



BETTER CH ICE

C O M P A N Y



August 12, 2021
Q2 2021 Earnings Presentation

Safe Harbor



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Company Overview



- Dynamic and forward-thinking pet food company targeting the premium pet food market
- Flexible omni-channel go to market strategy with four differentiated sales channels
- Exciting three-year product pipeline with game changing innovation
- World class and diversified team with significant success in the pet food industry
- Uplisted to NYSE American on July 1, 2021 concurrent with \$40m of common equity raise to drive growth

\$50M+
Gross Sales
(2020)

500k+
Active customer
emails on
DTC platform

59%
Of net sales
made online
(2020)

Asset Light
Model with long term
co-manufacturing
partners

95%
YoY Growth
of Halo Brand
in Asia

51%
Of online sales
made via recurring
subscriptions*



* Includes subscription purchases made by end customers on our partner websites.

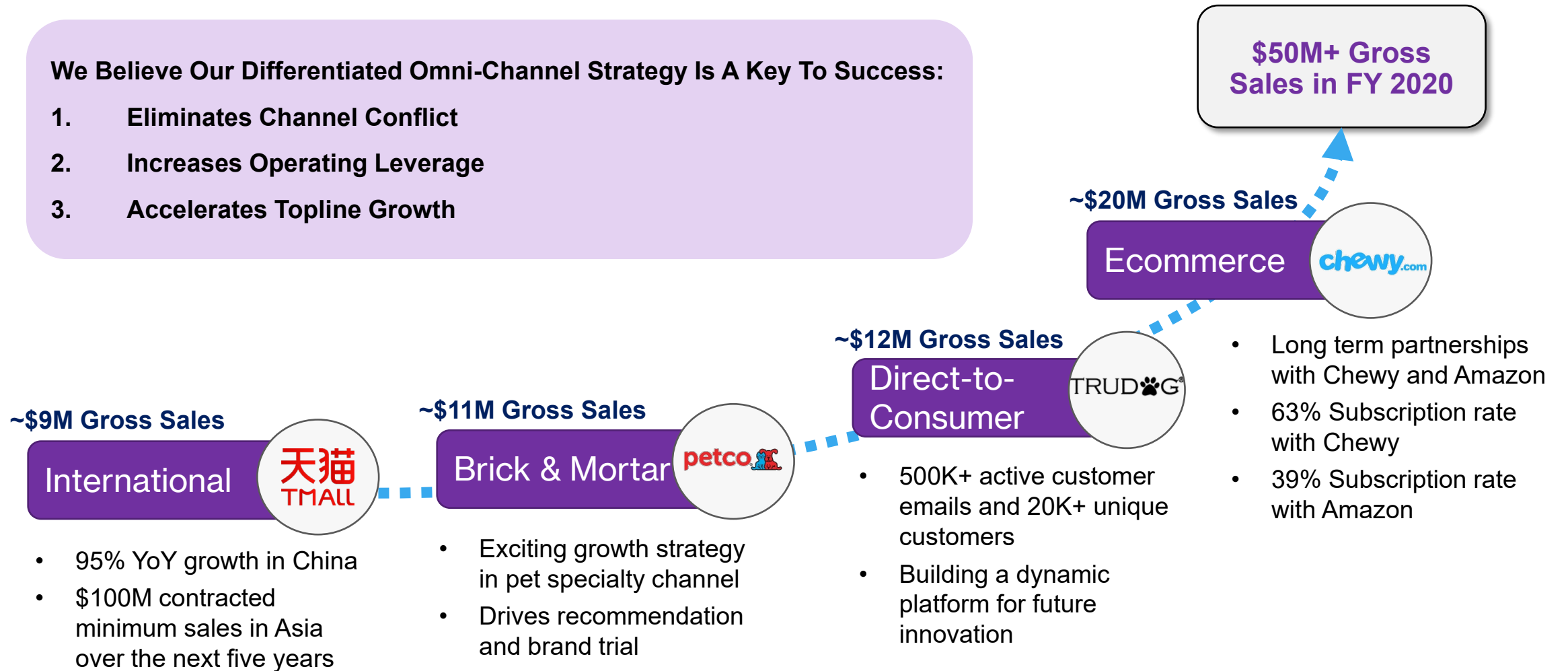
A True Omni-Channel Approach

A laser focused, channel-specific approach to growth that is driven by new product innovation



We Believe Our Differentiated Omni-Channel Strategy Is A Key To Success:

1. Eliminates Channel Conflict
2. Increases Operating Leverage
3. Accelerates Topline Growth



A Strong Foundation Built For Success



Team

- 44 FTEs with hubs in Chicago, Nashville and Tampa
- Win-from-anywhere culture driving productivity
- Equity incentive plans in place to attract top tier talent



Suppliers

- All premium food and treats are made in the USA
- Co-manufacturers include Alpha (kibble), Simmons (canned), Carnivore (freeze-dried) and BrightPet (vegan)
- Best-in-class certifications ensure product quality and drive performance



Infrastructure

A wide scope of systems ensures scalable success

- World class ERP system
- Shopify (third party ecommerce platform)
- IT expertise and work from anywhere support
- Integrated SEC reporting



Partners

- We team with key customers (Chewy and Petco) and international distributors (i.e. Penefit) to drive successful new product launches
- Marketing relationships include Vayner Sports and Little Big Brands



Seasoned Management Team & Board



Management Team

Scott Lerner *CEO*

20+ YEARS CONSUMER PRODUCTS EXPERIENCE



Donald Young *EVP Sales*

29 YEARS PET INDUSTRY EXPERIENCE



Rob Sauermann *EVP Strategy*

\$100M GROWTH CAPITAL DEPLOYED



Jenny Condon *EVP Digital Sales*

ECOMM EXPERT WITH 15+ YEARS EXPERIENCE



Sharla Cook *CFO*

18+ YEARS FINANCE & ACCOUNTING EXPERIENCE



Ryan Wilson *VP Marketing*

5+ YEARS PET INDUSTRY EXPERIENCE



Alex Vournas *VP Supply Chain & Logistics*

5+ YEARS PET INDUSTRY EXPERIENCE



Board of Directors

Mike Young

YEAR JOINED BOD: 2019



Jeff Davis

YEAR JOINED BOD: 2019



Gil Fronzaglia

YEAR JOINED BOD: 2021



Lori Taylor

YEAR JOINED BOD: 2019



John Word III

YEAR JOINED BOD: 2020



Management and key insiders own approximately 25% of Better Choice following Underwritten Offering

Investment Highlights



Portfolio of Established Premium and Super-Premium Pet Brands With a History of Success



Executive Team Purpose Built for Success in the Pet Industry



Asset Light Model with Established Long Term High Quality Co-Manufacturing Partners



Online Recurring Revenue Represents Majority of Total Sales



Exposure to Fastest Growing Sub-Sectors of Premium Pet



Rapidly Growing International Presence

Select Financial Information



2020 Annual Results

\$42.6M
Net Sales

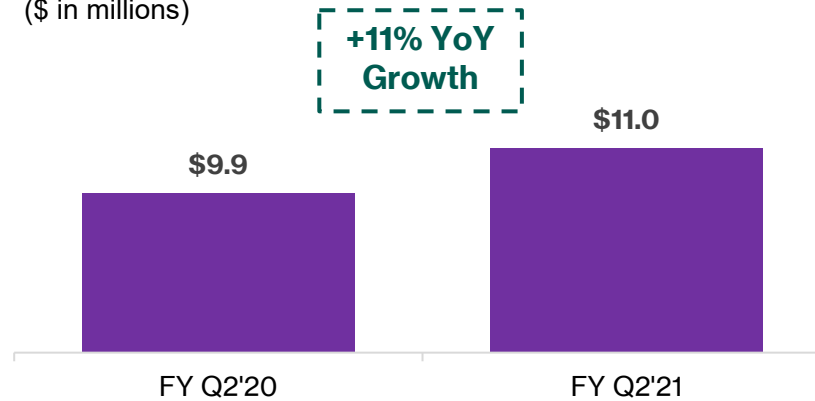
\$16.1M
Gross Profit

37.8%
Gross Margin

(\$1.9)M
Adj. EBITDA

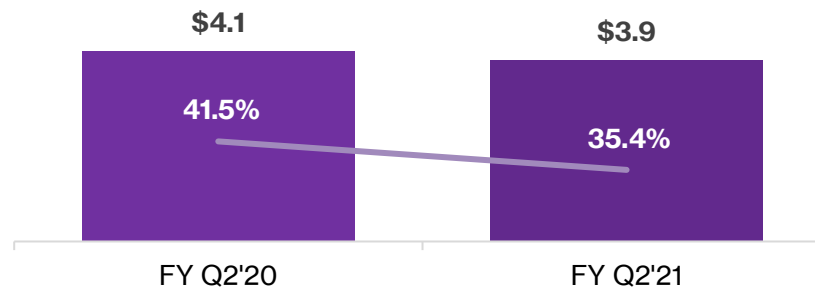
2Q 2021 Net Sales¹

(\$ in millions)



2Q 2021 Gross Profit & Margin¹

(\$ in millions)



1H 2020 GM: 37.4%

1H 2021 GM: 37.5%

1H 2021 Commentary

Domestic & International Sales

- International channel successfully delivering contracted volumes
 - \$6.5m of Net Sales in 1H 2021 represents 48% YoY Growth
- Executed Pet Supplies Plus Contract for National Launch of Halo Elevate in 2022
- Hired five new sales team members to execute brick and mortar launch and generate digital sales growth

Operations and Gross Margin

- 1H 2021 gross margin of 37.5% in line with 1H 2020 gross margin
- Industry wide increases to commodity costs and freight as a result of COVID-19 have negatively impacted gross margin
- A portion of price increases have been passed though to consumer, with adoption anticipated in late Q3 / Q4

1. For three months ended June 30
2. For fiscal year ended December 31

COVID-19 Has Accelerated Industry Growth



COVID-19 has had a permanent and material impact on pet ownership and household spend, and these tailwinds are expected to continue

The US Pet Care Market is expected to reach \$275B by 2030, more than doubling in value over the next 10 years

130M

Pets in the USA
Before COVID-19

\$39B

Annual Spend on Pet
Food and Treats

11M

New Pets Housed
During COVID-19

\$3B

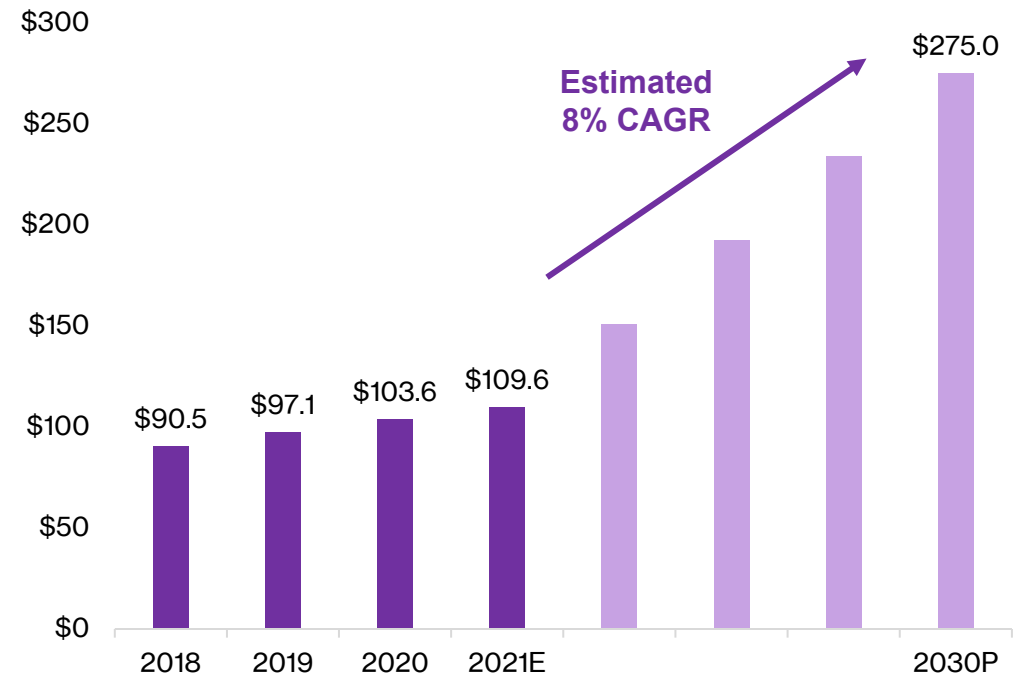
Annual Increased Spend
on Pet Food and Treats

36%

Percentage of Pet
Care Spent on
Food and Treats

\$1,500

Annual Household
Spend on Pet Care



Source: American Pet Product Association's COVID-19 Pulse Studies, Packaged Facts 2020, Morgan Stanley.

Source: American Pet Product Association, Morgan Stanley.



Millennials Embrace The Humanization of Pets And Are Looking For More

Feedback is pervasive:

- 95% say their pet is part of the immediate family
- 77% say they feel more like pet parents rather than pet owners
- 50% are as concerned about their pets' well being as their human family members

75% of Millennial households own a pet and housed pets at historic levels during COVID-19 pandemic

**Halo is the brand
for a new
generation of
pet parents**

Halo

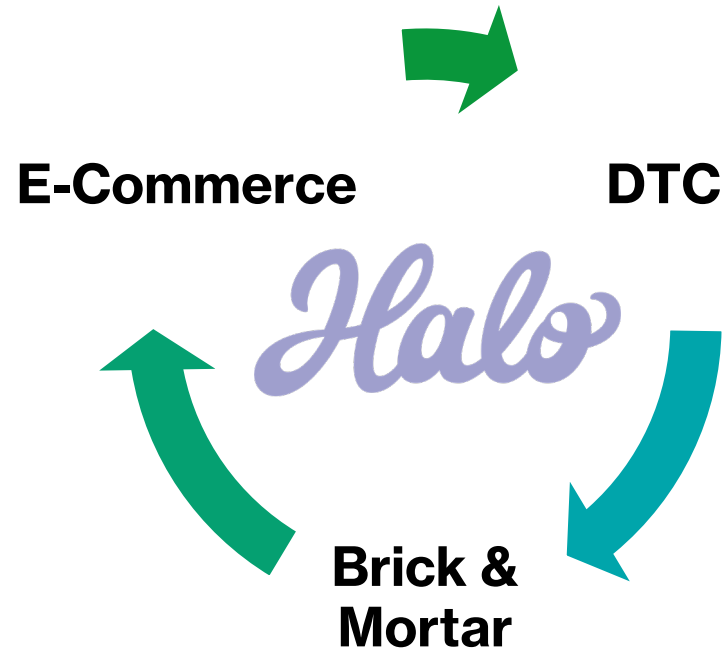


Better Choice's Brand Portfolio



| | Current Halo Brand | | 2022 Pet Specialty Launch | Brand Consolidation Opportunity |
|------------------------------|---|---|--|--|
| Pet Parent Target | Female Millennials With High Willingness to Pay | | | |
| Core Benefit | Holistic, Benefit-Based Solutions (Digestion, Vegan, etc.) | | Best In-Class Nutrition with Transparent Recipes | Real Animal Protein Your Dog Needs and Craves |
| Channels | Ecommerce, International, DTC | | Pet Specialty, International, DTC | Ecommerce, International, DTC |
| Companion Animal Type | Dog & Cat | | Dog & Cat | Dog Only |
| Products | Dry Kibble, Canned Wet, Treats | | Dry Kibble, Canned Wet, Treats | Freeze-Dried Food, Toppers & Treats; Dental Chews and Supplements |
| SKUs | Dry Dog: 12 Wet Dog: 23 Vegan Dog: 8 Treats (Dog): 6 | Dry Cat: 24 Wet Cat: 25 Treats (Cat): 2 | Dry Kibble (Dog & Cat): 31 Canned Wet (Dog & Cat): 10 | Freeze Dried Food: 7 Freeze Dried Toppers: 7 Freeze Dried Treats & Supplements: 31 |

Maximizing 3 Sales Channels To Drive The Halo Brand Towards \$100M of Gross Sales by 2023



Pet Specialty Channel Key to Customer Acquisition



- A significant number of “success stories” in branded pet have built loyalty in the neighborhood pet and pet specialty channels, including Blue Buffalo, WellPet, Nutro and Merrick, prior to significant strategic exits



**Mars Pet Care
Acquires Nutro (2007)**



- Donald Young (EVP of Better Choice Sales) joined Nutro in the early 1990's, becoming Senior Group Vice President in 2004
- Several Better Choice sales team members worked with Donald at Nutro and later Merrick
- Better Choice recently onboarded two brand managers from Mars Petcare

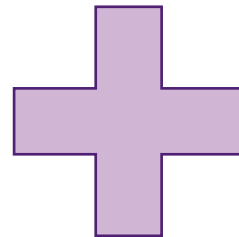


**Nestle Purina
Acquires Merrick (2015)**



- Donald Young (EVP of Better Choice Sales) joined Merrick in 2011 to lead sales team
- Several Better Choice sales team members worked with Donald at Merrick
- Two leadership team members, Ryan Wilson and Jenny Condon, joined Better Choice from Nestle

Halo Elevate is Launching in Brick & Mortar in 2022



- **3rd Largest Pet Specialty Retailer**
- **560+ Locations in USA**
- **Contracted 2022 Launch Partner**

- **Specifically built for millennial pet parents**
- **Designed by in-house formulation experts and veterinarians**
- **Product gross margin targets exceed current Better Choice gross margin**

Five Keys To Future Growth

HALO BRAND
STRATEGY



MULTI CHANNEL
SALES STRATEGY



PURSUE STRATEGIC
ACQUISITIONS



STRONG INNOVATION
PIPELINE



CAPITALIZE ON
OPPORTUNITY IN
CHINA



Halo Brand Strategy



Strong Innovation Pipeline



Innovation pipeline centered on **Halo Elevate**, a highly nutritious food that takes the uncertainty and complexity out of what you are feeding your dog and provides recipe transparency you can see and trust.

Halo Elevate (Dry & Wet)
2022 Launch

Halo Holistic
2022 Refresh

Future Innovation

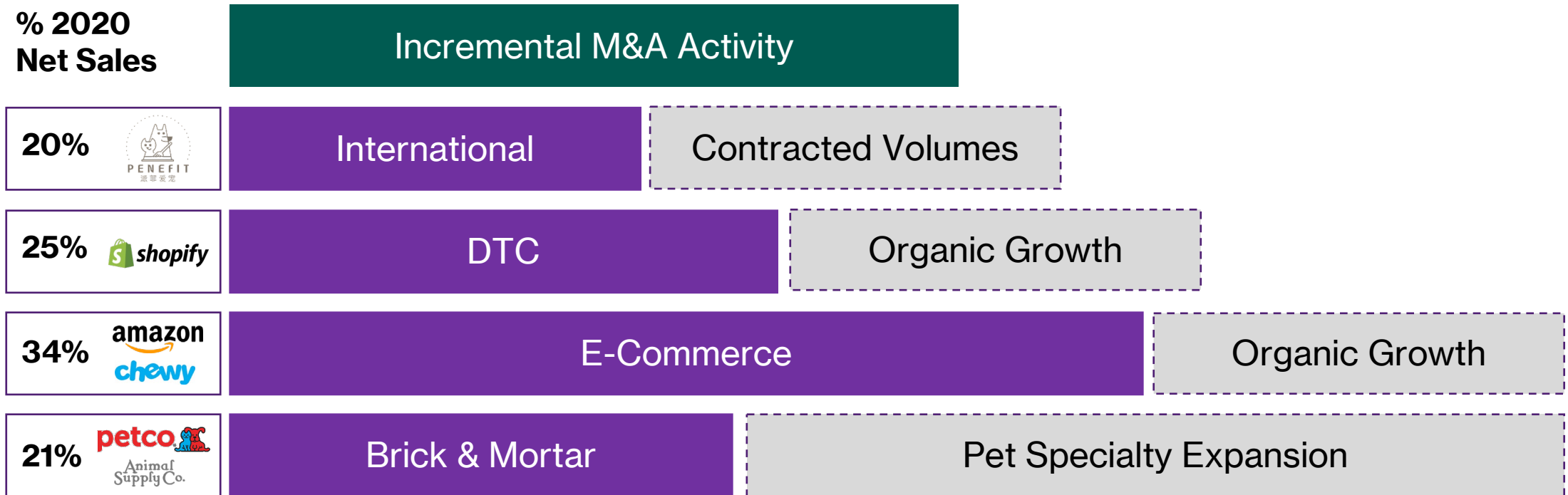


Three Year Innovation Pipeline

Multi-Channel Sales Strategy



Our multi-channel approach enables the simultaneous launch of innovative new products while reducing channel conflict – we believe this is a key competitive advantage and growth accelerant



■ 2020 Net Sales

▤ Illustrative Growth Opportunities

Capitalize on Opportunity in China



China Represents The Largest Opportunity For International Growth

- Chinese pet market estimated to be ~\$7 billion by 2022, with premium dry dog and cat food markets growing at 20% and 28% CAGRs¹
- China represented 58% of the \$6.5M of net sales in 1H 2021, with significant future growth supported by contracted minimum volumes
- Halo's target consumer in China is very similar to target consumer in US (50%+ of Halo's Chinese customers were born after 1990)
- In June 2020, approved to sell 15 dry diets by Chinese Ministry of Agriculture



Winner of the "2020 Best Selling Brand of the Year Award" (China Pet Fair)



\$100M of contracted minimum sales with Asian distribution partners in 2021-2025

1) From 2015 to 2025; Euromonitor, American Pet Products Association.

Pursue Strategic Acquisitions...



In-House M&A Capabilities Stand Out Relative To Other Brand Platforms

- Potential brands must meet stringent investment criteria (valuation, channel mix, supply chain, customer profile, etc.)
- Ability to source proprietary / non-auction transactions as an operating brand
- Preference for asset light models that avoid channel conflict / competition
- Better Choice can use stock, cash and debt to optimize cost of capital

| | TruDog Acquisition (Closed May 2019) | Halo Acquisition (Closed December 2019) |
|--|---|--|
| Investment Criteria / Transaction Rationale | Direct-to-Consumer Platform in High Growth Sub-Category (Super Premium Freeze-Dried) | Complementary Pet Specialty Platform With Subscription Sales + Growing International Footprint |
| Sourcing Capabilities | Preempted Capital Raise / Non-Auction Consideration | Structured Transaction via Shared Banking Partner Relationship |
| Asset Light Structure | Outsourced Manufacturing (Carnivore, etc.) | Outsourced Manufacturing (Alpha, Simmons, Bright Pet, etc.) |
| Transaction Consideration | Transaction Consideration (100% Stock) Cash Consideration: \$0 Common Shares: 15,027,533 | Transaction Consideration (54% Cash, 46% Equity / Converts) Cash Consideration: \$20.5M Convertible Seller Notes: \$15.0M Common Shares: 2,134,390 |

...Including A Strong Acquisition Pipeline



- Better Choice has a robust pipeline of potential acquisitions and a clearly defined profile for targets
- The Company is under NDA with multiple opportunities, primarily pre-process and direct founder dialogue discussions

| | Target Profile and Attributes | | |
|-----------------|--|------------------|-----------------------------|
| Description | Premium Kibble, Canned Food and Treats | Treats | Super Premium Kibble |
| Geography | North America | North America | Europe / Asia |
| Channel | Brick & Mortar | E-Commerce / DTC | E-Commerce / Brick & Mortar |
| Asset Intensity | Asset Light Model (Co-Manufacturer) | | |
| Size (Revenue) | \$15 - \$50 Million | | |

Uplist To NYSE American Complete

Closing of \$40m Underwritten Public Offering on July 1, 2021

- Listing of BTTR on NYSE American
- \$40m Primary Proceeds raised at \$5.00 / share (~3x 2020 Net Sales)
- Automatic Conversion of ~\$23m of Convertible Debt into Common Shares
- 29.6m common shares outstanding after accounting for the following:
 - Conversion of Series F Preferred
 - Conversion of Convertible Notes
 - Reverse Share Split of 1 : 6

BTTR

LISTED

NYSE



Pro Forma Balance Sheet Post July 1, 2021 IPO



The following unaudited pro forma condensed consolidated balance sheet data is presented as if the IPO closed on June 30, 2021, and reflects:

1. The issuance of 8,000,000 shares of common stock for estimated net proceeds of \$36.2 million and a pro forma share count of 29.6m
2. The conversion of all Series F convertible preferred stock into an aggregate of 5,764,533 shares of common stock
3. The reclassification of the Series F Warrant liability to equity:

| | Actual June 30, 2021 | Pro Forma Adjustments | Pro Forma June 30, 2021 |
|---|-------------------------|--------------------------|----------------------------|
| Assets | | | |
| Total Current Assets | \$ 17,859 | \$ 36,168 | \$ 54,027 |
| Total Non-Current assets | 31,321 | — | 31,321 |
| Total Assets | <u>\$ 49,180</u> | <u>\$ 36,168</u> | <u>\$ 85,348</u> |
| Liabilities & Stockholders' Equity (Deficit) | | | |
| Total Liabilities | \$ 34,920 | \$ (16,977) | \$ 17,943 |
| Common Stock | 16 | 14 | 30 |
| Series F Preferred Stock | — | — | — |
| Additional paid-in capital | 263,361 | 53,131 | 316,492 |
| Accumulated deficit | (249,117) | — | (249,117) |
| Total Stockholders' Equity (Deficit) | <u>14,260</u> | <u>53,145</u> | <u>67,405</u> |
| Total Liabilities and Stockholders' Equity (Deficit) | <u>\$ 49,180</u> | <u>\$ 36,168</u> | <u>\$ 85,348</u> |

Income Statement



| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|--|---------------------------|-------------|-----------------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net sales | \$ 21,819 | \$ 22,167 | \$ 10,989 | \$ 9,941 |
| Cost of goods sold | 13,645 | 13,886 | 7,089 | 5,817 |
| Gross profit | 8,174 | 8,281 | 3,900 | 4,124 |
| Operating expenses: | | | | |
| General and administrative | 8,081 | 19,551 | 3,530 | 11,551 |
| Sales and marketing | 5,571 | 4,258 | 3,235 | 2,053 |
| Share-based compensation | 2,857 | 5,504 | 332 | 3,020 |
| Total operating expenses | 16,509 | 29,313 | 7,097 | 16,624 |
| Loss from operations | (8,335) | (21,032) | (3,197) | (12,500) |
| Other expense (income): | | | | |
| Interest expense | 3,069 | 4,731 | 2,234 | 2,430 |
| Gain on extinguishment of debt, net | (457) | — | (851) | — |
| Change in fair value of warrant liabilities | (22,873) | 2,095 | (29,356) | 3,474 |
| Total other (income) expense, net | (20,261) | 6,826 | (27,973) | 5,904 |
| Net and comprehensive income (loss) | 11,926 | (27,858) | 24,776 | (18,404) |
| Preferred dividends | — | 68 | — | 34 |
| Net and comprehensive income (loss) available to common stockholders | \$ 11,926 | \$ (27,926) | \$ 24,776 | \$ (18,438) |
| Weighted average number of shares outstanding, basic | 10,361,462 | 8,122,176 | 11,126,909 | 8,156,618 |
| Weighted average number of shares outstanding, diluted | 20,498,829 | 8,122,176 | 21,389,413 | 8,156,618 |
| Earnings (loss) per share, basic | \$ 1.11 | \$ (3.44) | \$ 2.23 | \$ (2.26) |
| Earnings (loss) per share, diluted | \$ 0.56 | \$ (3.44) | \$ 1.19 | \$ (2.26) |

Adjusted EBITDA Reconciliation



| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|--|---------------------------|-----------------|-----------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net and comprehensive income (loss) available to common stockholders | \$ 11,926 | \$ (27,926) | \$ 24,776 | \$ (18,438) |
| Depreciation and amortization | 824 | 866 | 413 | 409 |
| Interest expense | 3,069 | 4,731 | 2,234 | 2,430 |
| EBITDA | 15,819 | (22,329) | 27,423 | (15,599) |
| Non-cash share-based compensation, warrant expense and dividends (a) | 2,903 | 15,557 | 313 | 10,444 |
| Loss on disposal of assets | 265 | — | 210 | — |
| Non-cash change in fair value of warrant liability and warrant | (22,873) | 2,095 | (29,356) | 3,474 |
| Gain on extinguishment of debt, net (b) | (457) | — | (851) | — |
| Acquisition related expenses/(income) (c) | — | 1,293 | — | 616 |
| Non-cash effect of purchase accounting and inventory write-off on cost of goods sold (d) | — | 894 | — | — |
| Offering relating expenses (e) | 210 | 649 | 14 | 334 |
| Non-recurring and other expenses (f) | 1,305 | 1,312 | 449 | 215 |
| Adjusted EBITDA | \$ (2,828) | \$ (529) | \$ (1,798) | \$ (516) |

(a) Reflects non-cash expenses related to equity compensation awards three and six months ended June 30, 2021 and 2020. The six months ended June 30, 2021 additionally includes non-cash expenses related to stock purchase warrants issues for third-party services provided. The three and six months ended June 30, 2020 includes non-cash dividends and stock purchase warrants associated with a contract that was subsequently terminated and stock purchase warrants issued in connection with convertible notes. Share-based compensation is an important part of the Company's compensation strategy and without our equity compensation plans, it is probable that salaries and other compensation related costs would be higher.

(b) Reflects gain on extinguishment of debt resulting from the full forgiveness of \$0.9m in PPP loans for the three months ended June 30, 2021. The six months ended June 30, 2021 additionally includes a loss of \$0.4m related to the extinguishment of our former term loan and ABL facility.

(c) Reflects costs incurred related to acquisition and integration activities that will not recur and operating expenses that will not recur due to acquisition related synergies.

(d) Reflects non-cash expense recognized in cost of goods sold related to the step-up of inventory required under the accounting rules for business combinations.

(e) Reflects administrative costs associated with the registration of common shares and other debt and equity financing transactions.

(f) Reflects non-cash third party share-based compensation of \$0.3 million and non-recurring consulting costs of \$0.2 million for the three months ended June 30, 2021. The six months ended June 30, 2021 additionally includes non-recurring severance costs of \$0.7 million, non-cash third party share-based compensation of \$0.3 million, non-recurring consulting costs of \$0.2 million and director costs of \$0.1 million, partially offset by a \$0.5 million reduction to sales tax liability. Reflects \$1.0 million non-recurring contract termination costs for the three months ended June 30, 2020 and \$0.1 million and \$0.2 million of non-recurring costs for the three and six months ended June 30, 2020, respectively, related to a warehouse facility that was outsourced to a third-party logistics facility in Q4 2020.

**BETTER
CHOICE**
COMPANY



Thank You!