Better Choice Company

Q1 2022 Earnings Presentation

May 12, 2022

BETTER CHOICE COMPANY

Safe Harbor

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Better Choice Company Overview

The Most Innovative Premium Pet Food Company in the World

- Portfolio of Established Premium and Super-Premium Pet Products
- Executive Team Purpose Built for Success in the Pet Industry
- 2,000 Brick & Mortar Locations Targeted in 2022 (Petco, PSP, Indy)
- Rapidly Growing International Sales ($100m+ contracted in '21-'25)
- Significant Online Recurring Revenue Base (Chewy, Amazon and DTC)
- Exciting Three-Year Innovation Pipeline Key to Future Growth
- Asset Light Model with Established Co-Manufacturing Partners

Note: Premium and super premium segments defined as being sold with a retail price greater than $0.20 per ounce.

Omni-Channel Execution = Rapid Growth

- Our goal is to reach millennial pet parents enabling purchase of Halo products wherever, whenever, and however they choose.
- Differentiating through thoughtful merchandising of the Halo portfolio that maximizes conversion and margin in store, DTC, and eCommerce channels.
- Turning every consumer touchpoint into a dynamic opportunity to connect and convert customers with a consistent and immersive brand experience, end to end.

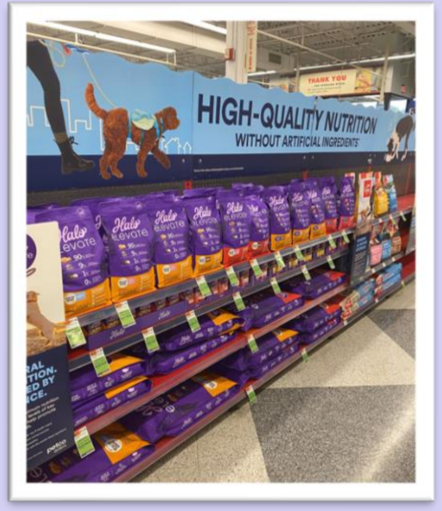
Halo is the brand for a **new generation** of pet parents

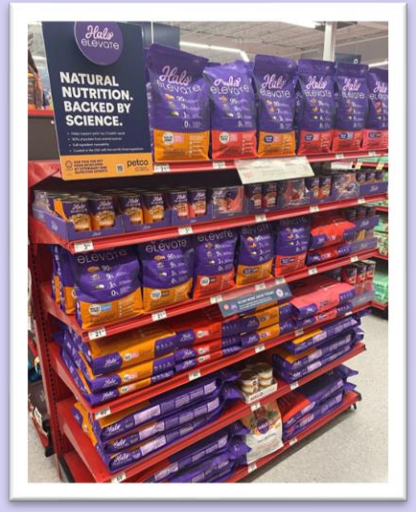
Halo

Halo Elevate Has Launched in 1,500+ Stores[1]

Represents ~$2.5M of Gross Sales in Q1 '22

petco





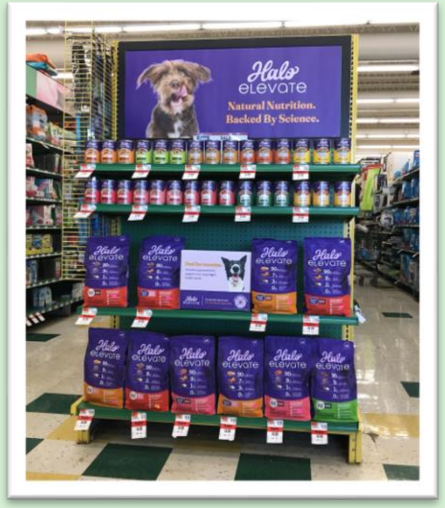
Petco: Seasonal Wall

- Launch Date: May '22
- ~900 Petco Stores
- 4' – 8' Shelf Space
- "Best Choice Brand"

Petco: Dog Aisle

- 1,000+ Stores by July '22
- 167 Stores in Q1 '22
- 4' – 8' Shelf Space
- "Best Choice Brand"

PET SUPPLIES PLUS



Pet Supplies Plus: Dog Aisle

- Launch Date: April '22
- 600+ Stores
- 5' Shelf Space
- "Preferred Brand"

Key Independent Retailers
(Distributor + Direct Sales)

Independent Pet (Distribution + Direct Sales)

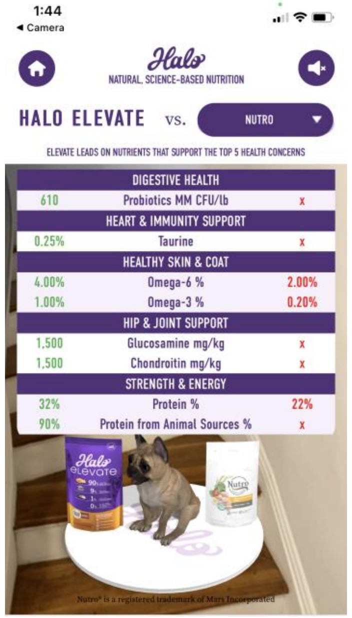
- Smaller independent accounts managed by Phillips
- Larger independent accounts managed directly by Halo
- 4'+ Shelf Space (Opportunity to grow key local accounts)
- Focus on partner quality in launch year one

1. Estimated Store Count as of May 31, 2022 and may vary based on individual store reset timelines.

The Halo Elevate Launch Has Significant In Store Support

SCAN HERE FOR AR EXPERIENCE

Augmented Reality Engages Store Associates and Consumers

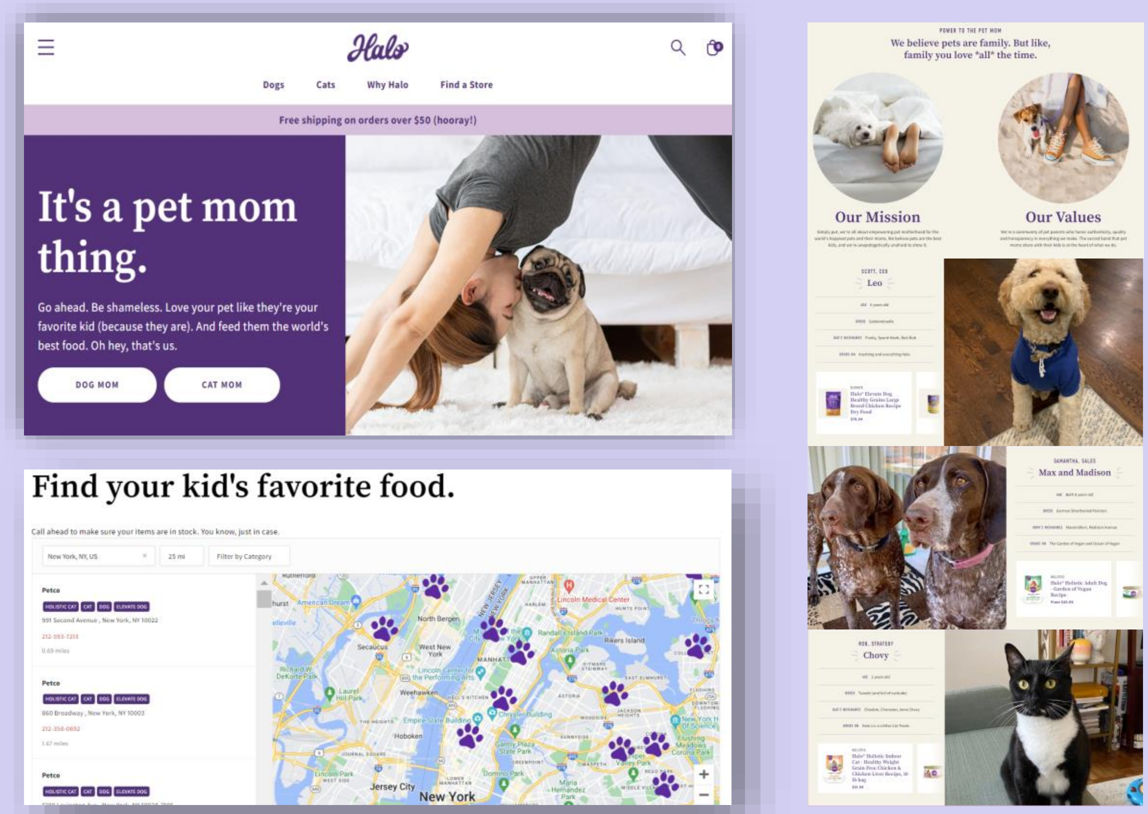


Compare Brands → Answer Questions → Incentivize Purchase

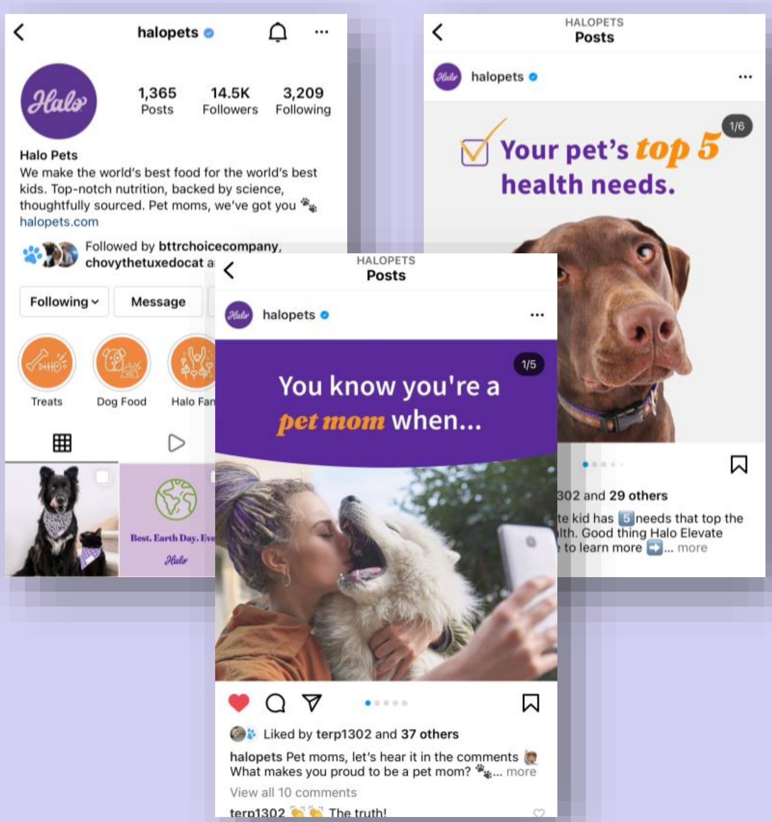
Added 5 New Sales Team Members in 2022 To Support Launch

We Made Dramatic Improvements to our Online Presence

Halopets.com is Officially Live



New Look and Feel on Instagram



Post-Elevate Launch, The Holistic & Trudog Rebrand is On-Track for 2H '22

Halo Holistic

- Estimated Q3 '22 Production & Q4 '22 Launch on Domestic E-Commerce Platforms & DTC Site
- Minimal Disruption to Existing Subscriber Base Anticipated

Freeze-Dried Raw & Treats

- Estimated Q2 '22 Production & Gradual Phase in During 2H '22
- Minimal Disruption to Existing Subscriber Base Anticipated

International Growth Continues to Exceed Expectations

- On pace to exceed contracted volumes in 2022
- International growth driven by Asian demand for dry cat food (99% Dry Kibble / 88% Cat Food)
- Additional drivers of growth include:

+

+

Holistic Renovation

High Protein Cat Innovation

New Market Opportunities

$7M Q1 '22 Sales
~3x Q1 '21 & +77% Q4 '21

$100M '21–'25 Sales
Aggregate Contracted Minimums

In Q1 '22 We Delivered Record Sales Growth While Simultaneously Improving Gross Margin

$ in millions	Q4 2021 $	Q4 2021 %	Q1 2022 $	Q1 2022 %	Delta $	Delta %
Gross Sales:						
Domestic	$9.7	71%	$12.7	65%	$3.1	32%
International	$3.9	29%	$7.0	35%	$3.0	77%
Total	**$13.6**	**100%**	**$19.7**	**100%**	**$6.1**	**45%**
Net Sales:						
Domestic	$7.1	64%	$10.1	59%	$3.0	43%
International	$3.9	36%	$6.9	41%	$3.0	76%
Total	**$11.0**	**100%**	**$17.0**	**100%**	**$6.0**	**55%**
Gross Margin:						
Domestic	$2.0	28%	$3.3	33%	$1.3	4%
International	$0.8	20%	$1.4	20%	$0.6	0%
Total	**$2.8**	**25%**	**$4.7**	**28%**	**$1.9**	**2%**

- Sequential domestic growth driven primarily by Halo Elevate launch (~$2.5M incremental sales) and E-Commerce growth (+$500k vs Q4 '21)
- Sequential international growth driven by significant incremental demand in China. March '22 was a record month, with $4.6M of international sales

- Although commodity costs rose across all categories in Q1 '22 vs. Q4 '21, we were able to improve gross margin without increasing price by taking key actions:
  - Shifted production of Halo Holistic domestic kibble to new co-manufacturer in Q4 '21
  - Optimized mix to focus on higher GM products
  - Consolidated production runs and in some cases prepaid to secure lowest possible price
  - Launched Halo Elevate, which was formulated post higher-cost, inflationary macro environment

We Continue to Take Significant Steps to Increase Long-Term Gross Margin in 2022 and Beyond

Domestic gross margin expansion in 1H '22; Significant International gross margin upside potential in 2H '22

Q1 '22 Actions Taken

Actions Taken in Q1:

- Communicated 8-10% price increase in January '22 across majority of SKUs, effective April '22
- Shifted production of Halo Holistic domestic dry kibble to new manufacturer in Q4 '21, estimated 10%+ margin improvement on majority of domestic kibble SKUs(1)
- Optimized mix, consolidated production runs and selectively prepaid production to secure ingredients & priority run-times
- Purchased significant Halo Elevate® inventory to ensure sufficient supply during launch and to lock in direct COGS

International Margin Upside in 2H '22

International Upside

- 10% Price Increase Effective April '22
- Transition of international kibble production to new co-manufacturer estimated 6/30/22 (regulatory driven timeline)
- Beginning in Q3 2022, estimated 10%+ margin improvement on majority of international kibble SKUs(2)
- Illustrative Range of Potential Impact to PF BTTR Gross Margin:

$ in millions	Q1 '22 Actual		Q1 '22 - PF Scenario 1		Q1 '22 - PF Scenario 2		Q1 '22 - PF Scenario 3	
Gross Margin	$	%	$	%	$	%	$	%
Domestic	$3.3	33%	$3.3	33%	$3.3	33%	$3.3	33%
International	$1.4	20%	$1.7	25%	$2.1	30%	$2.4	35%
Total	**$4.7**	**28%**	**$5.1**	**30%**	**$5.4**	**32%**	**$5.7**	**34%**

1. Estimated margin improvement for domestic dry kibble based on estimated Q1 '22 product costs by SKU.
2. Estimated 10%+ margin improvement for international dry kibble SKUs is consistent with estimated margin improvement realized in Q1 '22 for similar domestic dry kibble SKUs (post-transition to new co-manufacturer). This estimate does not account for any increases in input costs from Q1 '22 to Q3 '22 or any variation in diets.

Our Balance Sheet is a Significant Competitive Advantage

We Believe Better Choice Has Ample Liquidity to Support Growth

$ in miilions	31-Mar-22	31-Dec-21
Current Assets:		
Cash and cash equivalents	$16.5	$21.7
Restricted cash	$7.0	$7.2
Accounts receivable, net	$9.7	$6.8
Inventories, net	$8.3	$5.2
Prepaid expenses and other current asset	$2.9	$2.9
Total Current Assets	**$44.3**	**$43.9**
Current Liabilities:		
Accounts payable	$5.7	$4.6
Accrued and other liabilities	$1.4	$1.9
Term loan, net	$1.0	$0.9
Operating lease liability	$0.0	$0.1
Total Current Liabilities	**$8.2**	**$7.3**
Long-Term Debt:		
Term loan, net	$4.2	$4.6
Line of credit, net	$7.4	$4.9
Total Long-Term Debt	**$11.6**	**$9.4**

- Cash Balances of $23.4M in Q1 '22 vs. $28.9M in Q4 '21
- Adjusted EBITDA loss of $2.0M consistent with management's estimates for quarterly cash burn from operations
- Strategically utilized our strong cash cushion to secure production capacity and launch Halo Elevate, which increased gross margin

- Accounts Receivable: We generated $8.7M of gross sales in March 2022, an all-time record month for Better Choice, which drove a $2.9M increase in AR relative to December 2021
- Inventory: We strategically purchased inventory in Q1 to ensure a 100% fill rate of Halo Elevate, a key driver in the $3.1M increase in inventory relative to December 2021

Better Choice Company Inc.
Unaudited Consolidated Statements of Operations

	Three Months Ended March 31,	
	2022	2021
Net sales	$ 17,014	$ 10,830
Cost of goods sold	12,307	6,554
Gross profit	4,707	4,276
Operating expenses:		
Selling, general and administrative	7,577	6,889
Share-based compensation	1,091	2,525
Total operating expenses	8,668	9,414
Loss from operations	(3,961)	(5,138)
Other expense:		
Interest expense, net	(76)	(835)
Loss on extinguishment of debt	—	(394)
Change in fair value of warrant liabilities	—	(6,483)
Total other expense, net	(76)	(7,712)
Net loss before income taxes	(4,037)	(12,850)
Income tax expense	3	—
Net loss available to common stockholders	$ (4,040)	$ (12,850)
Weighted average number of shares outstanding, basic	29,289,504	9,587,509
Weighted average number of shares outstanding, diluted	29,289,504	9,587,509
Net loss per share available to common stockholders, basic	$ (0.14)	$ (1.38)
Net loss per share available to common stockholders, diluted	$ (0.14)	$ (1.38)

Better Choice Company Inc.

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

	Three Months Ended March 31,	
	2022	2021
Net loss available to common stockholders	$ (4,040)	$ (12,850)
Interest expense, net	76	835
Tax expense	3	—
Depreciation and amortization	409	411
EBITDA	**(3,552)**	**(11,604)**
Non-cash share-based compensation and warrant expense (a)	1,091	2,590
Loss on disposal of assets	2	56
Non-cash change in fair value of warrant liability and warrant derivative liability	—	6,483
Loss on extinguishment of debt	—	394
Offering relating expenses (b)	—	196
Non-recurring strategic branding initiatives (c)	306	—
Non-recurring and other expenses (d)	135	856
Adjusted EBITDA	**$ (2,018)**	**$ (1,029)**

(a) Reflects non-cash expenses related to equity compensation awards. 2021 additionally includes non-cash expenses related to stock purchase warrants issued for third-party services provided. 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 administrative costs associated with the registration of common shares and other debt and equity financing transactions.

(c) Includes one-time marketing agency and design fees for our strategic re-branding initiatives.

(d) For the three months ended March 31, 2022, includes non-recurring severance costs and non-recurring professional fees. For the three months ended March 31, 2021, 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 fees of $0.1 million, partially offset by a $0.5 million reduction to sales tax liability.

Halo

The World's Best Food For The World's Best Kids

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Thank You!

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The Most Innovative Pet Food Company In The World

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