4% in 2Q24. The Fed starts to lower interests rate at the beginning of 2024.		Inflation remains above 3% as geopolitical events continue to elevate oil prices. Lower-than-expected housing supply buoys home prices but banking crisis expands. The Fed maintains high rates in the first half of 2024 to curb inflation. Consumption and investment activity shrinks faster-than-expected.	



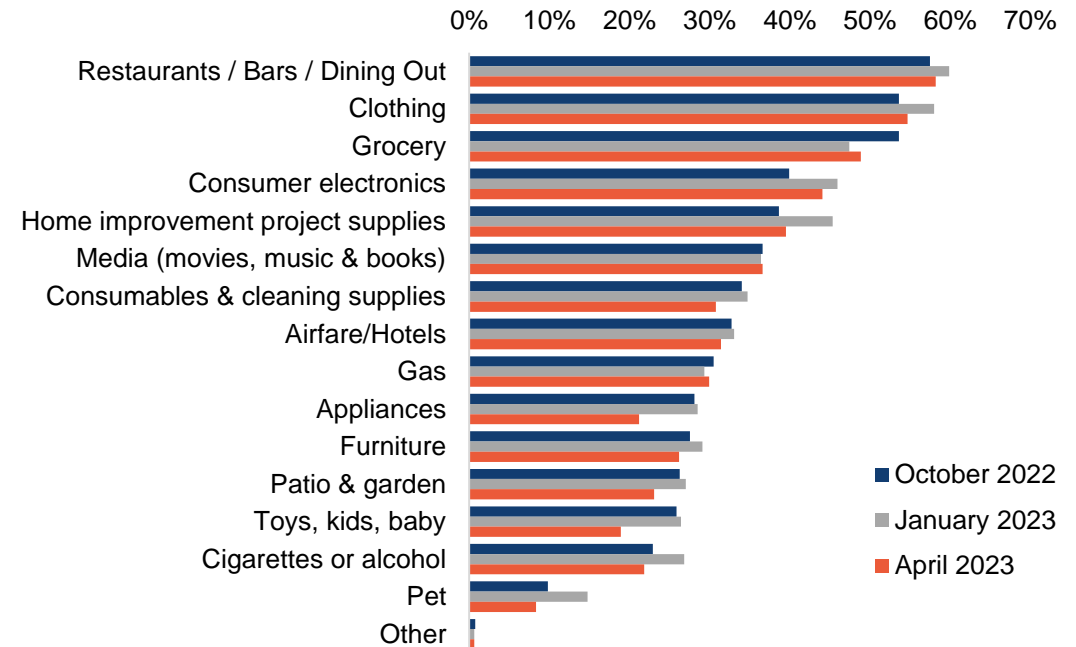


Pet Spending Remains Resilient

- Our survey work continues to highlight pet spend as the most resilient category across all major areas dating back to late mid-2022
- While discretionary/hardgoods sub-categories within pet have underperformed core consumables products (namely dry food), consumers are sticking to pet spend more than any other category
- Even with inflation hitting pet food categories especially hard in early 2023, pet parent behavior has been largely unchanged

Pet Consumer Behavior Largely Unchanged

Which categories do you expect to cut back spending on?
% of respondents





Most Pronounced Impact on Low End Consumer

- While pet category is most resilient – low income consumer becoming more impacted as we move deeper into inflation cycle
- Mid/high income demographics very unlikely to change shopping habits relative to rest of retail
- Latest pet spend trend across higher income groups much more resilient vs. other categories

Red indicates the number is the highest across income groups

% of respondents expect to cut back spending									
Category	Low Income			Mid Income			High Income		
	3Q22	4Q22	1Q23	3Q22	4Q22	1Q23	3Q22	4Q22	1Q23
Restaurants / Bars / Dining Out	67%	61%	50%	56%	60%	63%	50%	59%	56%
Clothing	55%	61%	54%	57%	60%	53%	42%	52%	58%
Grocery	57%	54%	53%	52%	42%	48%	53%	52%	47%
Consumer electronics	33%	46%	40%	41%	43%	44%	45%	51%	48%
Home improvement project supplies	33%	34%	32%	40%	47%	39%	41%	53%	47%
Media	37%	38%	36%	38%	34%	34%	33%	41%	43%
Consumables & cleaning supplies	34%	29%	33%	33%	35%	29%	36%	41%	33%
Airfare/Hotels	26%	21%	21%	32%	35%	32%	42%	41%	39%
Gas	33%	38%	33%	31%	26%	28%	26%	27%	32%
Furniture	25%	25%	25%	30%	28%	26%	26%	35%	28%
Appliances	23%	24%	19%	30%	27%	17%	29%	37%	31%
Patio & garden	26%	25%	23%	26%	26%	21%	27%	31%	28%
Cigarettes or alcohol	20%	28%	32%	24%	26%	19%	23%	27%	18%
Toys, kids, baby	19%	22%	24%	26%	26%	16%	34%	32%	21%
Pet	13%	18%	16%	11%	12%	6%	4%	17%	6%
average	33%	35%	33%	35%	35%	32%	34%	40%	36%

Low income: Less than \$25k / year or \$25-49k / year & live with significant other, or parents with children
 Mid income: \$50-149k / year or \$25-49k / year & single, live with roommates, or live with parents
 High income: \$150k+ / year
 Source: CRC Consumer Study | April 2023 (Sample Size=600)





Most Influential Factors for Pet Shopping

Overall, quality, health & nutrition and ingredients rated as most important when shopping for pet products

	Total	Gen Z	Millennials	Gen X	Baby Boomers	Low Income	Middle Income	High Income
Quality	4.26	3.88	4.18	4.33	4.48	4.13	4.23	4.50
Health & nutrition	4.18	3.72	4.11	4.33	4.38	4.14	4.17	4.27
Ingredients	4.16	3.90	4.12	4.18	4.34	3.96	4.16	4.40
Value (price + quality)	4.07	3.62	4.10	4.18	4.14	4.06	4.01	4.24
Price	3.95	3.60	4.02	3.97	4.01	4.06	3.87	4.06
Convenience / Easy to find	3.93	3.55	3.96	3.93	4.05	3.90	3.87	4.12
Brand	3.88	3.53	3.84	4.01	3.99	3.79	3.83	4.14
Origin of product (i.e. made in the USA)	3.73	3.38	3.71	3.76	3.88	3.58	3.70	3.98
Clean / Natural / Organic Factors	3.67	3.55	3.87	3.54	3.52	3.53	3.60	4.03
Sales or Promotions	3.65	3.30	3.82	3.69	3.53	3.70	3.55	3.87
Sustainability (of the product or brand)	3.59	3.58	3.86	3.40	3.34	3.51	3.49	3.97
Fast shipping	3.53	3.40	3.76	3.64	3.12	3.46	3.39	3.99
Easy to use website or mobile app	3.51	3.38	3.77	3.49	3.16	3.39	3.40	3.93
Innovation (i.e. new or unique products)	3.34	3.32	3.71	3.25	2.85	3.26	3.24	3.69
Packaging / appearance	3.15	3.07	3.46	3.03	2.83	2.99	3.07	3.57
In-store signage	3.13	3.57	3.49	2.91	2.57	3.14	3.02	3.44





Deflation Impact

- Deflation in pet food categories appears unlikely at least over the near-term
- Consumer indicating spend across pet categories would remain relatively steady with price decreases
- As inventory levels recover (full recovery appears unlikely until 2024) – feedback points to promotional activity returning more likely if product costs normalize

% of respondents to increase spending if they see lower prices

Group	Category	Categories to increase spending on	Low Income	Mid Income	High Income
Daily Necessities	Grocery	53%	54%	52%	52%
	Gas	34%	37%	31%	37%
	Consumables & cleaning supplies	24%	17%	26%	26%
	Pet	16%	16%	15%	17%
Non-essential: Goods	Clothing	39%	41%	37%	39%
	Appliances	21%	12%	25%	20%
	Toys, kids, baby	18%	13%	18%	21%
	Consumer electronics	21%	14%	19%	30%
	Furniture	20%	13%	22%	23%
	Patio & garden	13%	8%	14%	17%
	Auto	20%	18%	18%	24%
	Home improvement project supplies	21%	11%	25%	25%
Non-essential: Services	Media	24%	22%	23%	26%
	Restaurants / Bars / Dining Out	35%	29%	39%	31%
	Airfare/Hotels	23%	9%	26%	31%



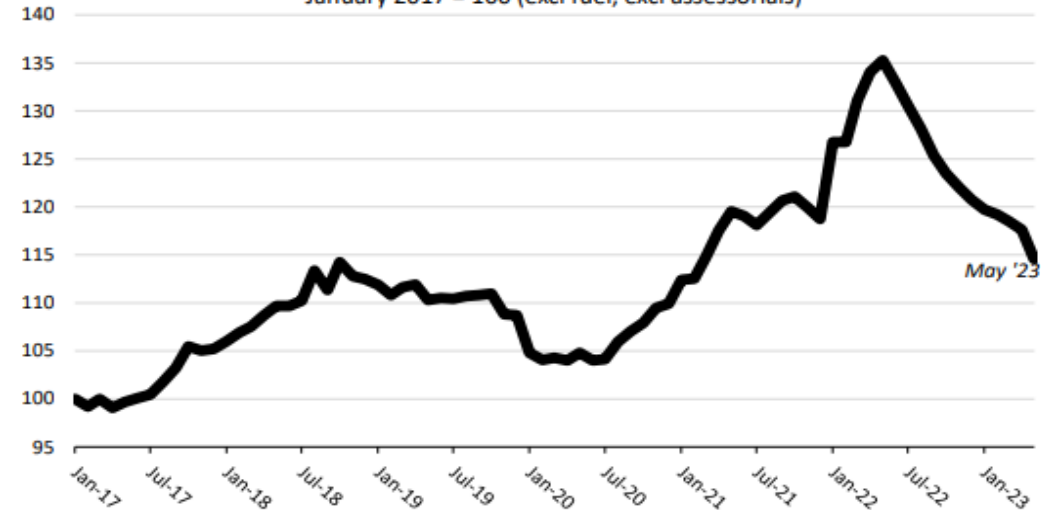


Transportation Costs Returning to Pre-COVID

- Average truckload rates (both spot and contract rates) continue to move lower YTD
- Our work indicates blended truck pricing likely moderates further in 2H23, with overall 2023 TL prices on pace to decline 10-20% (vs. up 7-10% in 2022)
- Spot ocean rates (blue) are down 80%+ Y/Y and at/near pre-COVID levels. We are hearing contract ocean rates (yellow/red boxes) for the upcoming 12-month contracts are likely going to be between \$1.3K-1.6K on the TPEB USWC trade. Our work indicates weaker demand Y/Y (likely down 10-15%+) offsets sailing capacity reductions by the carriers.

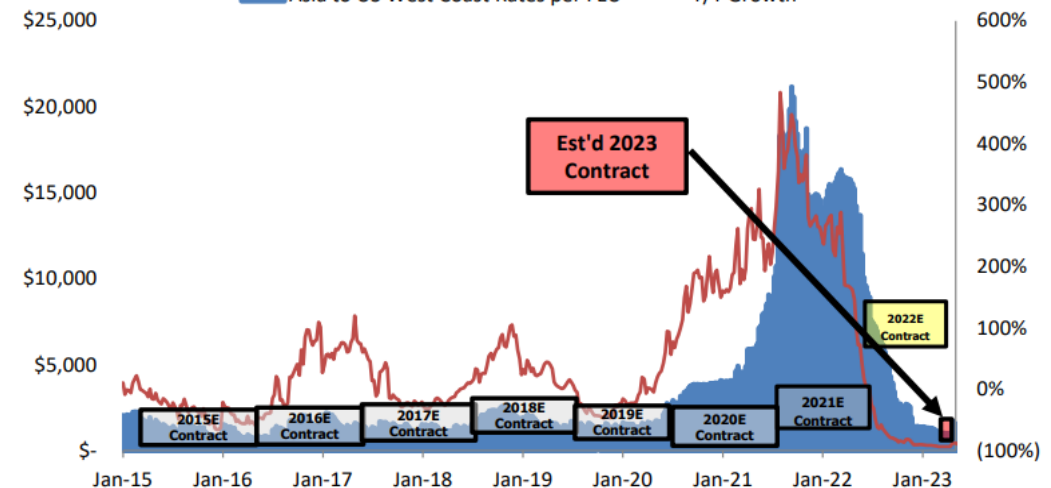
Truckload Linehaul Pricing Index

January 2017 = 100 (excl fuel, excl accessorials)



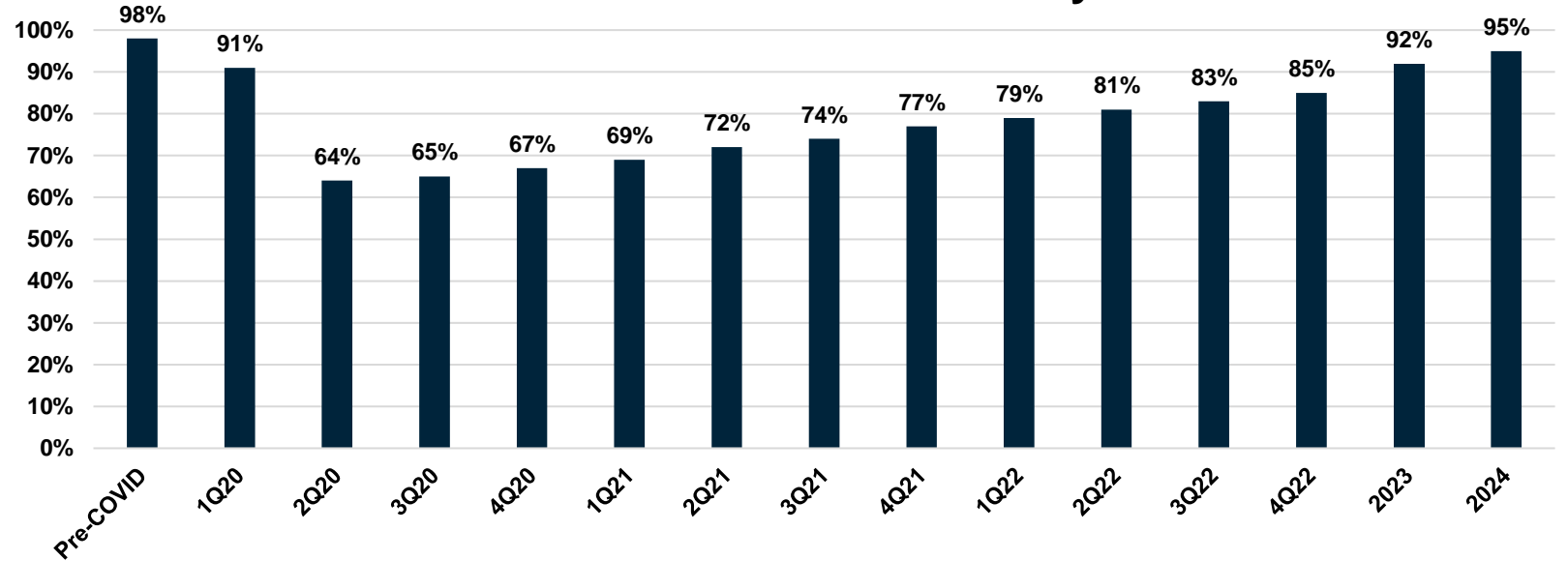
Ocean Spot vs Contract Rates

Asia to US West Coast Rates per FEU — Y/Y Growth



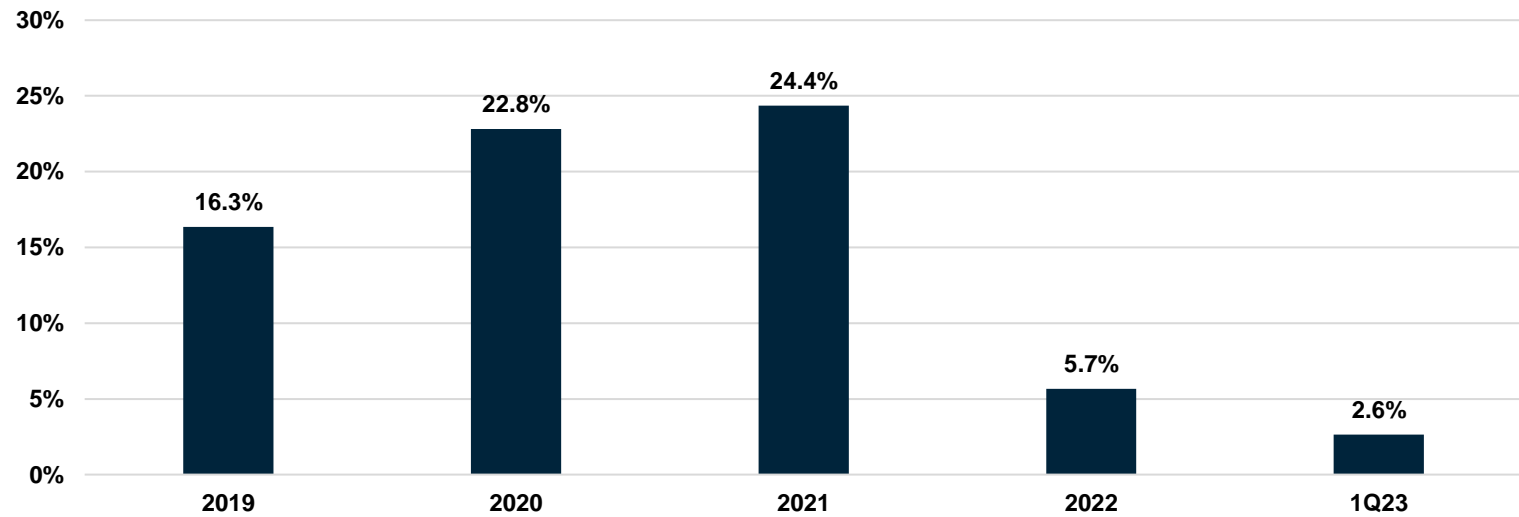
Inventory Levels
Creeping Closer to
Full Recovery

CRC Estimated In-Stock Recovery Timeline



Growing Focus on Balancing Inventory

Key Pet Retail Inventory Levels



*Chewy and Amazon grew inventory 44% and 19%, respectively, in 2019

1H23 Highlights

Value Continues to Win



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Value Remains Top Priority for Pet Parents



Walmart and Dollar retailers

appeared to be the biggest winners over the past 6 months, confirming consumers' desire to stretch their dollars in a challenging environment

Trade down activity picking up,

with callouts of opening price point, private label, and lower tier food items outperforming all other product classes

Trip consolidation and frequency

seems to favor mass and grocery channels, while the pet specialty channel appears to see less consistent store visits from pet parents

Inventory levels recovering

gradually, with most major sub-categories appearing to be at/approaching 90% fill rates on a consistent basis

Demand across top-tier products

remains solid, with fresh/specialty diets seeming to hold up well despite all the inflationary pressures

Promotional activity accelerating

across the pet retail channel, highlighted by Chewy's ongoing site wide events aimed at driving basket building and household retention



Pet Shopper Feedback Incrementally Cautious

To what extent do you agree with the following statements? (net agree – disagree)

■ May 2022 ■ May 2023

Because of the higher prices on pet supplies (i.e. – leashes, toys, beds, etc.), I will look for cheaper pet supplies next time I purchase them.

Because of the higher prices on pet pharmacy, I will look for cheaper pet pharmacy products next time I purchase them.

Higher prices will impact how quickly I take my pet to the vet

I plan to go to the vet less this year compared to last year to save money

I am more likely now to purchase a store brand pet product today than a year ago to save money

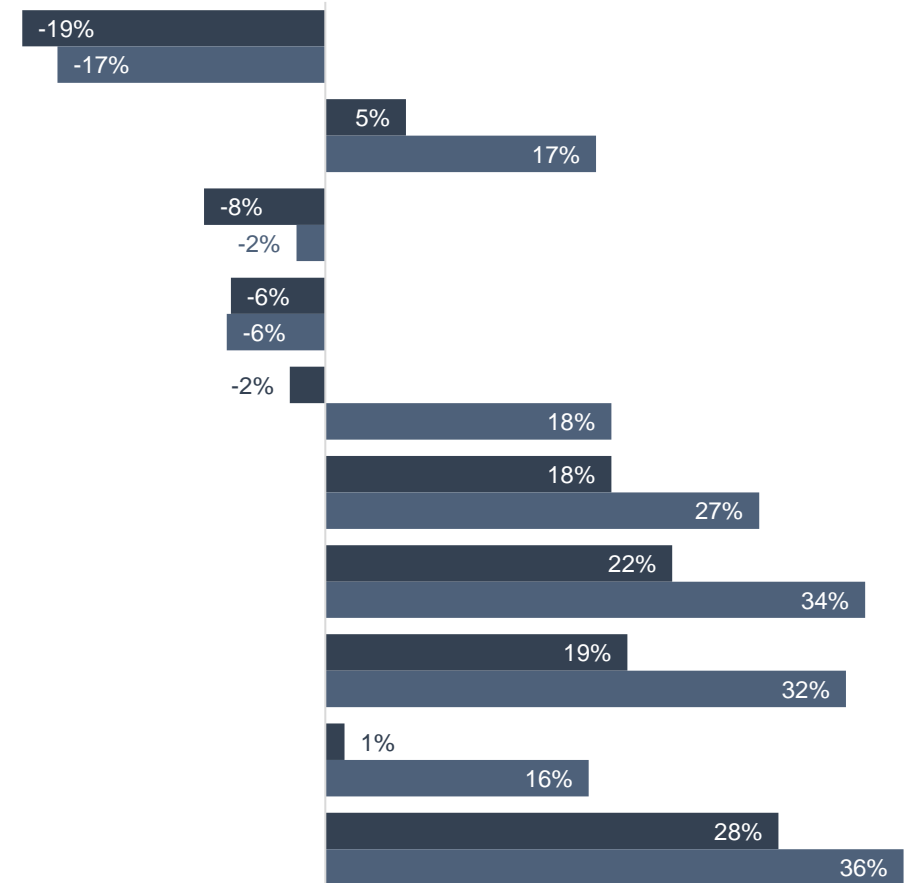
I am more likely to wait to for a promotion or sale to purchase pet products than a year ago

I am more likely to purchase larger pack sizes for my pet today than a year ago

I am more likely to buy pet food in bulk today than a year ago

I am more likely to buy fewer items overall for my pet today than a year ago

I don't expect my pet purchases to change in the next few months



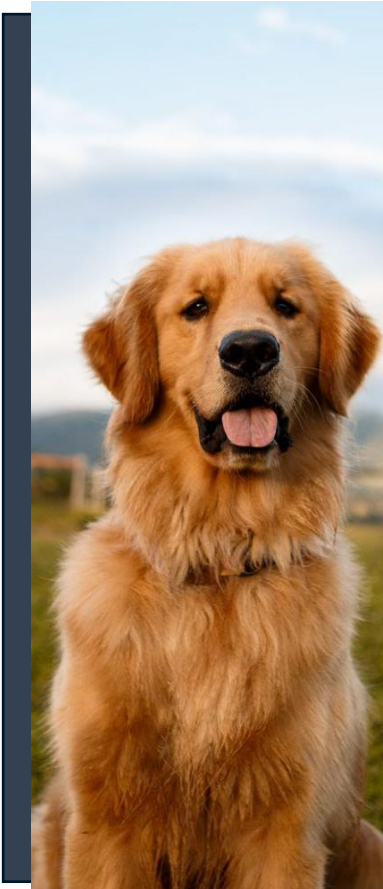
Pet Retail Rankings

2021	2022	2023	Change vs. Prior Year
			↔
			↑
			↑
			↑
			↔
			↓
			↑
			↓
			↓

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Retailer Shopping Frequency Favoring eCom

In the next 6 months, pet owners appear more likely to shop at Amazon, Chewy and Walmart for pet food and supplies



	Now	Next 6 mo.	Diff.
Walmart	22%	24%	1.4%
PetSmart	16%	13%	-2.8%
Chewy	13%	16%	2.8%
Amazon	10%	15%	5.6%
Grocery Store	8%	5%	-2.4%
Petco	6%	6%	0.0%
Target	5%	6%	0.2%
Farm and ranch / farm and home retailer	4%	3%	-0.8%
Club Store	3%	3%	-0.6%
Dollar Store	3%	2%	-1.2%
Pet Supplies Plus	3%	2%	-0.8%
Local pet store	2%	2%	0.2%
Discount Grocery Store	1%	0%	-0.6%
Natural Grocery Store	1%	0%	-0.6%
Drug Store	1%	0%	-0.8%
Local farmers markets	0%	0%	-0.4%
Off-price retailer	0%	1%	0.4%
Other	1%	1%	0.6%

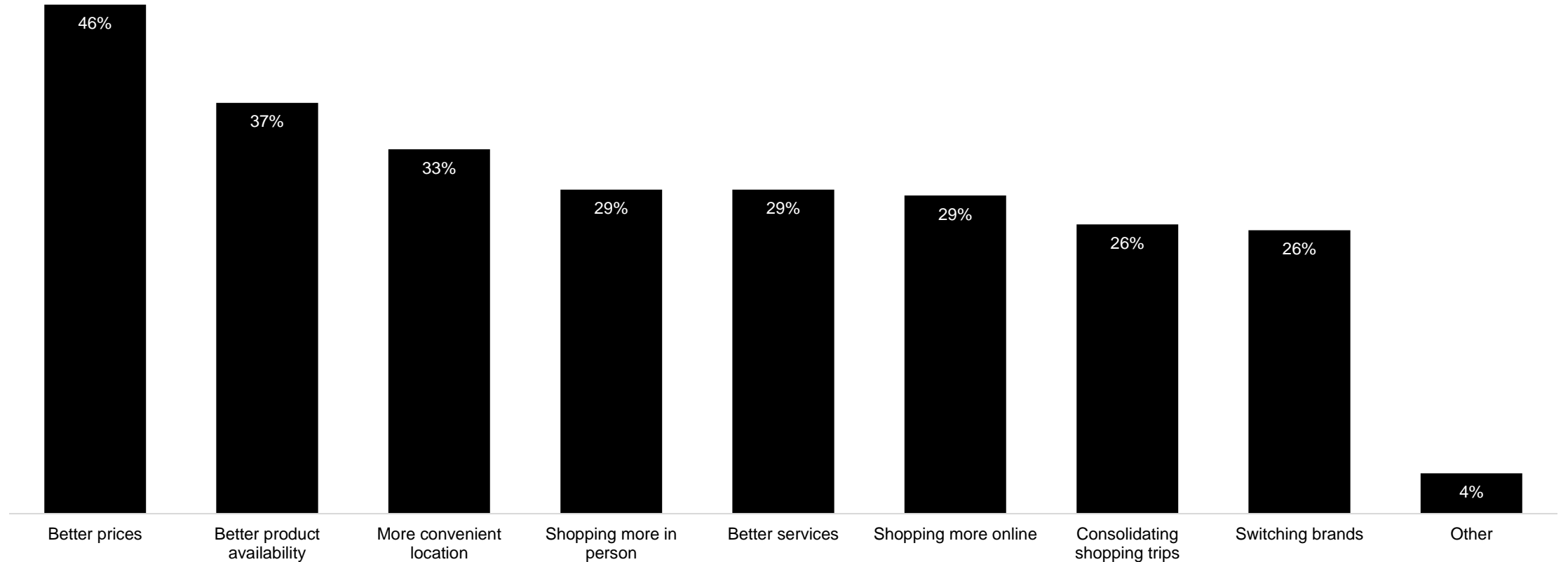
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Purchase Behavior Key Drivers

Changing purchase behaviors driven by better prices, availability, and convenience

Why are you changing where you are shopping over the next 6 months for pet food and supplies?



Pet Retail Highlights from 1H23

- Walmart remains top destination across value channel retailers
- Dollar channel pet sales very strong, however Dollar General execution issues leaving some opportunity on the table
- Family Dollar improving execution, seeming more competitive with value channel peers
- Amazon AVN process seeming most contentions as any time over the past five years – leading to ordering inconsistencies
- Chewy appearing increasingly well positioned, benefiting from automated FC rollout, supply chain transformation
- PetSmart executing well, difficult for pet specialty operators to compete in recessionary environment
- Grocery channel leaking share to value, seeming to lag value channel on inventory recovery timeline
- Target struggling with public perception, merchandise mix, heavy inventory positions in big ticket and discretionary
- Petco curated assortment not resonating as well with consumers in budget-conscious environment



Chewy Customer Appears Less Impacted by Macro Headwinds

Management commentary suggests Petco core customers may be more impacted by macro headwinds relative to Chewy's base

Petco CFO Brian LaRose on 1Q23 Earnings Call:

“Like other retail sector peers, we saw a more cautious consumer beginning in the second half of the first quarter, resulting from banking uncertainty and lower tax refunds; which continues to weigh on discretionary. While our top line growth continues into May, our reaffirmation of guidance is reflective of our desire to remain prudent in this environment.”

Chewy CEO Sumit Singh on 1Q23 Earnings Call:

Responding to a question on the call:

“One of your larger omni-channel competitors called out some weakness in the consumer in the second half of 1Q... driven by macro issues. They even cited regional banking crisis and lower tax refunds. Did you see any of that whatsoever in the consumer demand trajectory intra-quarter?”

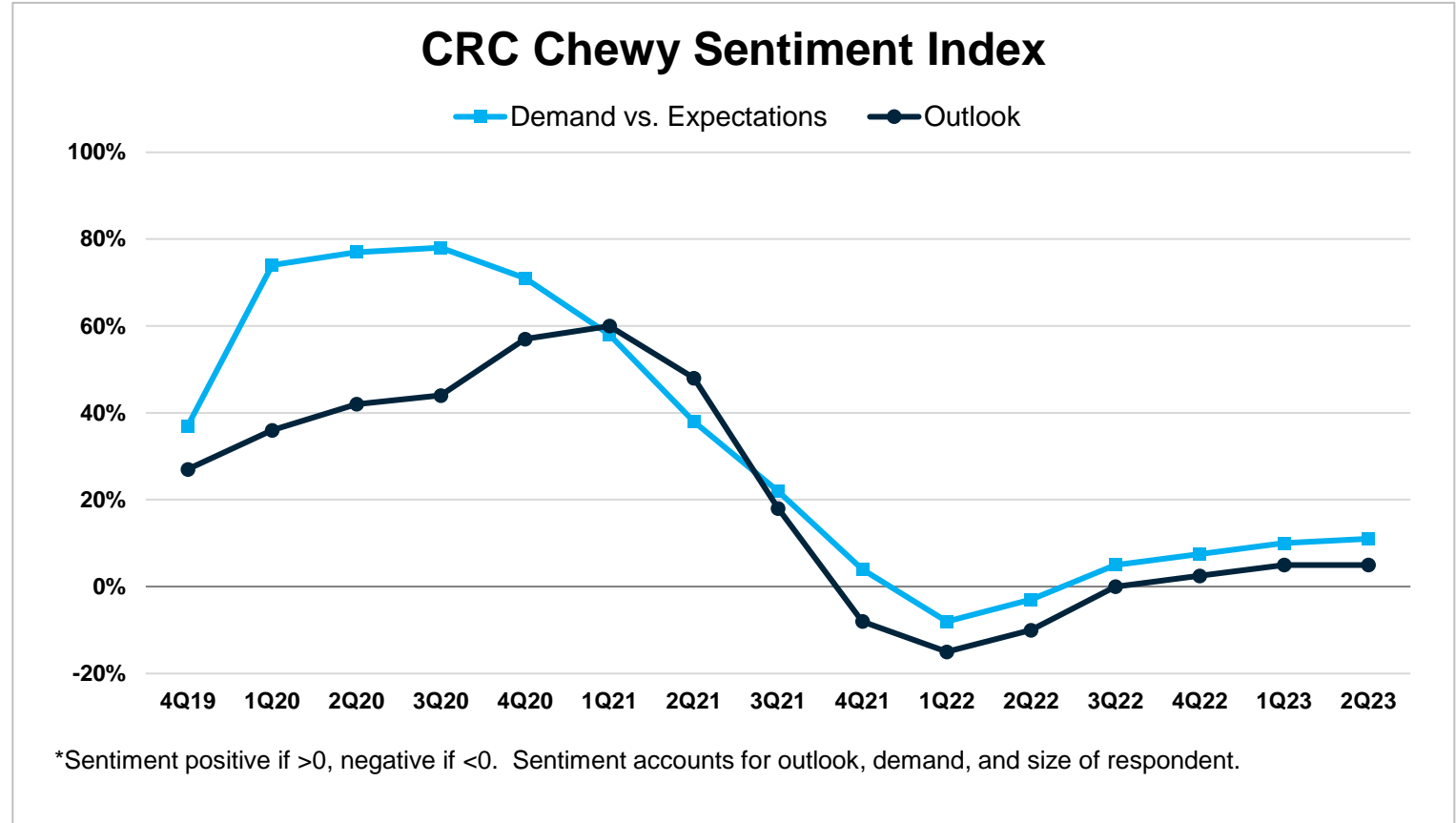
“No... we're not seeing that.”





Chewy Sentiment Index

Gaining momentum following choppy 2022



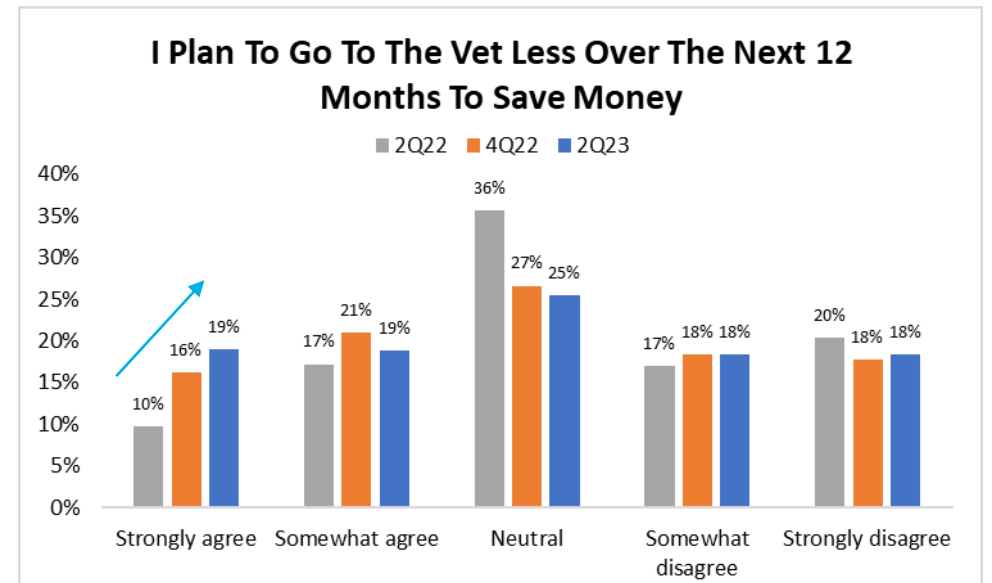
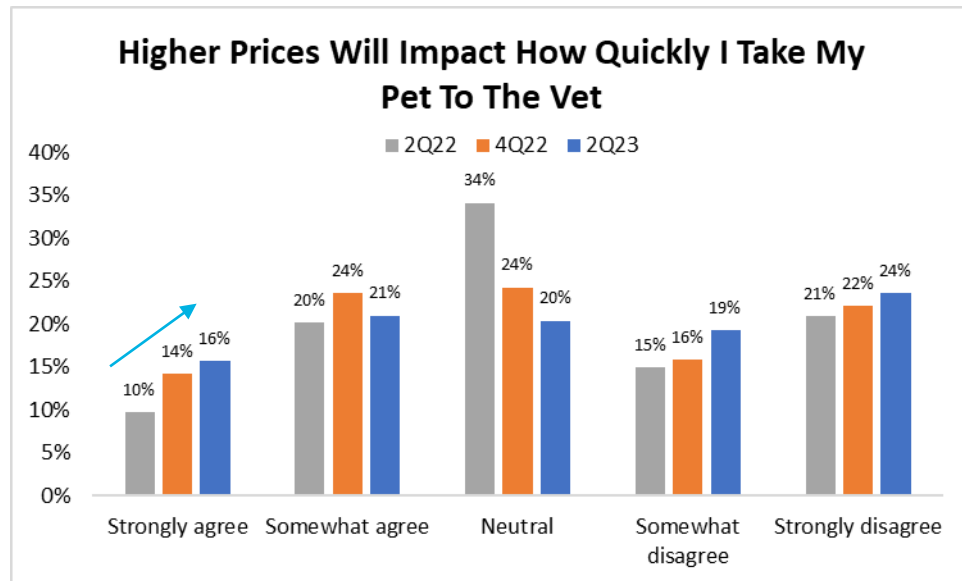
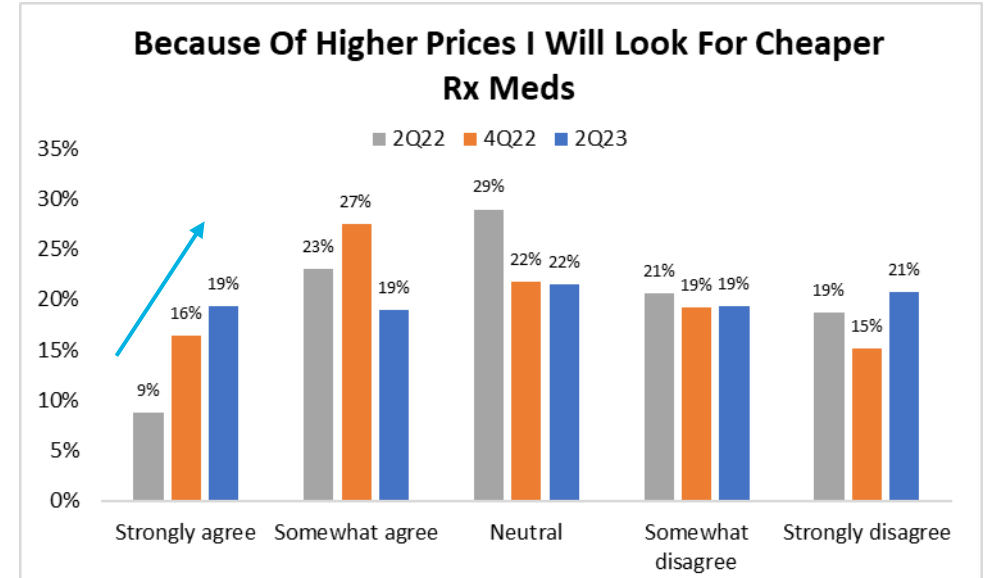
While sentiment recovers relative to 2022, feedback suggests Chewy has opportunity to provide more transparency around co-op spend and develop internal insights across all sub-categories





1H Pet Healthcare Trends Summarized In Three Charts

Vet spending and visits remain weak, impacting compliance and new case starts

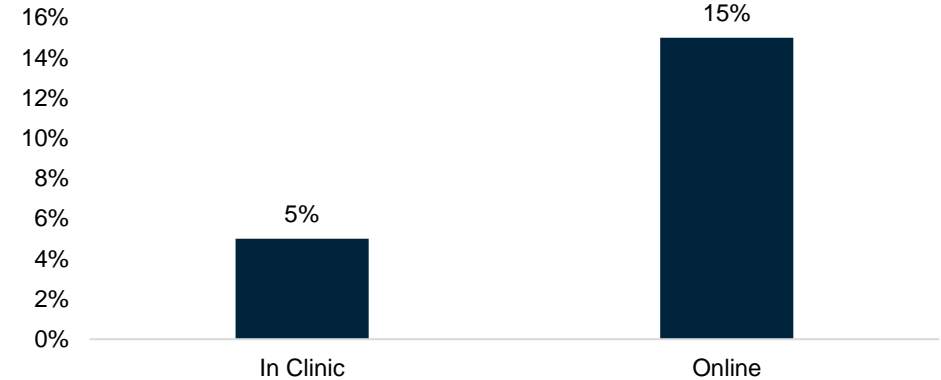




This Is Accelerating Shift Online And Further Impacting Vet Groups

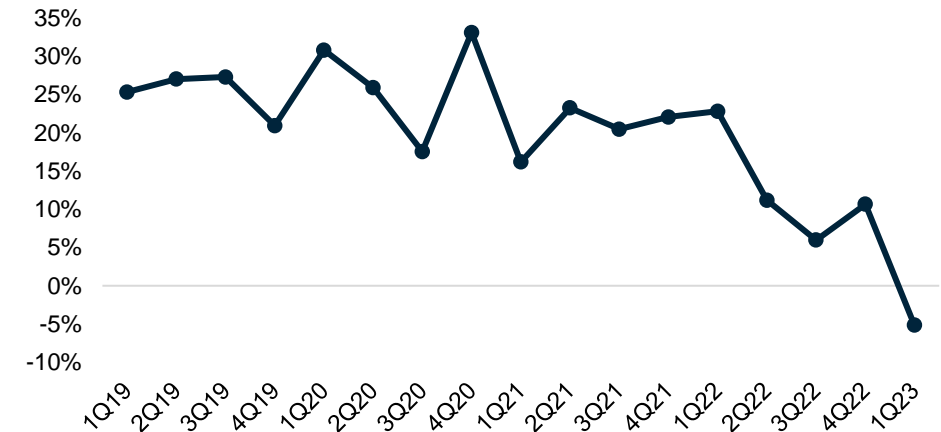
- We are seeing in clinic Rx growth slow to up mid-single digits vs. online of mid-teens. This includes mid to high single digit price increases seen this year
 - Incremental price increases in 2H23 sound unlikely
- Key growth products like dermatology are slowing – compliance is weakening, new case starts are weak and consumers may be viewing these types of medications as more discretionary
- The slower growth, less new patients, higher labor costs, and higher interest rates are causing vet clinics to be under more margin pressure
- We are starting to see more cost actions by groups, slower acquisition activity, and increasing efforts by mid sized groups to sell out to larger groups
 - **Could see a non-traditional player acquirer desperate chains**

**Vet Industry
Online Vs. In Clinic Rx Growth Rates FY23**



Source: CRC Estimates

**Zoetis Inc.
Dermatology Growth**



Source: Zoetis, Inc



This Is Driving A Step Up In Promotions

We are also seeing this increase focus on wellness/insurance by stakeholders across the industry



50% off Autoships

Prevention is the Best Protection from Fleas & Ticks

Shop All

- Simparica TRIO** Chewable Tablet for Dogs, 441-89 lbs. (6-mos. supply), 6 Chewable Tablets (6-mos. supply) **\$180.99** Save 50% on First Autoship
- Revolution Plus** Topical Solution for Cats, 5.6-11 lbs. (Orange Box), 6 Doses (6-mos. supply) **\$138.99** Save 50% on First Autoship
- NexGard** Chew for Dogs, 241-60 lbs. (Purple Box), 3 Chews (3-mos. supply) **\$75.99**
- Revolution Plus** Topical Solution for Cats, 113-22 lbs. (Green Box), 6 Doses (6-mos. supply) **\$142.99** Save 50% on First Autoship
- Heartgard Plus** Chew for Dogs, 51-100 lbs. (Brown Box), 6 Chews (6-mos. supply) **\$69.49**
- Advantage XD** Large Cat Treatment, 2 count **\$52.98** Save 20% on First Autoship
- Interceptor** for Dogs, 50 (Blue Box), 6 mos. supply **\$65.99**

48-Hr Flash Sales

FLASH SALE - TWO DAYS ONLY!

Dog 1,679 Results

- Simparica TRIO** Chewable Tablets for Dogs **AUTOSHIP & SAVE** ✓ FLASH SALE: 20% off first Autoship purchase
- NexGard** Chewables for Dogs **AUTOSHIP & SAVE** ✓ FLASH SALE: 5% off first Autoship purchase of single doses
- Heartgard Plus** Dog Chews **AUTOSHIP & SAVE** ✓ FLASH SALE: 5% off first Autoship purchase of single doses
- Triflexis** Tablets for Dogs **AUTOSHIP & SAVE** ✓ FLASH SALE: \$30 off 12 packs with Autoship
- Apoquel** Tablets **AUTOSHIP & SAVE** ✓ FLASH SALE: 20% off first Autoship purchase
- Interceptor Plus** Dog Chewable Tablets **AUTOSHIP & SAVE** ✓ FLASH SALE: 20% off 12 packs with Autoship
- Credelio** Chewable Tablets for Dogs **AUTOSHIP & SAVE** ✓ Save 5% on 6 packs with Autoship
- Galliprant** Flavored Tablets **AUTOSHIP & SAVE** ✓ FLASH SALE: 20% off 90ct bottles with Autoship





Recap Of The State Of Pet Medications In 1H23

- Pet medications landscape continues to evolve, with demand slowing and potentially only in the early innings of trade down/out.
 - Some modest improvement in June, partially offset by ongoing trade down in pack size and OTC as of late
- **Online share is increasing** as demand holds in better than in clinic and retail. Compliance tends also to be sticker
- **Consumers** are increasingly shifting to online for **value**
 - Value is an increasing theme in the work, discounts/promotions are working when applied
- **Manufacturers** are very pleased with alternative channel growth, adding investments here
- **Vet groups** struggling to improve demand themselves, going to continue to raise price which might drive more demand to Online (circle being created). Modest improvement in home delivery support to compete against DTC options

Pet Industry Outlook



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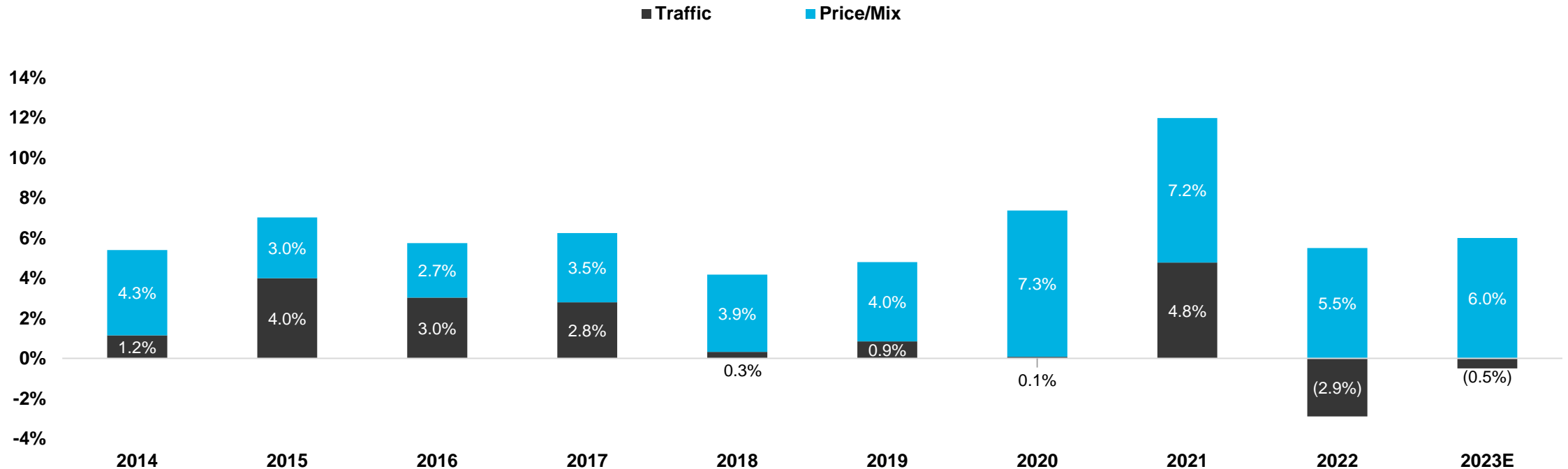




Pet Medications Outlook For 2H

- Seeing some improvement in June parasiticide sales, feedback suggests 3Q may see better than expected sales due to longer season
- Expecting visits to remain muted in the near/medium term due to staffing challenges at vet clinics, reduced hours, and lack of new pet owners (flat pet ownership vs. historical trends of ~50bps)

Vet Industry
Traffic Vs. Price/Mix Growth





Sales Forecasts Across Major Retail Channels

CRC Channel* Total Sales Growth					
	2022	2023E	2024E	2025E	LT CAGR
Mass	6.1%	3.4%	2.9%	3.0%	3.0%
Club	11.2%	5.1%	5.5%	5.1%	5.1%
Dollar	9.1%	5.8%	5.4%	5.9%	5.7%
Grocery	7.2%	3.5%	1.7%	1.9%	1.9%

**weighted based on size/share of key retailers within each channel*

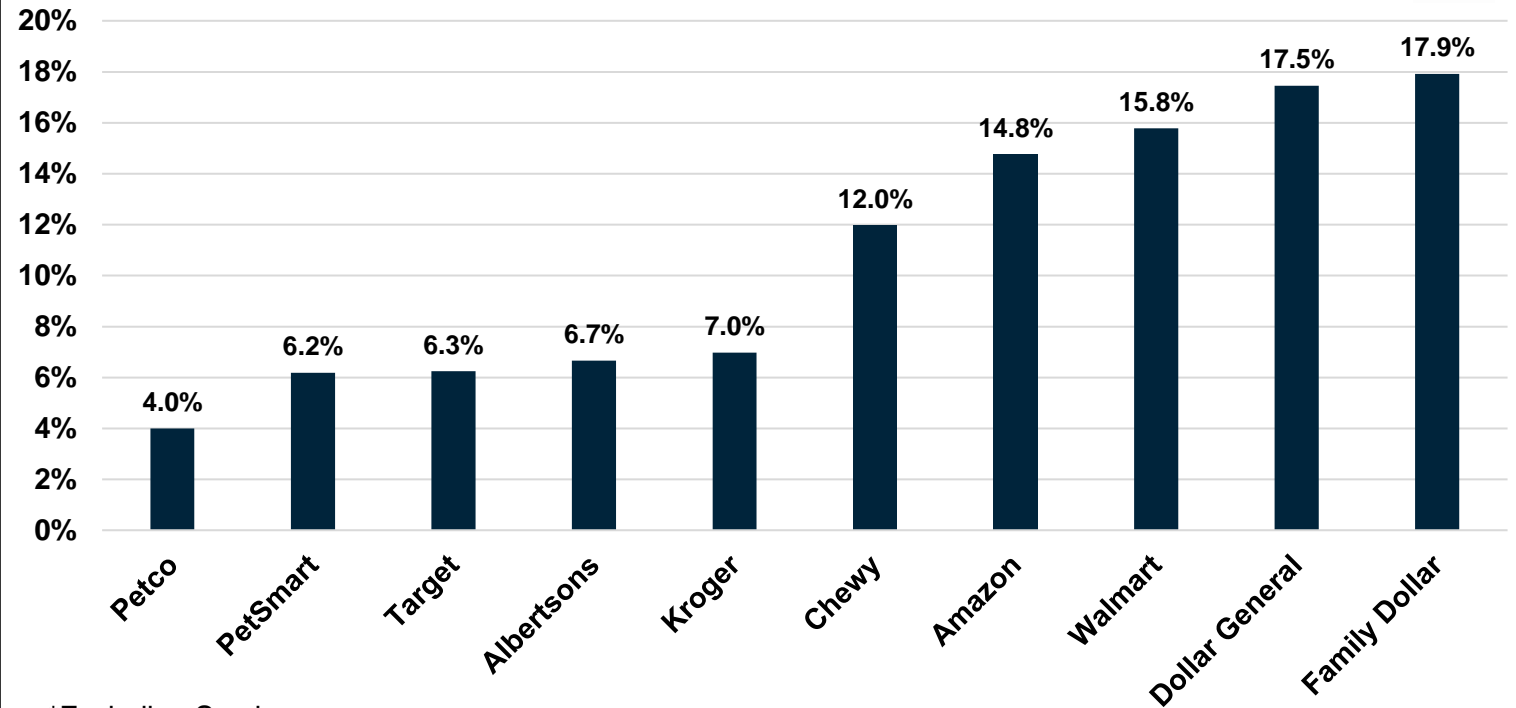
New Store Growth By Channel				
	Mass	Club	Grocery	Dollar
2016	0.7%	1.8%	1.8%	4.9%
2017	0.3%	0.4%	0.6%	5.5%
2018	0.0%	-1.3%	0.5%	3.9%
2019	0.1%	1.2%	0.8%	2.6%
2020	0.2%	1.3%	0.5%	3.9%
2021	0.3%	1.5%	0.4%	4.0%
2022	0.2%	2.1%	0.9%	3.8%
2023E	0.0%	2.3%	0.7%	4.0%
2024E	0.2%	2.3%	0.5%	3.8%
2025E	0.2%	2.2%	0.3%	3.7%

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2023 Pet Sales Forecasts

2023E Pet Retail Sales Growth



*Excluding Services





Chewy Sales Forecasts

Gap Between Consumables/Hardgoods Narrowing

- We expect Consumables categories to drive the bulk of Chewy's growth in 2023, primarily tied to inflation benefits (feedback suggests 75%+ of sales growth driven by price increases)
- Hardgoods demand likely remains muted near-term, with little to no replacement of big ticket items
- Rx/services poised for solid growth

	2022	2023E	2024E	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E
Category Sales Mix											
Consumables	\$7,145	\$8,191	\$9,011	\$1,698	\$1,713	\$1,804	\$1,930	\$2,004	\$1,995	\$2,030	\$2,162
% Change	17.1%	14.6%	10.0%	16.7%	15.4%	17.8%	18.3%	18.0%	16.5%	12.5%	12.0%
BPS Change	-575	-245	-464	-727	-1260	-606	160	132	108	-531	-628
% of Net Sales	70.8%	72.4%	71.8%	69.9%	70.5%	71.2%	71.3%	72.0%	72.3%	72.8%	72.6%
Hardgoods	\$1,216	\$1,202	\$1,334	\$316	\$291	\$292	\$317	\$311	\$294	\$286	\$311
% Change	-6.9%	-1.2%	11.0%	-8.0%	-8.7%	-4.8%	-6.0%	-1.6%	1.0%	-2.0%	-2.0%
BPS Change	-2,011	574	1,217	-4954	-1611	-1268	-816	648	972	277	400
% of Net Sales	12.0%	10.6%	10.6%	13.0%	12.0%	11.5%	11.7%	11.2%	10.6%	10.3%	10.4%
Other	\$1,738	\$1,916	\$2,204	\$414	\$427	\$436	\$460	\$469	\$470	\$471	\$506
% Change	17.2%	10.3%	15.0%	23.1%	21.2%	16.5%	9.8%	13.3%	10.0%	8.0%	10.0%
BPS Change	-2,741	-695	472	-4109	-2316	-2650	-2364	-978	-1124	-849	20
% of Net Sales	17.2%	16.9%	17.6%	17.1%	17.6%	17.2%	17.0%	16.8%	17.0%	16.9%	17.0%
Net Sales	\$10,099	\$11,309	\$12,553	\$2,428	\$2,431	\$2,532	\$2,707	\$2,785	\$2,759	\$2,787	\$2,979
% Change	13.6%	12.0%	11.0%	13.7%	12.8%	14.5%	13.4%	14.7%	13.5%	10.1%	10.0%

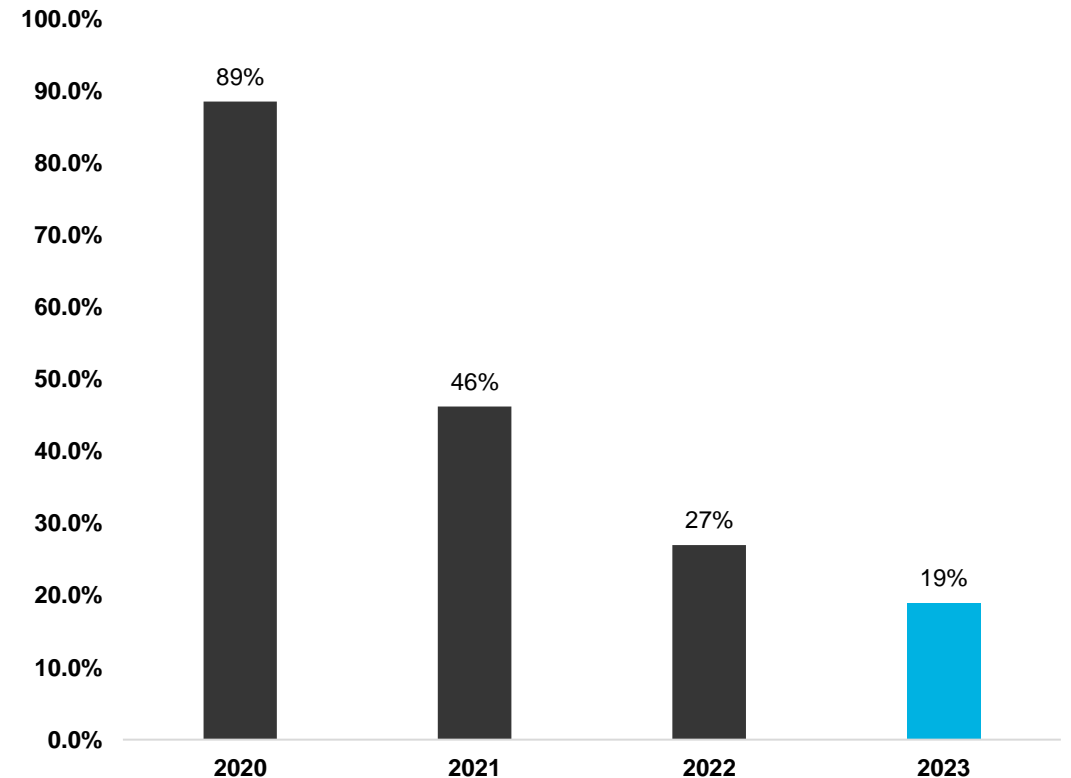
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Chewy Pharmacy Outlook

- Continue to hear more investment from manufacturers planned in 2H in this channel as demand generally the fastest growth
- Hearing more efforts to cross sell pharmacy and core food
- We are seeing Chewy better invest marketing spend in the DTC platform and wellness plans vs. Practice Hub. The company appears to be taking investment away from Practice Hub due to lack of uptake. Vetcove likely having an impact here as well
- Longer term, Chewy appears to want to sell a more full suite of solutions to clinics

Chewy.com
Pharmacy Sales Estimates Annual Growth



Source: Cleveland Research





Chewy Operational Performance

See potential for active customer count to re-accelerate long term

	2022	2023E	2024E		1Q22	2Q22	3Q22	4Q22	1Q23
Autoship customer sales	\$7,360	\$8,445	\$9,338		\$1,754	\$1,767	\$1,856	\$1,984	\$2,081
<i>% Change</i>	18%	15%	11%		18%	17%	19%	17%	19%
Autoship customer sales as % of net sales	72.9%	74.6%	74.3%		72.2%	72.7%	73.3%	73.3%	74.7%
Active Customers	20.4	20.7	21.6		20.6	20.5	20.5	20.4	20.4
<i>% Change</i>	-1%	1%	4%		4%	2%	1%	-1%	-1%
Net Sales Per Active Customer	\$495	\$546	\$581		\$446	\$462	\$477	\$495	\$512
<i>% Change</i>	15%	10%	6%		15%	14%	14%	15%	15%

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Petco Sales Forecasts

Macro headwinds likely limit material upside near-term

- Magnitude of upside sounds more limited across our work, with similar demand headwinds specific to Supplies categories offset by inflation carrying Consumables

Petco Health And Wellness Company (\$m)	2022	2023E	2024E	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E
Category Sales Mix											
Consumables	\$2,860	\$3,071	\$3,194	\$686	\$687	\$721	\$766	\$763	\$732	\$739	\$838
% Change	12.9%	7.4%	4.0%	15.3%	12.3%	12.0%	12.1%	11.2%	6.5%	2.5%	9.4%
BPS Change	-646	-546	-340	206	-1203	-931	-670	-406	-578	-953	-1108
% of Net Sales	47.4%	49.0%	49.4%	46.5%	46.4%	48.0%	48.5%	49.0%	48.6%	48.7%	49.4%
Supplies and Companion Animal	\$2,371	\$2,262	\$2,330	\$599	\$601	\$575	\$596	\$554	\$550	\$552	\$607
% Change	-8.9%	-4.6%	3.0%	-9.0%	-9.5%	-9.4%	-7.8%	-7.6%	-8.5%	-4.0%	1.9%
BPS Change	-2,071	434	758	-4227	-1779	-1506	-1186	136	97	545	179
% of Net Sales	39.3%	36.1%	36.1%	40.6%	40.6%	38.3%	37.8%	35.6%	36.5%	36.4%	35.8%
Services and Other	\$805	\$939	\$1,033	\$191	\$193	\$205	\$216	\$239	\$224	\$226	\$250
% Change	20.2%	16.6%	10.0%	18.1%	21.4%	24.3%	17.0%	25.4%	16.0%	10.0%	15.7%
BPS Change	-2,305	-355	-661	-5389	-3142	-396	-1360	735	-538	-1435	-999
% of Net Sales	13.3%	15.0%	16.0%	12.9%	13.0%	13.7%	13.7%	15.4%	14.9%	14.9%	14.8%
Net Sales	\$6,036	\$6,273	\$6,461	\$1,476	\$1,481	\$1,501	\$1,578	\$1,556	\$1,505	\$1,516	\$1,695
% Change	3.9%	3.9%	3.0%	4.3%	3.2%	4.0%	4.2%	5.4%	1.7%	1.0%	7.4%
Comp Store Sales	4.5%	2.7%	3.0%	5.1%	3.8%	4.1%	5.3%	5.1%	3.0%	2.0%	1.0%
2-Year Stacked	23.5%	7.2%	5.7%	33.5%	23.8%	19.1%	19.3%	10.2%	6.8%	6.1%	6.3%
3-Year Stacked	34.5%	26.2%	10.2%	35.5%	34.3%	35.4%	36.3%	38.6%	26.8%	21.1%	20.3%
3-yr Geometric				37.6%	37.6%	39.2%	40.4%	41.8%	28.3%	22.1%	21.2%
Geometric vs. 2019								44.7%	41.8%	42.0%	41.9%

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Petco Digital Sales Overview

Appear to be a primary source of growth in 2023

- Feedback on Petco’s digital execution and structure has been a bright spot in our work over the past few years, and appears to be a growing area of focus given it represents a material portion of the company’s growth over the near-term

	2022	2023E	2024E		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E
Net Sales	\$6,036	\$6,273	\$6,461		\$1,476	\$1,481	\$1,501	\$1,578	\$1,556	\$1,505	\$1,516	\$1,695
<i>% Change</i>	3.9%	3.9%	3.0%		4.3%	3.2%	4.0%	4.2%	5.4%	1.7%	1.0%	7.4%
eCom Sales	\$871	\$973	\$1,078		\$214	\$214	\$206	\$236	\$239	\$240	\$231	\$264
<i>% Change</i>	10.5%	11.5%	11.0%		10.5%	10.0%	9.8%	11.8%	11.2%	12.0%	12.0%	12.0%
<i>% of Total</i>	14.4%	15.5%	16.7%		14.5%	14.4%	13.7%	15.0%	15.3%	15.9%	15.2%	15.6%
In-Store Sales	\$5,165	\$5,302	\$5,383		\$1,261	\$1,267	\$1,295	\$1,342	\$1,317	\$1,266	\$1,285	\$1,431

Key Takeaways for Pet Channel



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MID-YEAR PET INDUSTRY
OVERVIEW WEBINAR





Playbook for 2H23

Value Focus = Key Driver Next 6+ Months

- Persistent inflation & normalizing lifestyles likely to weigh on 2023 demand
- Consider featuring “value” pack sizes and reviewing product portfolio and consider delisting unproductive SKUs that may no longer be relevant

In-stocks Likely 6+ Month Away from Full Recovery

- See varying levels of recovery across key sub-categories in 1H23
- Certain brands who have recovered and appear to be outperforming could see incremental headwinds tied to competitors getting back in stock later in the cycle

Retailers Likely Managing Inventory Conservatively

- Elevated product costs and normalizing demand likely results in retailers reducing weeks of cover
- Proactive communication on reasons to stay in stock on key items could help retailers stay focused on items they need to win

Hold Retailers Accountable for Trade Investments

- Asks for supplier funding likely to continue to ramp as retailers focus on protecting margin
- Look to set up strategic partnerships where possible and communicate how helpful transparent reporting can be in terms of securing additional funding

Offer Solutions for Retailers Facing Capacity Constraints

- Certain retailers appear to be struggling with managing labor/space across FC networks
- Expect to see ordering patterns fluctuate around peak seasons in 2H23, and consider investing in supply chain capabilities to ensure strong execution/product availability

Pharmacy

- Expect an elevated promotion season in the fall
- Online growth expected to drive 2-3x the volume that in-clinic is expecting. See incremental opportunities to partner with consumable brands
- Groups are going to be increasingly cost focused in negotiations for 2024



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Appendix

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