REFINITIV

DELTA REPORT

10-K

PETS - PETMED EXPRESS INC

10-K - MARCH 31, 2024 COMPARED TO 10-K - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	3221
CHANGES	284
DELETIONS	1093
ADDITIONS	1844

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2023 March 31, 2024

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 000-28827

PETMED EXPRESS, INC.

(Exact name of registrant as specified in its charter)

Florida	**65-0680967**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

420 South Congress Avenue, Delray Beach, Florida 33445

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (561) 526-4444

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, PETS $.001 Par value per share	**PETS**	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered under Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. o

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of September 30, 2022 September 29, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was $396.4 million $209.2 million based on the closing sales price of the registrant's Common Stock on that date, as reported on the NASDAQ Global Select Market.

The number of shares of the registrant's Common Stock outstanding as of May 23, 2023 June 14, 2024, was 21,170,977. 20,606,692.

DOCUMENTS INCORPORATED BY REFERENCE

Information to be set forth in our Proxy Statement proxy statement relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023, is incorporated by reference in Items 10, 11, 12, 13, and 14 of into Part III of this report. Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended March 31, 2024.

PETMED EXPRESS, INC.

March 31, 2023 2024 Annual Report on Form 10-K

TABLE OF CONTENTS

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information in this Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). You can identify these forward-looking statements by the words "believes," "intends," "expects," "may," "will," "should," "plan," "projects," "contemplates," "intends," "budgets," "predicts," "estimates," "anticipates," or similar expressions. These statements are based on our beliefs, as well as assumptions we have used based upon information currently available to us. Because these statements reflect our current views concerning future events, these statements involve risks, uncertainties, and assumptions. Actual future results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors." A reader, whether investing in our common stock or not, should not place undue reliance on these forward-looking statements, which apply only as of the date of the filing of this Annual Report on Form 10-K. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

NOTE REGARDING COMPANY REFERENCES

When used in this Annual Report on Form 10-K, unless otherwise stated or the context otherwise indicates, "PetMed Express," “PetMeds,” "PetMed," "the Company," "we," "our," and "us" refers collectively to PetMed Express, Inc. and its direct and indirect wholly owned subsidiaries, taken as a whole. "PetCareRx" refers to PetCareRx, Inc., a wholly owned subsidiary of PetMed Express, Inc..

ITEM 1. BUSINESS

General GENERAL

Since 1996, PetMeds has been a pioneer in digital retail, serving as a trusted source for pet medicines across North America. Similarly, since 1998, PetCareRx has been providing pet healthcare products directly to consumers. Together, our brands are dedicated to delivering exceptional quality wellness products from innovative suppliers, making it easier for families to address preventive and chronic health needs in order to support the longevity of their companion animals.

We are deeply committed to the mission and purpose that has driven our business from the start. The support of millions of customers nationwide has been the cornerstone of our success. Honoring our combined legacy, we bring our core values to every role we undertake. Our primary goal is to empower pet families, ensuring they can provide the best possible care for their dogs, cats, and horses and help them lead long, healthy lives.

PetMed Express, Inc. and subsidiaries, d/b/a PetMeds®, and as parent company of PetCareRx®, is a leading nationwide direct-to-consumer pet pharmacy and online provider of prescription and non-prescription medications, food, supplements, and supplies and vet services has veterinary and pet insurance service partnerships for dogs, cats, and horses. PetMeds markets and sells PetCareRx market and sell directly to consumers through its their websites, toll-free numbers, and mobile applications. The Company offers consumers an attractive alternative employer benefits partnerships. Through thousands of veterinary partners and a loyal customer base who rely on our services, our in-house pharmacies and extended pet healthcare partnerships seek to offer unparalleled value and convenience to families at every stage of their pets' lives. Over the years, our organization has made significant investments in our pharmacies to ensure compliance. By employing licensed pharmacists who specialize in veterinary medicine, it allows us to provide focused and specialized care. Additionally, we have implemented a rigorous 5-point verification process from order to shipment to ensure quality control. We continuously monitor and update our regulatory licenses in every state, including the U.S. Virgin Islands. Our pharmacies are accredited by the NABP.Com and LegitScript and are focused on excelling in meeting all federal and state regulatory requirements

As a premier service to our customers, our in-house pet health specialists in our call center support over 100,000 pet parents each month. Pet owners have the ability to contact our agents and pharmacists for obtaining assistance with their animals' wellness needs via telephone, chat, and email. We offer extended services, including pet medications, foods, insurance, telehealth, and supplies in terms of convenience, price, speed of delivery, and valued customer service. employee benefits programs, through our core partners.

Founded in 1996, the

The Company's executive headquarters offices are currently located at 420 South Congress Avenue, Delray Beach, Florida 33445, and our telephone number is (561) 526-4444. The Company has a March 31 fiscal year.

Our Industry

OUR INDUSTRY

Our business focuses on a specific segment of the pet industry: pet wellness for dogs, cats, and horses. Within this segment, our merchandise categories include prescription medications, over-the-counter (OTC) medications, supplements, prescription food, non-prescription food, and a comprehensive assortment of pet supplies. The total addressable market for pet medicines, medications, foods, and health products and services is a large vast and growing market. continuously expanding. According to the American Pet Products Association, pet spending in the United States increased 11% by 7% to $136.8 billion $147.0 billion in 2022. Veterinary 2023, with veterinary care and Rx prescription medications represented $35.9 billion, accounting for $38.3 billion or 26% of that total. The increasing demand for pet wellness products presents significant potential for us to expand our footprint and capture a larger share of this thriving market.

THE PET CONSUMER

According to a Mintel Services report in 2023:

- Eighty-six percent of the total spending pet customers prefer maintaining a routine pet care regimen.
  - To support this, we offer auto-ship options for our core products, ensuring convenient and consistent care for their pets.
- Eighty-one percent of customers believe that investing more in pet products and services is worthwhile for their pet's well-being.
  - Our core products address the most common preventive and acute pet care needs. To cater to a diverse range of budgets, we offer a tiered pricing strategy ensuring that every customer can find products that meet their needs and preferences.
- Thirty-five percent of pet owners rely on pets social media to guide their choices in pet products and services.
  - Ensuring we effectively engage our pet families through social platforms, we have a wellness guide which will be further developed utilizing an integrated marketing approach through our five social media channels inclusive of Instagram, TikTok, Facebook, YouTube and X,

More than 2.0 million customers have purchased from us within the last three fiscal years, including customers acquired in April 2023 as a part of our PetCareRx acquisition. We attracted approximately 302,000 and 274,000 new customers in fiscal 2024 and 2023, respectively. Our customers are located throughout the United States. The pet medication market, which includes prescription medication, nonprescription medication and insurance, is estimated to be approximately $13 billion, with veterinarians having the majority of the prescription market share. The dog and cat population is approximately 111.6 million, States, with approximately 66% 49% of all households having a pet. customers residing in California, Florida, Texas, New York, Pennsylvania, North Carolina, Georgia, and Virginia. The average order value increased slightly year over year and was approximately $94 for fiscal 2024 and $93 for fiscal 2023.

Our Products and Services PRODUCTS AND SERVICES

We offer a broad selection of products and services for dogs, cats, and horses. Our current product line contains approximately more than 15,000 SKUs of the most popular pet medications, health products, foods, and supplies. These products include This includes a majority of the well-known brands of pet medications, and with medications. With our April 2023 acquisition of PetCareRx, will now we have expanded our product catalog beyond medications to include a broader product catalog wider assortment beyond medication. Generally, our prices for of pet medications and foods are competitive with the prices for medications and foods charged by veterinarians, online retailers and other retailers. We also products. Additionally, we offer additional various pet supplies on our website for sale, websites, some of which are drop shipped drop-shipped to our customers by third parties. These pet supplies include: include beds, crates, stairs, and other popular pet supplies.

items. We research new products, periodically assess and regularly select new products or the latest generation of existing products to become part of adjust our product selection. In addition, we also refine merchandise categories based on seasonal and industry trends. Designed for flexibility, our current products to respond to changing consumer-purchasing habits. Our website is designed to give websites allow us the flexibility to change featured products or promotions. Our product line

This approach provides customers with a wide variety of selections across the most popular health categories for dogs, cats, and horses. Our Through robust partnerships with our vendors, our current products include:

Non-Prescription Medications (OTC) and supplies: Flea and tick control products, bone and joint care products, vitamins, treats, nutritional supplements, hygiene products, and supplies.

Prescription Medications (Rx): Heartworm and flea and tick preventatives, arthritis, dermatitis, thyroid, diabetes, pain medications, heart/blood pressure, and other specialty medications, as well as generic substitutes.

Non-Prescription Medications (OTC) and supplies: Flea and tick control products, bone and joint care products, vitamins, treats, nutritional supplements, hygiene products, and household pet supplies.

Pet Foods: Premium and non Premium Pet Foods, including Veterinary Prescription Rx Diets

Other Products *Private Label*: Our exclusive range of private label products offers exceptional value and Services:Pet Services, including Telemedicine affordability. From shampoos and Pet Insurance. flea collars to joint enhancers, vitachews, and soft toys, our proprietary line provides high-quality, cost-effective solutions for pet care.

Holistic Wellness Services:

Pet Telemedicine: Services provided through our Our VetLive (powered service, powered by Vetster) service which allows for consultation Vetster, provides pet owners with diagnosis from, or even the convenience of consultations, diagnoses, and in some states, prescriptions from board-certified veterinarians— all from the comfort of their homes. This service saves time and ensures expert care without the need to visit a prescription written by, clinic. Additionally, AI-assisted remote veterinary technicians, through our partnership with AskVet, provide a board-certified veterinarian.

Recent Developments and Strategic Transactions wide range of telehealth services, from dietary advice to training.

Acquisition Pet Insurance: We partner with Pumpkin Insurance, a premium provider owned by JAB Holding Company, to offer our customers discounted premium pet insurance options.

Employee Pet Benefits: Our partnership with PetAssure (Synergy Pet Group) allows us to be part of their employer bundled service, offering discounted pet care solutions that provide employees with access to our PetPlus membership. This membership includes a variety of exclusive perks, discounts, and valuable services that significantly enhance the well-being of pets.

OUR EXPERT VETERINARY ADVISORY BOARD

To further our commitment to connecting with customers through education and professional credibility, the Company recently launched its Veterinary Advisory Board (VAB) with the goal of ensuring that all of our initiatives result in improved patient care. This esteemed board currently consists of five expert veterinarians across the country, each with decades of experience in private practice and academia, shaping the future of veterinary medicine.

Dr. Lori Teller, DMV, DABVP (Canine/Feline), CVJ, and Clinical Professor in the Department of Small Animal Clinical Sciences at Texas A&M University's School of Veterinary Medicine and Biomedical Sciences, serves as the Chair of the VAB and the liaison between the Company and the VAB. We believe that Dr. Teller and her fellow VAB colleagues bring a wealth of knowledge and experience to our company.

RECENT DEVELOPMENTS AND STRATEGIC TRANSACTIONS

ACQUISITION OF PetCareRx

In April 2023, we completed our acquisition of acquired PetCareRx, Inc. ("PetCareRx"), a leading an online supplier of pet medications, foods, and supplies for aggregate consideration based in New York. This acquisition added a catalog of approximately $36.0 million in an all-cash transaction.The acquisition was completed pursuant to an Agreement food and Plan of Merger, dated January 17, 2023, pursuant to which a wholly owned subsidiary of PETS was merged with supplies and into PetCareRx.With the acquisition of PetCareRx, we gained an approximately 10,000-item catalog and PetCare Rx brings approximately 286,000 new and renewal customers enabling PETS to more our company, allowing us to rapidly expand beyond our Company's historical core offering of pet prescriptions and into prescriptions. We now provide a more extensive offerings selection of premium food, supplements, treats, and other pet supplies. PetCareRx will continue to operate under the PetCareRx brand supplies as a separate result of this acquisition.

PetCareRx boasts a thriving membership program, which constitutes two-thirds of their customer base, enhancing customer loyalty and additional distribution channel for engagement. The collaboration between PetCareRx and PetAssure is being expanded across both brands in fiscal 2025, significantly increasing the number of members within our company. platform. Their telehealth services,, powered by AI-driven AskVet, are being expanded across the organization, further enriching our member service offerings.

Pet Insurance Partnership with Pumpkin Insurance Services PET INSURANCE PARTNERSHIP

In February 2023, we announced a strategic partnership with Pumpkin Insurance Services, Inc. ("Pumpkin"), a leading provider of best-in-class premium pet insurance plans ("Pumpkin"), under which plans. Through this collaboration, we are partnering with Pumpkin to offer our customers access to high-quality health and wellness pet insurance products. benefits as part of our holistic wellness ecosystem. This partnership will give enables our customers direct access to purchase co-branded insurance products plans, developed in conjunction with Pumpkin and their underwriters, that will be and offered by our new subsidiary, PetMeds Insurance Services, Inc.We currently expect that such LLC. These innovative insurance products will become became available for purchase during the fiscal year ending March 31, 2024.in October 2023, providing pet owners with peace of mind as they navigate all stages of their pets' lives.

Pet Telemedicine Partnership with Vetster Inc. PET TELEHEALTH PARTNERSHIP

In April 2022, we announced a multi-year exclusive partnership with Vetster Inc., a veterinary telehealth company startup based in Canada that Canada. This strategic alliance provides pet owners in the United States with seamless online access to veterinary services through its platform Vetster's innovative platform. Customers have the option to pet owners in purchase any prescriptions or OTC products that have been uploaded from the United States, Canada, and the United Kingdom.Under the partnership, we became the exclusive e-commerce provider of pet products sold on the Vetster platform in the United States, and Vetster became the exclusive provider of telehealth and telemedicine services to the Company.As a result of this partnership, our customers now have access through our website to *VetLive*, an online veterinary appointment service that is integrated with the Vetster platform. The partnership has an initial term of three years, subject to year-to-year mutual renewals thereafter. As a part of our partnership with Vetster, the Company also made an PetMeds catalog.

We invested approximately $5.0 million investment in Vetster as a part of larger their Series B financing round that Vetster completed in April 2022. 2022, followed by a $0.3 million investment in a Series B extension round in September 2023. These investments underscore our commitment to complementing the vet/patient relationship with telehealth and expanding access to high-quality care for pets as part of our holistic wellness ecosystem.

STRATEGY AND KEY BUSINESS PRIORITIES

Our Growth Strategy PetMeds is committed to a long-term vision of becoming a leading digital-first pet wellness company. The Company is incorporating new leadership and new strategic opportunities to make progress against initiatives that support this vision, while balancing the near-term challenges and business headwinds.

The key components of our growth strategy are: Short-Term Strategy Fiscal 2025

- ***Leverage Consolidate our brand brands***: We believe that our primary brands, namely "1-800-PetMeds", "PetMeds," and "PetCare Rx" "PetCareRx" are widely known as being credible experts among pet owners and are synonymous with pet health and well-being. We intend well-being.The consolidation of our brands into a single united company is driven by our commitment to further invest streamline operations, enhance efficiency, and provide a more cohesive customer experience. By bringing together brands that have the same mission and value proposition, we can leverage our combined strengths, reduce redundancies, and offer a unified, stronger presence in promoting the market. This strategic move allows us to unite our resources and popularizing these brands through our marketing, promotion, and other efforts.

- ***Continue to expand our product and service offerings***: Although our sales have historically been concentrated in pet medications, we have begun taking steps to broaden our product offerings, including the acquisition of a catalog portfolio of premium pet foods that we acquired with our acquisition of PetCareRx. We intend to continue to grow the catalog of products that we offer to expertise, better serve our customers including additional premium food with an expanded product range, improve service quality, and pet wellness products add greater value, ultimately fostering growth and innovation within our sector. The consolidation allows us to capitalize on the distinct strengths of each brand, ensuring that our customers want, benefit from enhanced capabilities and we are investigating an expansion a superior overall experience.This approach not only strengthens our position in the market but also drives growth and sets new industry standards for excellence. This strategic move also enables us to integrate the best practices and unique attributes of our own private label products. Such offerings may include ancillary and/or complementary products or services, such as the telehealth services that we offer through Vetster each organization, fostering innovation and the pet health insurance products that we intend to offer in conjunction with Pumpkin. excellence.

- ***Continue togrow our customer base Preserve Cash While Preserving Key Partnerships and grow sales from existing customers Investing in Growth***: We intend The Company entered fiscal 2025 with a healthy liquidity position and will continue to further invest in growing monitor and manage cash flow as we right-size our customer base operations through the consolidation of our two brands. To preserve liquidity and maximize cash flows during fiscal 2025, we will undertake the following actions:

  - Partnering with key suppliers to optimize supply chain availability with corresponding discounts and co-op/rebates, along with payment terms thus improving gross margin.
  - Manage future inventory through properly forecasting supply with expected demand for improved product availability, ensuring that customers can find the products they need when they need them.

- Reduce expenses to better align operating costs with sales through elimination of duplicative resources including agency and vendor consolidation.
- Focusing on operational efficiency and reducing order processing time through our traditional marketing efforts, as well as warehouse fulfillment centers, pharmacy, and call centers through strategic transactions tech enablement and partnerships and the exploration of other channels. Furthermore, we intend to grow our share of our existing customers' spend by continuing to expand our product offerings. We intend to continue to build and enhance the content library on our websites and apps regarding pet health and wellness in order to attract customers and give customers a reason to return. automation.

● ***Continue Focus on Customer Retention, Loyalty, and Frequency of Visits***:

At the heart of our marketing strategy is a commitment to pursue reinvigorate our growth and deepen our engagement with customers. In today's competitive market, a multi-faceted approach is essential in order to thrive. This includes:

- Enhancing the technology supporting our Auto-ship program that drives ease and repeat purchases.
- Personalizing the customer journey through customer segmentation optimization.
- Bundling and cross-selling opportunities across merchandise categories.
- Enrichment of our digital content library.

● ***Investment in Modern Technology:*** To enhance our customer experience and drive growth, we are making technology investments to consolidate our two websites into a single, integrated platform and improve our veterinary portal experience. This new tech stack is designed to increase engagement, improve conversion rates, and provide a seamless customer journey. Investments and initiatives include:

- Integration of PetMeds and PCRx as one destination.
- Enhancement of Pharmacy Software for increased digitization.
- Fulfillment logic to optimize operations across enterprise.
- Digital analytics/Business Intelligence tools revamp to enable faster decision making that drive growth and profitability.
- Consolidation of in-house customer health specialist phone, chat, email systems within our customer call center for seamless communication with our customers and veterinary partners.

Long Term Strategy

Our ultimate goal is to position our company as the go-to resource for high quality pet health and wellness products, services, and experiences through our 360 ecosystem, ensuring sustained growth and a thriving customer community.To achieve this, we will focus on the following strategic initiatives:

- Create best-in-class customer experiences across channels through modern technology that incorporates AI, automation, and product management that drives personalized journeys across all touchpoints.
- Improve the speed and efficiency from order to customer's doorstep.
- Develop mission-first, purposeful marketing campaigns that are authentic in order to improve customer engagement while increasing brand awareness.
- Leverage data analytics to gain timely customer insights that will accelerate responsiveness to customer demands.
- Innovate product offerings, increasing high-margin private label assortments.
- Enhance and curate strategic partnerships that further promote the health and transactions: We intend to continue to pursue strategic partnerships wellness during all life stages for dogs, cats, and transactions that will grow sales from existing customers and expand our customer base, as well as grow our product catalog and offerings. Such partnerships or transactions may take the form of acquisitions (similar to our recent PetCareRx acquisition), or they may take the form of partnerships (such as our Pumpkin and Vetster partnerships) that involve making complementary valuable services available to our customers. horses.

Our Sales Channels DISTRIBUTION CHANNELS

We offer our products through two three main sales channels: (1) the Internet, through our website and mobile apps, and websites, (2) our Customer Support Center health specialist customer support center through our toll-free number. numbers and (3) through PetAssure's broker network for employer benefits. We have designed a roadmap for fiscal 2025 that will optimize our website websites, and mobile application to provide a convenient, cost-effective, and informative shopping experience that encourages consumers to purchase products important for a pet's health and quality of life. We believe that these channels allow us to increase the visibility of our brand name and provide our customers with increased shopping flexibility and excellent service.

Internet

We seek to combine our product selection and pet health information with the shopping ease of the Internet to deliver a convenient and personalized shopping experience. Our website offers customer service pet health specialists support more than 100,000 calls per month, a testament to the pet owner's need for, and nutritional product selections for dogs, cats, our ability to deliver, a personalized experience.

Internet

The Company's digital operations across various brands have consistently catered to our customers on multiple platforms. To create a more seamless shopping experience, we will continue to invest in our digital infrastructure. Currently, each brand operates separate desktop and horses, mobile websites, but we plan to integrate these into a unified environment in fiscal 2025. Additionally, we are revitalizing our mobile applications in fiscal 2025 to offer improved features and relevant editorial and easily obtainable or retrievable resource information. Customers can search enhanced quality, further developing our website for products and access resources on a variety of information on dogs, cats, and horses. Customers can shop at our website by category, product line, individual product, or symptom. We mobile capabilities as mobile engagement continues to grow.

In fiscal 2024, we attracted approximately 28 36 million visits to our website (including our mobile app) during fiscal 2023, approximately 8% websites, with about 5% of those these visits resulted in an order, and our website generated approximately 86.4% of our total sales for the same time period. converting to orders. Through our website, websites, pet owners have access to comprehensive health information covering pets' pet behavior, and illnesses, and both natural and pharmaceutical remedies specifically for a pet's problem. The tailored to their pets' needs. Our PetMeds.com website's pet education content on our main website is periodically updated with the latest research for pet owners.

As part of our multichannel strategy, we also offer mobile versions of our website (*www.petmeds.com*) websites (www.petmeds.com and www.petcarerx.com) and will have an optimized mobile application for compatible with mobile phones, tablets, and other devices. Our website and mobile application devices in fiscal 2025. Key features include: of our websites include AutoShip subscription ("AutoShip"); "ask-the-vet"; VetLive; live web chat; easy refill medication reminders; local veterinarian finder; and express checkout to provide our customers with fast, easy, and helpful service from their mobile devices.

In July 2021 we launched the new AutoShip program on our website. AutoShip is a new convenient way for our loyal customer base to have future pet medication orders delivered directly to them without the need to place an order each time. Approximately 44% subscriptions (Approximately 54% of our sales were generated via our AutoShip program in our fourth quarter ended March 31, 2023. March 31, 2024), "ask-the-vet" services, VetLive consultations, live web chat, easy refill medication reminders, a local veterinarian finder, and express checkout options.

Pet Health Specialists - Customer Support Center

We believe that a high level of customer care and support is critical in retaining and expanding our customer base. We provide ongoing training programs under the supervision of our training managers that include a variety of topics such as product knowledge, computer usage, customer service tips, and the relationship between our Company and veterinarians. Our customer care representatives receive support center agents respond to customers' e-mails, calls, and process inbound and outbound customer calls, facilitate our live web chat, chats that are related to products, order status, prices, and process customer e-mails. Our telephone system is shipping. Consolidating our two branded teams and incorporating the best-in-class tech provider, our specialists will be fully equipped with certain features including pop-up screens and call blending capabilities advanced telephone systems so that give us the ability to efficiently utilize we can maximize our customer care representatives' time, providing excellent ensuring top-tier customer care, service, and support. Our customer care representatives receive base pay and are rewarded with commissions for sales, and bonuses and other awards for achieving certain quality goals.

Our Customers Managing over 100,000 calls per month, our team of 150 in-house agents consistently delivers outstanding assistance to our valued customers.

Approximately 2.2 million customers have purchased from us within the last two fiscal years, excluding customers acquired in April 2023 as a part of our PetCareRx acquisition. We attracted approximately 274,000 and 325,000 new customers in fiscal 2023 and 2022, respectively. Our customers are located throughout the United States, with approximately 50% of customers residing in California, Florida, Texas, New York, Pennsylvania, North Carolina, Georgia, and Virginia. Our primary focus has been on retail customers and the average purchase remained approximately $93 for both fiscal 2023 and fiscal 2022, respectively.As of the date of the filing of this Annual Report on Form 10-K, PetCareRx had approximately 286,000 customers who have purchased from them within the last two fiscal years.

Marketing

The goal of our fiscal 2025 marketing strategy is aims to build integrate our two brands (Petmeds and PetCareRX) into a customer centric relevant brand which resonates with our mission and provides direct value to our customers. This includes establishing and building brand recognition to increase customer traffic, better align with current customer needs and wants, add new customers, build strong lifetime customer loyalty, that ultimately will maximize reorders, and develop incremental revenue opportunities. We have built, and will deliver, an integrated marketing campaign that includes digital marketing television advertising, and direct mail/print and e-mail.

Digital Marketing Our campaigns strive to convey our dedicated focus on the well-being of pets and our commitment to accompanying our customers on their pet's wellness journey, which includes both preventative and chronic solutions for cats, dogs and equines across diverse breeds, sizes, ages and conditions.

We advertise currently utilize digital marketing through performance and market our products primarily online. We make our brand available acquisition marketing strategies, deliver content via streaming channels, direct mail, and email. The Company aims to Internet consumers by purchasing targeted keywords and achieving prominent placement on the top search engines and search engine networks. We utilize Internet display and streaming video advertisements, social media, and comparison shopping, and create a best-in-class marketing operation through a continuous test-and-learn approach as we are also members of an affiliate program with merchant clients and affiliate websites. progress into fiscal 2025. This will be visible across all customer touchpoints.

Television Advertising OVERVIEW OF PHARMACY OPERATIONS

Our television advertising is designed to build brand equity, create brand awareness, and generate initial purchases of products via the telephone and the Internet. Our television commercials, using engaging imagery and dialogue, typically focus on our expertise as a 26 year-old pet pharmacy, the convenience and ease of purchasing medication offered by veterinarians, and our empathetic service level.

Direct Mail/Print and E-mail

We use direct mail/print and e-mail to engage our current customers with reminders, offers and useful content to help them manage improved pet health outcomes.

Operations

Order Processing

Our websites allow customers to easily browse and purchase all of our products online. Our websites are designed to be fast, secure, and easy to use with order and shipping confirmations, and with online order tracking capabilities. We provide our customers with toll-free telephone access to our customer care representatives. Our Customer Support Center generally operates from 7:00 AM to 11:00 PM, Monday through Thursday, 7:00 AM to 9:00 PM on Friday, 9:00 AM to 6:00 PM on Saturday, and 9:00 AM to 5:00 PM on Sunday, Eastern Time.

The process of customers purchasing products from PetMeds consists of a few simple steps. A customer first places an order online or by calling our toll-free telephone number. The following information is needed to process prescription orders: pet information, prescription information, and the veterinarian's name and phone number. This information is entered into our order processing system. Then our pharmacists and pharmacy technicians verify all prescriptions. The order processing system checks for the verification for prescription medication orders and a valid payment method for all orders. Verified orders are then sent to our fulfillment centers, where items are picked, and then shipped via the United States Postal Service, United Parcel Service, and Federal Express. Ex.

Customer Care and Support

We believe that a high level of customer care and support is critical in retaining and expanding our customer base. Customer care representatives participate in ongoing training programs under the supervision of our training managers. These training sessions include a variety of topics such as product knowledge, computer usage, customer service tips, and the relationship between our Company and veterinarians. Our customer care representatives respond to customers' e-mails, calls, and live web chats that are related to products, order status, prices, and shipping. We believe our customer care representatives are a valuable source of feedback regarding customer satisfaction.

Warehousing and Shipping SOURCING OF MERCHANDISE INVENTORY

We inventory source our products from a diverse array of vendors, including manufacturers and fill domestic distributors. In fiscal 2024, approximately 78.1% of all products were purchased from seven key suppliers. We believe that deepening our relationships with manufacturers and distributors is crucial to ensuring a reliable supply of the products our customers need.

As part of our growth strategy, we prioritize maintaining direct relationships with leading pharmaceutical manufacturers, providing both popular prescription and non-prescription medications. These direct relationships not only help us secure an adequate volume of products but also enable us to offer the latest and most trusted pet health solutions. Our continued partnerships with these major manufacturers are a testament to our commitment to quality and reliability in serving our customers.

DISTRIBUTION OF MERCHANDISE INVENTORY

The Company implements rigorous quality control measures to guarantee the authenticity and safety of all medications. We efficiently manage our inventory and fulfill customer orders from our corporate headquarters in Delray Beach, Florida. With Florida, and our acquisition of PetCareRx, we will continue to fulfill PetCareRx orders from their facility Northeast warehouse location in Lynbrook, New York. We have an York while conducting thorough checks on every order received for veterinary approval and prescription labeling accuracy. Our in-house pharmacy, fulfillment and distribution operation, which is used to manage operations oversee the entire supply chain, beginning with chain—from order placement and processing to fulfillment and shipping. Our pharmacists oversee the placement processing of every order and follow a regimented 5-step verification process which is the order, continuing through order processing, and then fulfilling and shipping cornerstone of the product to the customer. We offer a variety of shipping options, including next day delivery. We ship to anywhere in the United States served by the United States Postal Service or United Parcel Service. Priority orders are expedited in our fulfillment process. Our goal is to ship the products the same day that the order is received. credibility. For prescription medications, our goal is we strive to ship the product immediately after the prescription has been authorized upon authorization by the customer's veterinarian. We currently offer free During fiscal 2025, we will be adding third party logistics locations that allow us closer proximity to our customers, which should result in lower shipping costs and higher product margins.

INFORMATION SYSTEMS

Our Company-owned and third-party-operated management information systems consist of a full range of retail, merchandising, human resource and financial systems. These systems include applications related to all customers whose order value is $49 or more.

Purchasing digital operations, inventory management, supply chain, planning, sourcing, merchandising, payroll, scheduling and Supply of Products financial reporting. The Company continues to invest in technology to upgrade its core systems to create efficiencies and to support its digital operations, pharmacy operations, fulfillment center effectiveness, customer relationship management tools and loyalty programs.

We purchase DIGITAL TECHNOLOGY SYSTEMS

During fiscal 2025, we will invest in our products from a variety of sources, including certain manufacturers, domestic distributors, and wholesalers. There were six suppliers from whom we purchased approximately 68.5% of all products digital technology platforms in fiscal 2023. We believe that having strong relationships with product manufacturers and distributors will ensure the availability of an adequate volume of products ordered by our customers. Part order to seamlessly integrate advanced technologies across various facets of our growth strategy included developing direct relationships with all of the leading pharmaceutical manufacturers of the more popular prescription and non-prescription medications. We now have direct relationships with all these major manufacturers. With our acquisition of PetCareRx, we will acquire relationships with approximately thirteen new significant suppliers of pet foods and health and wellness products.

Technology

We utilize integrated technologies in our operations. Our call centers, e-commerce, order entry systems, order management system (OMS) and inventory control/fulfillment operations. processes will benefit from simplified, custom-configured solutions. Our systems are custom configured ongoing efforts will focus on unifying talent, technology frameworks, and business operations in order to optimize our computer telephone integration drive growth and mail-order processing. The systems are designed to maintain a large database of specialized information and process a large volume of orders efficiently and effectively. Our systems provide our team and our customers with product availability information and updated customer and order status information to enhance our customer experience. profitability.

Our information systems provide our customers and customer care representatives with information about past and pending orders. Customers are able to review and modify the terms of their automatic product shipments online, or via contacting our Customer Support Center. We have separated and integrated our front and back-end systems to best handle the uptime and information processing requirements needed for our customer facing and order processing needs.

We have implemented network access, systems, policies, and procedures to allow for a remote and hybrid work environment, utilizing a combination of on-premise, cloud, and SaaS products. We are able to leverage industry standard processes to monitor, manage, and respond to customer, user, and system related issues. We continue to expand our SaaS and cloud based tool sets to reduce reliance on legacy systems and increase accessibility and resiliency.

Competition COMPETITION

The pet medications and food market is Company operates in a rapidly evolving, highly competitive, and highly fragmented. fragmented business environment. Our competitors consist of include veterinarians, local and online national chain specialty retailers, and traditional retailers. We believe that vendors' own e-commerce stores. Additionally, consumers' discretionary spending on pets extends to categories like apparel, grooming, boarding, and dog-walking. Operating in a highly competitive industry environment can cause the following are the principal competitive factors Company to engage in greater than expected promotional activity at times, which would result in pressure on average unit retail and gross profit.

Our distinct advantage lies in our market:

- Product selection commitment to high-quality products and availability, including our team of highly qualified pharmacists and technicians with specialized training in veterinary pharmacology that are licensed across all fifty states. Our teams execute a rigorous 5-point verification process and are compliant with all federal regulations set by the availability of prescription FDA and non-prescription medications;
- Brand recognition;
- Reliability DEA. PetMeds and speed of delivery;
- Personalized service and convenience;
- Price; and
- Website and mobile application usability and content.

We compete with veterinarians, and online and traditional retailers for the sale of prescription and non-prescription pet medications, foods, and other health products. Many pet owners may prefer the convenience of purchasing their pet medications or other health products at the time of a veterinarian visit. In order to effectively compete with veterinarians, we must continue to educate pet owners about the service, convenience, and savings offered by our Company.

We believe that the following PetCareRx's pharmacies are the main competitive strengths that differentiate PetMeds from our competitors:

- Pure play channel leader, in an estimated $13.0 billion industry;
- Expanded catalog of non prescription products from the PetCareRx acquisition
- “1-800-PetMeds” brand name with 26 years of experience; consumers know us as the trusted pet medication experts;
- Licensed/registered/permitted pharmacy to conduct business in 50 states (and the U.S. Virgin Islands), and a Pharmacy Verified website (a website verification program accredited by the National Association of Boards of Pharmacy®, which identifies online pharmacies Pharmacy and pharmacy-related websites as safe LegitScripts. This combination of quality, expertise, and legitimate); and efficiency sets us apart in the marketplace.

- Exceptional customer care and support.

Intellectual Property INTELLECTUAL PROPERTY

We conduct our business under the trade name names “PetMeds” and "PetCareRx" and use a family of trade names all containing the term terms “PetMeds”, “PetMed” or “PetMed” "PetCareRx" in some form. We believe the “1-800-PetMeds” trade name, which is also our toll-free telephone number, “PetMeds” and the “PetMeds” "PetCareRx" family of trademarks, have added significant value and are important factors in the marketing of our products. We have also obtained the right to use and control the Internet addresses which include but are not limited to *www.1800petmeds.com*, *www.1888petmeds.com*, *www.petmedexpress.com*, *www.petmed.com*, *www.petmeds.com*, and *www.petmeds.com* *www.petcarerx.com*.

We also obtained the right to use and control the Internet addresses *www.petmeds.pharmacy*, *www.petmed.pharmacy*, and *www.1800petmeds.pharmacy*, *petcare.pharmacy*, and *petcarerx.pharmacy*, through a National Association of Boards of Pharmacy® initiative to ensure high standards for online pharmacies. We do not expect to lose the ability to use the Internet addresses; however, there can be no assurance in this regard and the loss of these addresses may have a material adverse effect on our financial position and results of operations. We are the exclusive owners of United States Trademark Registrations trademark registrations for “America’s Largest Pet Pharmacy®,” “America’s Most Trusted Pet Pharmacy®,” “Trusted Pet Medication Experts®,” “PetMed Express, Inc.®,”1-800-PetMeds and Design®,” 1-800-PetMeds®,” and “PetMeds®,” "Your Trusted Pet Health Expert®," "PetPlus®," "PetCareRx®," "Nose to Tail®," "Nose to Tail Health®," and "Nose to Tail Savings®," among numerous others. We have also applied for trademark protection for “Your Trusted Pet Health Expert "VetLive™." "

As a part of our acquisition of PetCareRx, we have also acquired the PetCareRx® trademark and www.petcarerx.com domain name.

Government Regulation GOVERNMENT REGULATION

We are subject to a broad range of federal, state, and local laws and regulations that relate to our business. Dispensing prescription medications is governed at the state level by Boards of Pharmacy, or similar regulatory agencies, of each state where prescription medications are dispensed. We are PetMeds is subject to regulation by the State of Florida and are is licensed as a community pharmacy by the Florida Board of Pharmacy. Our current license Pharmacy, and PetCareRx is valid until February 28, 2025, subject to regulation by the State of New York and well in advance of that date is licensed as a renewal application will be submitted to community pharmacy by the Board of Pharmacy. New York Pharmacy Board.

Our pharmacy practice is practices are also licensed and/or regulated by 49 other state pharmacy boards, the District of Columbia Board of Pharmacy, the U.S. Virgin Islands Board of Pharmacy, and the United States Drug Enforcement Administration ("DEA"), and with respect to our products, by other regulatory authorities including, but not necessarily limited to, the United States Food and Drug Administration ("FDA") and the United States Environmental Protection Agency ("EPA"). Our Our registration with the DEA, and state registrations/permits as required, permit us to dispense Schedule IV and Schedule V controlled substances. As a licensed pharmacy in the State of Florida, we are subject to the Florida Pharmacy Act and regulations promulgated thereunder. To the extent that If we are unable fail to maintain our license as a community pharmacy licenses with the Florida Board of Pharmacy, or if we do not maintain the licenses/registrations/permits granted by from other state pharmacy boards (including the our home state pharmacy license in New York for PetCareRx), or if we become subject to face actions by from the DEA, FDA EPA, or other enforcement regulators, our distribution of ability to dispense prescription medications to pet owners could cease, be halted, which could have a material adverse effect on our financial condition and results of operations.

In addition to the foregoing, the FDA regulates animal feed, including pet food, under the Federal Food, Drug, and Cosmetic Act (the "FFDCA") and its implementing regulations. Although pet foods are not required to obtain premarket approval from the FDA, the FFDCA requires that all animal foods are safe for consumption, produced under sanitary conditions, contain no harmful substances, and are truthfully labeled. Most states also require that pet foods distributed in the state be registered or licensed with the appropriate state regulatory agency. In addition, most facilities that manufacture, process, pack, or hold foods, including pet foods, must register with the FDA and renew their registration every two years, and are subject to periodic FDA inspection. This includes most foreign, as well as domestic facilities. Registration must occur before the facility begins its pet food manufacturing, processing, packing, or holding operations.

The labeling of pet foods is regulated by both the FDA and some state regulatory authorities. FDA regulations require proper identification of the product, a net quantity statement, a statement of the name and place of business of the manufacturer or distributor, and proper listing of all the ingredients in order of predominance by weight. Most states also enforce their own labeling regulations. 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. The FDA also regulates the inclusion of specific claims in pet food labeling. For example, pet food products that are labeled or marketed with claims that may suggest that they are intended to treat or prevent disease in pets would potentially meet the statutory definitions of both a food and a drug.

Our planned distribution of pet insurance products under our strategic partnership with Pumpkin will also subject subjects us to state laws and regulations relating to the sale of insurance products, including registering as an insurance distributor in states in which we offer and sell the Pumpkin co-branded pet insurance products and otherwise complying with state and federal laws relating to the sale and distribution of insurance products.

We rely on legal and operational compliance programs, as well as outside counsel, to guide our business in complying with applicable laws and regulations in the areas in which we do business. In addition, regulatory regime changes may add cost and complexity to our compliance efforts. It is difficult to predict with certainty the potential impact of future regulatory compliance efforts and future costs associated with such matters. Our failure to comply with such laws and regulations may result in adverse actions that could disrupt our operations and adversely affect our financial results.

Human Capital Resources HUMAN CAPITAL

People are the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities Company is committed to fostering a culture that not only advances strategic and talent that our key business priorities but also empowers employees invest to make a positive impact in their work represents communities. We believe that attracting, retaining, and managing a significant part diverse and talented workforce is crucial to our success. Our commitment to diversity, equity, and inclusion encompasses individuals of not only our culture, but our reputation and the Company's achievement as well. We strive to create an inclusive culture that embraces and encourages diversity.Our employees' differences in age, color, disability, ethnicity, different ages, colors, disabilities, ethnicities, family or marital status, statuses, gender identity identities or expression, language, expressions, languages, national origin, origins, physical and mental ability, abilities, political affiliation, race, religion, affiliations, races, religions, sexual orientation, orientations, socio-economic status, statuses, veteran status, statuses, and other characteristics that make characteristics.

To ensure our employees unique. We strive to ensure that all employees have opportunities the opportunity to develop the skills they need to grow and excel, in their fields. Human human capital management is a top priority for our executives and Board of Directors, as evidenced by the recent expansion of the Compensation Committee to the Compensation and we Human Capital Committee. We are committed dedicated to identifying and developing nurturing the talent necessary for our long-term success. We Our employees have access to a talent and succession planning process and have established programs to support the development of our talent pipeline for critical roles in our organization. We conduct an annual review with human resources and the departmental leadership teams, focusing on high performing and high potential talent, diverse talent and succession for our critical roles.

We also recognize that it is important to develop our future leaders. We provide a variety wide range of resources to help our employees build and develop enhance their skills and advance their careers, including an internal leadership development class, classes, online development resources, mentorship as well as programs, individual development opportunities, and projects for key talent as well as opportunities for career advancement. projects.

Additionally, we have leadership development resources for offer functional management training, learning management systems-based educational opportunities, certification programs, and educational assistance to support our future leaders as they continue to develop in their skills. professional growth.

We also foster pride ourselves on maintaining a strong corporate culture that promotes upholds high standards of ethics and compliance for our business, including policies that set forth principles to guide employee, officer, director, and vendor conduct, such as our compliance. Our Code of Business Conduct and Ethics. We also maintain Ethics outlines the principles that guide the behavior of our employees, officers, directors, and vendors. To ensure adherence to these standards, we have implemented a whistleblower policy and an anonymous hotline for the confidential reporting of any suspected policy violations or unethical business conduct on the part of our employees, officers, directors, or vendors. All conduct. Furthermore, all staff members are also required to complete anti-harassment training.

By fostering a supportive and inclusive environment, we empower our employees to thrive both professionally and personally, driving our company forward and making a meaningful impact in our communities.

As of May 23, 2023 June 14, 2024 we had 302 287 full time employees, including: 137 in customer care; 15 in marketing; 48 in fulfillment and purchasing; 62 in our pharmacy; 17 in information technology and 15 in accounting/human resources. employees. None of our employees are represented by a labor union or governed by any collective bargaining agreements. We consider relations with our employees to be good. The majority of our employees work at are connected to our Delray Beach, Florida headquarters and distribution center, and approximately 78

employees work at the office and distribution center in and are connected to our New York location that we acquired as a part of the PetCareRx acquisition. Many of our personnel are currently working remotely or in a hybrid work model. model with the exception of essential on-site workers. Similar to many companies, we are exploring the benefits of bringing teams back into the office.We believe that this helps provide a differentiator in this competitive labor market.

In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees as well as the communities in which we operate. These measures include allowing most employees to work from home and implementing additional safety measures for employees continuing critical on-site work. We believe in supporting our employees' health and well-being. Our goal is to help employees make informed decisions about their health by providing the tools and resources necessary to achieve a healthier lifestyle.

We offer our employees a wide array and highly competitive benefits such as life and health (medical, dental, and vision) insurance, medical and dependent care flexible spending accounts, legal services provider network, paid time off (including gender neutral parental leave) and retirement benefits, as well as emotional well-being services through our health insurance program.

We offer competitive compensation packages to attract and retain the best people, and we help care for our people so they can focus on our mission. Our employees' total compensation package includes competitive salary, bonuses or sales commissions, and/or equity. We generally offer annual equity grants to the majority of full-time exempt employees. Having compensation tied to annual equity grants helps ensure that our employees will be committed to the Company's long-term growth and success. We conduct annual pay equity analysis and continue to be committed to pay equity.comp isn't really tied to equity grants, it just includes them.

Available Information

Our website address is addresses are *www.petmeds.com* and *www.petcarerx.com*. The information on our website websites is not, and shall not be deemed to be, a part of or incorporated into this Annual Report on Form 10-K or any other filings we make with the Securities and Exchange Commission ("SEC"). We file annual, quarterly, and current reports, proxy statements, and other information with the SEC. Our SEC filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to the Exchange Act are available free of charge over the Internet on our website at *www.petmeds.com*or at the SEC's web site website at *www.sec.gov*. Our SEC filings will be available through our website at *www.petmeds.com*as soon as reasonably practicable after we have electronically filed or furnished them to the SEC.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could materially and adversely affect our business, financial condition, operating results and the trading price of our common stock. Because of the following factors, as well as other factors affecting the Company's results of operations and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. This discussion of risk factors contains forward-looking statements. This section should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Regulatory Risks

We may inadvertently fail Any failure to comply with various state or federal regulations covering our pet health business, including the dispensing of prescription pet medications which may subject us to reprimands, sanctions, probations, fines, suspensions, or the loss of one or more of our pharmacy licenses.

Our pet health business, which includes the sale and delivery of prescription pet medications is generally governed by state laws and state regulations, and with respect to controlled substances, also by federal law. Governmental authorities that regulate our business have broad latitude to make, interpret, and enforce the laws and regulations that govern us. Since our pharmacy is located in the State of Florida, the Company is governed by the laws and regulations of the State of Florida. Each prescription pet medication sale we make is likely also to be covered by the laws of the state where the customer is located. The laws and regulations relating to the sale and delivery of prescription pet medications vary from state to state, but generally require that prescription pet medications be dispensed with the authorization from a prescribing veterinarian. Our current home-state license with the Florida Board of Pharmacy is valid until February 28, 2025, and PetCareRx's home-state license in the State of New York is valid until April 30, 2025, and there is no guarantee that we will be able to renew such licenses when required. To the extent that we are unable to maintain our license as a community pharmacy with the Florida Board of Pharmacy (and to the extent we are unable to maintain PetCareRx's license in New York), or if we do not maintain the licenses granted by other state boards, or if we become subject to actions by the FDA, or other enforcement regulators, our dispensing of prescription medications to pet owners could cease, which could have a material adverse effect on our operations.

The expansion of our business into the offer and sale of pet insurance products will also subject subjects us to additional laws and regulations regarding those activities, including registering as an a registered insurance distributor in states in which we offer and sell the Pumpkin co-branded pet insurance products and otherwise complying with state and federal laws relating to the sale and distribution of insurance products.

The Company is a party to routine litigation and administrative complaints incidental to its business. Management does not believe that the resolution of any or all of such routine litigation and administrative complaints is likely to have a material adverse effect on the Company's financial condition or results of operations. While we make every effort to fully comply with all applicable state rules, laws, and regulations, from time to time we have been the subject of administrative complaints regarding the authorization of prescriptions prior to shipment. We cannot assure you that we will not be the subject of administrative complaints in the future. We cannot guarantee you that we will not be subject to reprimands, sanctions, probations, or fines, or that one or more of our pharmacy licenses will not be suspended or revoked. If we were unable to maintain our license as a community pharmacy in the State States of Florida or New York, or if we are not granted licensure in a state that begins to require licensure, or if one or more of the licenses granted by other state boards should be suspended or revoked, our ability to continue to sell prescription medications and to continue our business as it is presently conducted could be in jeopardy.

Business Risks

Our failure to properly manage our inventory may result in excessive inventory carrying costs, or inadequate supply of products, which could materially adversely affect our financial condition and results of operations.

Our current product line contains approximately 15,000 SKUs including the SKUs acquired in our acquisition of PetCareRx. A significant portion of PetMeds sales is attributable to products representing approximately 100 SKUs, including the most popular flea and tick, and heartworm preventative brands. We need to properly manage our inventory to provide an adequate supply of these products and avoid excessive inventory of the products representing the balance of the SKUs. We generally place orders for products with our suppliers based upon our internal estimates of the amounts of inventory we will need to fill future orders. These estimates may be significantly different from the actual orders we receive.

In the event that subsequent orders fall short of original estimates, we may be left with excess inventory. Significant excess inventory could result in price discounts, increased inventory carrying costs, and obsolescence. Similarly, if we fail to have an adequate supply of some SKUs, we may lose sales opportunities. We cannot guarantee that we will maintain appropriate inventory levels. Any failure on our part to maintain appropriate inventory levels may have a material adverse effect on our financial condition and results of operations.

Resistance from veterinarians to authorize prescriptions, or attempts or efforts by veterinarians to discourage pet owners from purchasing from us could cause our sales to decrease and could materially adversely affect our financial condition and results of operations.

Since we began our operations, some veterinarians have resisted providing our customers with a copy of their pet's prescription or authorizing the prescription to our pharmacy staff, thereby effectively preventing us from filling such prescriptions under state law. We have also been informed by customers and consumers that veterinarians have tried to discourage pet owners from purchasing from internet mail-order pharmacies.

The laws and regulations relating to the sale and delivery of prescription pet medications vary from state to state. Although veterinarians in some states are required by law to provide a pet owner with a prescription if medically appropriate, if the number of veterinarians who refuse to authorize prescriptions should increase, or if veterinarians are successful in discouraging pet owners from purchasing from internet mail-order pharmacies, our sales could decrease, and our financial condition and results of operations may be materially adversely affected.

Significant portions of our sales are made to residents of eight states. If we should lose our pharmacy license in one or more of these states, our financial condition and results of operations would be materially adversely affected.

While we ship pet medications to customers in all 50 states, approximately 50% 49% of our sales for the fiscal year ended March 31, 2023 March 31, 2024, were made to customers located in the states of California, Florida, Texas, New York, Pennsylvania, North Carolina, Georgia, and Virginia. If for any reason our license to operate a pharmacy in one or more of those states should be suspended or revoked, or if it is not renewed, our ability to sell prescription medications to residents of those states would cease and our financial condition and results of operations in future periods would be materially adversely affected.

We have direct buying relationships with all the major pet medication manufacturers and each contractual relationship depends on our compliance with each respective manufacturer's minimum advertised pricing policies (MAPP).

The Company maintains direct purchasing relationships with all the major pet medication manufacturers. These relationships entitle the Company to buy directly from the manufacturer under the terms and conditions of a purchasing agreement which dictates purchase pricing of inventory and criteria to obtain additional discounts and rebates. The terms of these agreements also require the Company to comply with the manufacturers' MAPP. Each advertisement and/or promotion of a product below the MAPP price, should they occur, would be a violation of the policy. This policy applies to all advertisements of products in all media including, without limitation, flyers, posters, coupons, mailers, inserts, newspapers, magazines, on-line catalogs, mail order catalogs, public signage and all Internet or similar electronic media, television, radio and public signage, including websites, email newsletters, forums, and auction sites.

At the discretion of the manufacturers, non-compliance with the MAPP can result in one or more of the following actions: (1) forfeiture of future rebates or discounts from the manufacturer, (2) suspension of future purchases from the manufacturer, (3) or termination of current or future business relationship. The Company has and will continue to make every attempt to abide by the manufacturers MAPP. However, no assurances can be made that the Company will not violate MAPP inadvertently. A reduction or discontinuance of these rebates or discounts would increase our costs and could reduce our profitability. If any of these major pet medication manufacturers were to terminate our purchasing relationship it could materially adversely affect our business. If the manufacturers are not able to enforce their MAPP industry-wide, then our profit margins and results of operations may also be impacted negatively.

The loss of any of our key suppliers would negatively impact our business.

We have direct purchasing relationships with all of the major pet medication manufacturers, from the majority of which we purchase significant quantities of pet medication products.. We do maintain annual purchasing contracts with these major manufacturers. While we believe that our supplier relationships are good, a supplier could discontinue selling to us at any time. The loss of any of our key suppliers of pet medications offered by us would have a negative impact on our business, financial condition, and results of operations.

Shipping is a critical part of our business and any changes in, or disruptions to, our shipping arrangements could adversely affect our business, financial condition, and results of operations.

We currently rely on third-party national, regional, and local logistics providers to deliver the products we offer on our website. websites. If we are not able to negotiate acceptable pricing and other terms with these providers, or if these providers experience performance problems or other difficulties in processing our orders or delivering our products to customers, it could negatively impact our results of operations and our customers' experience. In addition, our ability to receive inbound inventory efficiently and ship merchandise to customers may be negatively affected by factors beyond our and these providers' control, including inclement weather, fire, flood, power loss, earthquakes, acts of war or terrorism or other events, such as labor shortages and disputes, financial difficulties, volatility in the prices of fuel, gasoline and commodities such as paper and packing supplies, system failures and other disruptions to the operations of the shipping companies on which we rely. We are also subject to risks of damage or loss during delivery by our shipping vendors. If the products ordered by our customers are not delivered in a timely fashion or are damaged or lost during the delivery process, our customers could become dissatisfied and cease buying products through our website websites and mobile applications, application, which would adversely affect our business, financial condition, and results of operations.

The quality of our customer service and support is important to our customers, and if we fail to provide adequate levels of customer service and support, we could lose customers, which would harm our business.

We believe that a high level of customer care and support is critical in retaining and expanding our customer base. Although our customer care representatives participate in ongoing training programs on a variety of topics, such as product knowledge, computer usage, customer service tips, and the relationship between our Company and veterinarians, any perceived or actual decline in our customer-service response times or in the quality of our customer care representatives, even if episodic or temporary, could hurt our business. If customers perceive that our customer care and support does not compare favorably to our competitors, then we may lose customers to such competitors.

The content of our website websites could expose us to various kinds of liability, which, if prosecuted successfully, could negatively impact our business.

Because we post product and pet health information and other content on our website, websites, we face potential liability for negligence, copyright infringement, patent infringement, trademark infringement, defamation, and/or other claims based on the nature and content of the materials we post. Various claims have been brought, and sometimes successfully prosecuted, against Internet content distributors. We could be exposed to liability with respect to the unauthorized duplication of content or unauthorized use of other parties' proprietary technology. Although we maintain general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance, or is in excess of insurance coverage, could materially adversely affect our financial condition and results of operations.

We may not be able to protect our intellectual property rights, and/or we may be found to infringe on the proprietary rights of others.

We rely on a combination of trademarks, trade secrets, copyright laws, and contractual restrictions to protect our intellectual property rights. These afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our proprietary property, including our non-prescription private label or generic equivalents, when and if developed, as well as aspects of our sales formats, or to obtain and use information that we regard as proprietary, including the technology used to operate our website websites and our content, and our trademarks. Litigation or proceedings before the United States Patent and Trademark Office or other bodies may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets and domain names, or to determine the validity and scope of the proprietary rights of others. Any litigation or adverse proceeding could result in substantial costs and diversion of resources and could seriously harm our business and operating results. Third parties may also claim infringement by us with respect to past, current, or future technologies. technologies or intellectual property. We expect that participants in our market will be increasingly involved in infringement claims as the number of services and competitors in our industry segment grows. Any claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays, or require us to enter into royalty or licensing agreements. These royalty or licensing agreements might not be available on terms acceptable to us or at all.

If we are unable to protect our Internet addresses or to prevent others from using Internet addresses that are confusingly similar, our business may be adversely impacted.

Our Internet addresses, including; *www.1800petmeds.com*, *www.1888petmeds.com*, *www.petmedexpress.com*, *www.petmed.com*, *www.petmeds.com*, *www.petmeds.pharmacy*, *www.petmed.pharmacy*, *www.1800petmeds.pharmacy*, and *petcarerx.com*, are critical to our brand recognition and our overall success. If we are unable to protect these Internet addresses, our competitors could capitalize on our brand recognition. There may be similar Internet addresses used by competitors. Governmental agencies and their designees generally regulate the acquisition and maintenance of Internet addresses. The regulation of Internet addresses in the United States and in foreign countries has changed and may undergo further change in the near future. Furthermore, the relationship between regulations governing Internet addresses and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may not be able to protect our own Internet addresses or prevent third parties from acquiring Internet addresses that are confusingly similar to, infringe upon, or otherwise decrease the value of our Internet addresses.

Since most of our operations are housed in a single location, we are more susceptible to a business interruption in the event of damage to, or disruptions in, our facility, particularly with respect to extreme weather events.

Our The PetMeds headquarters and principal distribution center are currently located in one location in South Florida, and most of our shipments of products to our customers are made from this primary distribution center. Our PetcareRx principal distribution center is located in one location in New York. Because we consolidate our operations for each brand in one location, we are more susceptible to power and equipment failures, and business interruptions in the event of fires, floods, and other natural disasters than if we had additional locations. Furthermore, because we are our largest distribution center is located in South Florida, which is a hurricane-sensitive area and is susceptible to sea-level rise, we are particularly susceptible to the risk of damage to, or total destruction of, our headquarters and distribution center and surrounding transportation infrastructure caused by a hurricane or rising sea levels. Additionally, recent intense weather conditions may cause property insurance premiums to significantly increase in the future. We recognize that the frequency and intensity of extreme weather events, sea-level rise, and other climatic changes may continue to increase and, as a result, our exposure to these events may increase.

We cannot assure you that we are adequately insured to cover the amount of any losses relating to any of these potential events, including business interruptions resulting from damage to or destruction of our headquarters and distribution center, centers, or power and equipment failures relating to our call center or websites, or interruptions or disruptions to major transportation infrastructure, or other events that do not occur on our premises. The occurrence of one or more of these events could adversely impact our ability to generate revenues in future periods.

A failure or misuse of our information systems and customer-facing technology systems, including our online payment methods, could adversely affect our results of operations, expose us to third-party claims, or increase our exposure to fraud and other risks.

Our business is dependent upon the efficient operation of our information systems. In particular, we rely on our information systems to effectively manage our business model strategy, with tools to track and manage sales, inventory, marketing, customer service efforts, the preparation of our consolidated financial and operating data, credit card information, and customer information. The failure of our information systems to perform as designed or the failure to maintain and enhance or protect the integrity of these systems could disrupt our business operations, adversely impact sales and the results of operations, expose us to customer or third-party claims, or result in adverse publicity.

Through our information technology, we are able to provide an improved overall shopping and interconnected retail experience that empowers our customers to shop and interact with us from computers, tablets, smartphones and other mobile devices. We use our website websites and our mobile application both as sales channels for our products and also as methods of providing product and other relevant information to our customers to drive online sales. Our online programs, communities and knowledge center allow us to inform, assist and interact with our customers. We also continually seek to enhance all of our online properties to provide an attractive user-friendly interface for our customers. Disruptions, failures or other performance issues with these customer-facing technology systems could impair the benefits that they provide to our online business and negatively affect our relationship with our customers.

Further, we currently accept payments using a variety of different payment methods which may subject us to additional regulations and compliance requirements, and may also increase our exposure to fraud, criminal activity, and other risks. In the future, as technology develops and we begin to offer new payment options to consumers, including by integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements, or 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 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 business, financial condition, and results of operations could be materially and adversely affected.

Our failure or the failure of third-party service providers to protect our website, websites, networks, and systems against cybersecurity incidents, or otherwise to protect our confidential information, could damage our reputation and brand brands and substantially harm our business, financial condition, and results of operations.

As a result of our services being web based, we collect, process, transmit and store large amounts of data about our customers, employees, suppliers and others, including credit card information and personally identifiable information, as well as other confidential and proprietary information. We also employ third-party service providers for a variety of reasons, including storing, processing and transmitting proprietary, personal and confidential information on our behalf. While we rely on tokenization solutions licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card numbers, advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of these solutions to protect confidential and sensitive information from being breached or compromised. Similarly, our security measures, and those of our third-party service providers, may not detect or prevent all attempts to hack our systems or those of our third-party service providers. Distributed Denial-of-Service ("DDoS") attacks, viruses, malicious software, break-ins, phishing attacks, ransomware, social engineering, security breaches or other cybersecurity incidents and similar disruptions that may jeopardize the security of information stored in or transmitted by our website, websites, networks and systems or that we or our third-party service providers otherwise maintain, including payment card systems, may subject us to fines or higher transaction fees or limit or terminate our access to certain payment methods. We and our service providers may not anticipate or prevent all types of attacks until after they have already been launched, and techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In

addition, cybersecurity incidents can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships.

Breaches of our security measures or those of our third-party service providers or any cybersecurity incident could result in unauthorized access to our website, websites, networks and systems; unauthorized access to and misappropriation of consumer and/or employee information, including personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our website, websites, networks or systems; deletion or modification of content or the display of unauthorized content on our website; websites; interruption, disruption or malfunction of operations; costs relating to cybersecurity incident remediation, deployment of additional personnel and protection technologies, response to governmental investigations and media inquiries and coverage; engagement of third party experts and consultants; litigation, regulatory action and other potential liabilities. If any of these cybersecurity incidents occur, or there is a public perception that we, or our third-party service providers, have suffered such a breach, or we are unable to determine materiality within a reasonable timeframe under the new Cybersecurity rules, our reputation and brand brands could also be damaged and we could be required to expend significant capital and other resources to alleviate problems caused by such cybersecurity incidents. As a consequence, our business could be materially and adversely affected and we could also be exposed to litigation and regulatory action and possible liability. In addition, any party who is able to illicitly obtain a customer’s password could access the customer’s transaction data or personal information. Any compromise or breach of our security measures, or those of our third-party service providers, or our failure to protect our customer's confidential information and data, could violate applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, financial condition, and results of operations.

The costs of mitigating cybersecurity risks are significant and are likely to increase in the future. These costs include, but are not limited to, retaining the services of cybersecurity providers; compliance costs arising out of existing and future cybersecurity, data protection and privacy laws and regulations; and costs related to maintaining redundant networks, data backups and other damage-mitigation measures.

We do not currently carry cyber insurance, which may expose us to certain potential losses for damages or result in penalization with fines in an amount exceeding our resources. resources.However, we are actively working to obtain coverage.

Our migration of data and systems to a new information technology platform may disrupt our operations.

As an established web-based seller of pet products, we rely on a combination of legacy public-facing websites, internal applications and services, and back-end business intelligence systems. We are in the process of migrating and upgrading many of our platforms and applications to more modular, web-based and SaaS systems. If we are not able to realize the anticipated benefits of our migration to this new infrastructure, our business could be harmed. There may be unforeseen issues as a result of these migrations that may cause disruptions to the availability of our products due to service outages, downtime or other similar issues that could harm our business. We also may be subject to additional risk of cybersecurity breaches or other improper access to our data or confidential information following our migration to these new computing platforms. In addition, our new platforms may operate differently than anticipated when introduced or when new versions or enhancements are released. As we increase our reliance on our systems, our exposure to damage from service interruptions may increase. Further, our transition could involve significant time and expense and could negatively impact our ability to deliver our products and services, which could harm our financial condition and results of operations.

Our marketing, e-commerce, and other business activities are subject to a variety of federal and state laws and regulations relating to privacy, data protection, marketing and advertising and consumer protection, many of which may evolve or expand beyond their current scope, and our failure to comply with this complex set of evolving laws and regulations could adversely affect our business, financial condition, and results of operations.

We collect, maintain, use, and share personal information provided to us through our various marketing activities, including email and social media marketing and postal mailings, as well as other consumer, employee, and business-to-business interactions, in order to provide a better experience for our customers, employees, and vendors. Our current and future marketing and advertising practices depend on our ability to collect, maintain, use, and share this personal information with certain service providers and other third-party vendors, and we are subject to various federal and state laws and regulations that govern such marketing and advertising practices. In addition, we also collect, store, and transmit employees' health information for certain reasons, such as administering employee benefits; accommodating disabilities and injuries; complying with public health requirements; and maintaining employee safety in the workplace.

Laws and regulations relating to privacy, data protection, cybersecurity, marketing and advertising, and consumer protection are evolving and subject to potentially differing interpretations. While we strive to comply with all such regulations 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 from one jurisdiction to another or may conflict with other rules or our practices. If so, we may be subject to proceedings or actions against us by governmental entities or others, and we may suffer damage to our reputation as a result of such proceedings or actions. We may also be contractually required to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any laws, regulations or other legal obligations relating to privacy, data protection, cybersecurity or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business.

Federal and state governmental authorities continue to evaluate the privacy implications inherent in the use of third-party "cookies" and other methods of online tracking for behavioral advertising and other purposes. The U.S. government and state governments have enacted, have considered or are considering enacting, legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating 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 result in the use of third-party cookies and other methods of online tracking becoming significantly less effective. 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 on cost-effective terms and consequently, materially and adversely affect our business, financial condition, and results of operations.

In addition, various federal and state legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, cybersecurity, consumer protection, and advertising. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the "CCPA"), which became effective on January 1, 2020. The CCPA requires companies that process information of California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of selling their data to third parties and provides a new cause of action for data breaches. Further, on November 3, 2020, the California Privacy Rights Act (the "CPRA") was voted into law by California residents. The CPRA significantly amends the CCPA, and imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which could result in increased regulatory scrutiny of businesses conducting activities in California in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA went into effect on January 1, 2023, and will be enforced effective from July 1, 2023. Other states in which we operate have also enacted laws similar to CPRA and similar laws have been proposed in other states and at the federal level, and if passed, such laws may have potentially conflicting requirements that would make compliance challenging. Additionally, the Federal Trade Commission (the "FTC") and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Consumer protection laws require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Further, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. Each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, impose fines and other penalties or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct. 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.

We face the risk of litigation resulting from unauthorized text messages sent in violation of the Telephone Consumer Protection Act.

We send short message service, or SMS, text messages to customers and job candidates. The actual or perceived improper sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. For example, the Telephone Consumer Protection Act of 1991, a federal statute that protects consumers from unwanted telephone calls, faxes, and text messages, restricts telemarketing and the use of automated SMS text messages without proper consent. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. Federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain, or our SMS texting practices are not adequate or violate applicable law, resulting in civil claims against us. While we strive to comply with all applicable laws and regulations, the scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations, we could face direct liability, could be required to change some portions of our business model, or could face negative publicity, and our business, financial condition, and results of operations could be adversely affected as a result. Even an unsuccessful challenge of our SMS texting practices by our customers, regulatory authorities, or other third parties could result in negative publicity and could require a costly response from and defense by us.

Our operating results are difficult to predict and may fluctuate, and a portion of our sales are seasonal.

Factors that may cause our operating results to fluctuate include:

- Our ability to obtain new customers at a reasonable cost, retain existing customers, or encourage reorders;
- Our ability to increase the number of visitors to our website, websites, or our ability to convert visitors to our website websites into customers;
- The mix of medications and other pet products sold by us;
- Our ability to manage inventory levels or obtain an adequate supply of products;
- Our ability to adequately maintain, upgrade, and develop our website, websites, the systems that we use to process customers' orders and payments, or our computer network;
- Increased competition within our market niche;
- Price competition;
- New products introduced to the market, including generics;
- Increases in the cost of advertising;
- The amount and timing of operating costs and capital expenditures relating to expansion of our product line or operations;
- Potential disruption to the distribution network;
- Disruption of our toll-free telephone service, technical difficulties, or systems and Internet outages or slowdowns;
- The impact of further outbreaks of COVID-19, and any future similar outbreak, on our business operations and generally on the economy, including the measures taken by governmental authorities to address it; and
- Unfavorable general economic trends.

Because of the seasonality of our business, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. The majority of our product sales are affected by the seasons, due to the seasonality of mainly flea, tick, and heartworm medications. For the quarters ended June 30, 2022, September 30, 2022, December 30, 2022, and March 31, 2023, Company sales were 27%, 26%, 23%, and 24%, respectively. In addition to the seasonality of our sales, our Our annual and quarterly operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, including weather, many of which are out of our control. Any change in one or more of these factors could materially adversely affect our financial condition and results of operations in future periods.

Uncertainties in economic conditions and their impact on consumer spending patterns could adversely impact our business, financial condition, and results of operations.

Our results of operations are sensitive to changes in certain macro-economic conditions that impact consumer spending on pet products and services. Some of the factors that may affect consumer spending on pet products and services include consumer confidence, levels of unemployment, inflation, interest rates, tax rates and general uncertainty regarding the overall future economic environment. We may experience declines in sales or changes in the types of products sold during economic downturns. Any material decline in the amount of consumer spending or other adverse economic changes could reduce our sales, and a decrease in the sales of higher-margin products could reduce profitability and, in each case, harm our business, financial condition, and results of operations.

We have grown, and continue to seek to grow our business through acquisitions of, or investments in, new or complementary businesses, facilities, technologies, offerings, or products, or through strategic alliances, and the failure to manage these acquisitions, investments, or other strategic alliances, or to integrate them with our existing business, could have a material adverse effect on us.

During the past 12 months, two years, we acquired one company (PetCareRx) and entered into two strategic partnerships to enable us to offer telehealth services and pet insurance to our customers. We expect that we may in the future consider additional opportunities to acquire or make investments in new or complementary businesses, facilities, technologies,

offerings, or products, or enter into other strategic alliances, which may enhance our capabilities, complement our current products and services or expand the breadth of our markets. Acquisitions, investments and other strategic alliances, including our recent acquisition of PetCareRx, involve numerous risks, including:

- problems integrating the acquired business, facilities, technologies or products, including issues maintaining uniform standards, procedures, controls and policies;
- unanticipated costs associated with acquisitions, investments or strategic alliances;
- losses we may incur as a result of declines in the value of an investment or as a result of incorporating an investee's financial performance into our financial results;
- diversion of management's attention from our existing business;
- risks associated with entering new markets in which we may have limited or no experience;

- the risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face;
- potential unknown liabilities associated with a business we acquire or in which we invest; and
- increased legal and accounting compliance costs.

Our ability to successfully grow through strategic transactions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses, facilities, technologies, products and services. These efforts could be expensive and time-consuming and may disrupt our ongoing business and prevent management from focusing on our operations. Also, our acquisitions may not result in the benefits or growth originally anticipated from such acquisitions. As a result of future strategic transactions, we might need to issue additional equity securities, spend our cash, or incur debt (which may only be available on unfavorable terms, if at all) or contingent liabilities, any of which could reduce our profitability and harm our business. If we are unable to identify suitable acquisitions, investments or strategic relationships, or if we are unable to integrate any acquired businesses, facilities, technologies, offerings and products effectively, our business, financial condition, and results of operations could be materially and adversely affected. Also, while we employ several different methodologies to assess potential business opportunities, the new businesses or investments may not meet or exceed our expectations or desired objectives. objectives in the timeframe expected.

The market for pet telemedicine is immature and uncertain. If the telemedicine market does not develop, develops more slowly than we expect, or encounters negative publicity, or if our approach does not achieve a high level of customer acceptance, the growth and results of our partnership with Vetster may be adversely affected which could result in an impairment of our investment..

The pet telehealth market is, in general, immature and uncertain. It is uncertain whether the telemedicine market and our approach to pet telehealth with Vetster will achieve and sustain high levels of demand, consumer acceptance and market adoption. The COVID-19 pandemic increased acceptance and utilization of telemedicine services, but it is uncertain whether such increase in demand will continue.

Demand for pet telemedicine and telehealth services is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- market adoption and ongoing usage of pet telehealth and telemedicine services and solutions;
- awareness and adoption of technology in healthcare generally;
- availability of products and services that compete with ours;
- ability to maintain and expand a network of qualified providers;
- ease of adoption and use;
- features and platform experience;
- performance;
- brand;
- security and privacy; and
- pricing.

Our success will depend to a substantial extent on the willingness of our customers to use, and to increase the frequency and extent of their utilization of, our solution being offered in conjunction with Vetster, as well as on our ability to demonstrate the value of pet telehealth and telemedicine to veterinarians and pet owners. Negative publicity concerning the pet telehealth and telemedicine market could limit market acceptance of our solutions and services.

Financial Risks

We are subject to payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business.

We accept payments using a variety of methods, including credit and debit cards, PayPal, and checks, Apple Pay, and we may offer new payment options over time. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs.

We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could potentially disrupt our business. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. As a result, our business and operating results could be adversely affected.

We have identified material weaknesses in our internal controls over financial reporting, and management has determined that our disclosure controls and procedures were not effective as of the end of the period covered by this Annual Report on Form 10-K. Our business could and share price may be adversely affected if we fail to implement and maintain effective disclosure controls and procedures and internal control over financial reporting.

In connection with For the audit periods ending March 31, 2023 and 2024, our management identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements for the fiscal year ending March 31, 2023, we concluded that as of March 31, 2023, our disclosure controls and procedures and will not be prevented or detected on a timely basis. The material weaknesses identified in our internal control over financial reporting were not effective as of March 31, 2024, as well as our remediation plans, are described in Part II, Item 9A, "Controls and Procedures." While we believe these efforts will be sufficient to remediate the material weaknesses, we cannot provide assurance that we will be able to complete our evaluation, testing or any required remediation in a timely fashion, or at all. The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. Because of the inherent limitations in a cost-effective control system, misstatements in our financial statements due to error or fraud may occur and require restatement, such as those errors that resulted in the restatement of our previously issued audited consolidated financial statements described in Amendment No.1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended March 31, 2023 (the "2023 Form 10-K/A"), and the restatement of our previously issued unaudited condensed consolidated financial statements described in Amendment No.1 on Form 10-Q/A to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the "2024 Q1 Form 10-Q/A") and Amendment No.1 on Form 10-Q/A to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the "2024 Q2 Form 10-Q/A", and together with the 2024 Q1 Form 10-Q/A and 2023 Form 10-K/A, the "Amended Reports") as well as fiscal 2023 amounts restated in our Quarterly Report on Form 10-Q for the three and nine months ended December 31, 2023.

The material weaknesses in our internal control over financial reporting will not be considered remediated until the controls operate for a material weakness relating to [inappropriate] segregation of duties over the preparation, approval sufficient period and posting of manual journal entries. management has concluded through testing that these controls operate effectively. If we are unable to implement remediate the material weaknesses or identify additional material weakness in the future, we may be unable to accurately report our financial results, which could cause our financial results to be materially misstated and require restatement. In such case, we may be unable to maintain effective compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements. Ineffective disclosure controls and procedures and remediate internal control over financial reporting could also result in litigation or regulatory actions by the material weaknesses in a timely manner, SEC or if we identify other material weaknesses in the future, regulatory authorities, loss of investor confidence, harm to our ability to produce accurate and timely financial statements and public reports could be impaired, which could adversely affect our business reputation and financial condition. In addition, investors may lose confidence in condition, diversion of financial and management resources from the operation of our reported information business, and the market price of our common stock may decline. decline as a result. We cannot assure you that the remediation measures we have taken to date, or any measures that we may take in the future, will be sufficient to avoid future material weaknesses.

We may face litigation and other risks as a result of the restatements described in the Amended Reports and material weaknesses in our internal control over financial reporting.

We have identified material weaknesses in our internal control over financial reporting, including in connection with the restatements described in the Amended Reports. As a result of such material weaknesses and the restatement, we could face regulatory action by the SEC or other regulatory authorities, potential litigation, or other disputes, including claims invoking federal and state securities laws, contractual claims or other claims arising from the restatement and the material weaknesses in our internal control over financial reporting and the preparation of our financial statements. Any such litigation or dispute, whether successful or not, could adversely affect our business, financial condition, and results of operations.

As a result of our failure to timely file our Quarterly Report on Form 10-Q for the quarter ended December 31, 2023, we are currently ineligible to file new short form registration statements on Form S-3, which may impair our ability to raise capital on terms favorable to us, in a timely manner or at all.

Form S-3 permits eligible issuers to conduct registered offerings using a short form registration statement that allows the issuer to incorporate by reference its past and future filings and reports made under the Exchange Act. In addition, Form S-3 enables eligible issuers to conduct primary offerings "off the shelf" under Rule 415 of the Securities Act. The shelf registration process, combined with the ability to forward incorporate information, allows issuers to avoid delays and interruptions in the offering process and to access the capital markets in a more expeditious and efficient manner than raising capital in a standard registered offering pursuant to a Registration Statement on Form S-1. The ability to register securities for resale may also be limited as a result of the loss of Form S-3 eligibility.

As a result of our failure to timely file our Quarterly Report on Form 10-Q for the quarter ended December 31, 2023, we are currently ineligible to file new short form registration statements on Form S-3 until March 2025. Our inability to use Form S-3 may impair our ability to raise necessary capital to fund our operations and execute our strategy. If we seek to access the capital markets through a registered offering during the period of time that we are unable to use Form S-3, we may be required to publicly disclose the proposed offering and the material terms thereof before the offering commences, we may experience delays in the offering process due to SEC review of a Form S-1 registration statement and we may incur increased offering and transaction costs and other considerations. Disclosing a public offering prior to the formal commencement of an offering may result in downward pressure on our share price. If we are unable to raise capital through a registered offering, we would be required to conduct our equity financing transactions on a private placement basis, which may be subject to pricing, size and other limitations imposed under the Nasdaq rules, or seek other sources of capital. The foregoing limitations on our financing approaches could have a material adverse effect on our results of operations, liquidity, and financial position.

Risks Relating to Taxes

Taxing authorities may successfully assert that we should have collected, or in the future should collect, sales and use, value added, or similar taxes, and any such assessments could adversely affect our business, financial condition, and results of operations.

In the past several years, states have adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, In 2018, the Supreme Court of the United States ("Supreme Court") ruled in South Dakota v. Wayfair, Inc. et al, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to register, calculate, collect, and remit taxes on sales in their jurisdictions. Additionally, states and some local tax jurisdictions have differing rules and regulations governing sales and use taxes, which are subject to varying interpretations that may change over time.

One or more taxing authorities could seek to impose additional sales and use, value added, or similar taxeson us or may determine that such taxes should have, but have not been, paid by us.Any successful action by taxing authorities to compel us to collect and remit such taxes, either retroactively or prospectively, could have a material adverse effect on our business, financial condition and results of operations. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors, and decrease our future sales, which could have a material adverse effect on our business and results of operations.

While we believe that we currently collect and remit applicable sales taxes to the extent required in all states in which we sell, a successful assertion by one or more states seeking to tax us on sales that occurred in prior tax years, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of For example, during our 2023 fiscal year, we received a sales tax collection obligations on out-of-state sellers could also create assessment relating to prior periods, following which, we evaluated, with the assistance of outside consultants, our sales tax positions in various jurisdictions, and related accounting matters, for potential additional administrative burdens sales tax exposure. As a result of that review, we recorded an accrual for additional sales tax liabilities as at March 31, 2023 (the “Additional Sales Tax Liabilities'). During the third quarter of our 2024 fiscal year, with the assistance of outside consultants, we again reviewed our accounting treatment for sales tax liabilities, including the Additional Sales Tax Liabilities, and determined that we should have accounted for sales tax liabilities using a legal liability approach, which required us put us at to record a competitive disadvantage if they do not impose similar obligations on cumulative sales tax liability ofapproximately $26.0 million as of March 31, 2023 reflecting the total potential sales tax liability as of such date and resulted in the restatement of our competitors, and decrease consolidated financial statements described in our future sales, which could have a material adverse effect on our business and results of operations. 2023 Form 10-K/A.

New legislation or regulations, the application of laws and regulations from jurisdictions, or the application of existing laws and regulations to the Internet and commercial online services could similarly result in significant additional taxes on our business. For instance, the Supreme Court’s decision and the enactment and enforcement of laws resulting therefrom could also impact where we are required to file state income taxes. As a result, our effective income tax rate as well as the cost and growth of our business could be materially and adversely affected, which could in turn have a material adverse effect on our financial condition and results of operations. In addition, because the Company’s products and services are available over the Internet, states may claim that the Company is required to do business as a foreign corporation in one or more of those jurisdictions. Failure to qualify as a foreign corporation in a jurisdiction where the Company is required to do so could subject it to taxes and penalties, and such jurisdictions may charge the Company with violations of local laws.

Changes in tax laws or regulations in the various tax jurisdictions we are subject to could increase our cost of doing business.

We may be subject to additional tax liabilities and penalties resulting from new legislation or regulations; changes in taxing jurisdictions’ administrative interpretations, decisions, policies and positions; results of tax audits, examinations, settlements or judicial decisions; changes in accounting principles, as well as the evaluation of new information that results in a change to a tax position taken in a prior period; and changes to our business operations, including acquisitions.Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results.

Industry Risks

We face significant competition from veterinarians and online and traditional retailers, as well as challenges from strategic alliances amongst our competitors, and may not be able to compete profitably with them.

We compete directly and indirectly with veterinarians for the sale of pet medications and other health products. Veterinarians hold a competitive advantage over us because many pet owners may find it more convenient or preferable to purchase these products directly from their veterinarians at the time of an office visit. We also compete directly and indirectly with both online and traditional retailers. Both online and traditional retailers may hold a competitive advantage over us because of longer operating histories, established brand names, greater resources, and/or an established customer base. Online retailers may have a competitive advantage over us because of established affiliate relationships to drive traffic to their website. Traditional retailers may hold a competitive advantage over us because pet owners may prefer to purchase these products from a store instead of online. In addition, we face growing competition from online and multichannel retailers, some of whom may have a lower cost structure than ours, as customers now routinely use computers, tablets, smartphones, and other mobile devices and mobile applications to shop online and compare prices and products in real time. In order to effectively compete in the future, we may be required to offer promotions and other incentives, which may result in lower operating margins and adversely affect the results of operations. We also face a significant challenge from our competitors forming alliances with each other, such as those between online and traditional retailers. These relationships may enable both their online and retail stores to negotiate better pricing and better terms from suppliers by aggregating the demand for products and negotiating volume discounts, which could be a competitive disadvantage to us.

Product recalls and concerns regarding the safety and quality of the pet products we sell could affect our business.

We are subject to laws and regulations by various federal and state regulatory authorities regarding the safety and quality of the pet products that we sell. We purchase products from various suppliers, one or more of which might not adhere to product safety requirements or our quality control standards, and we may not be able to identify the deficiency before merchandise ships to our customers. All of our suppliers are required to comply with applicable product safety laws, and we are dependent upon them to ensure such compliance. Any issues of product safety or allegations that the products we sell are in violation of governmental regulations, including, but not limited to, issues involving products manufactured in foreign countries or issues of mislabeling or adulteration, 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 brand brands could be damaged, potentially leading to decreased sales or increases in customer litigation against us. If consumers lose confidence in the safety and quality of the food or other products that we sell or in the suppliers that provide such products, then our sales could be adversely affected. Adverse publicity about these types of concerns, even if not valid, may discourage consumers from buying the products we offer, and such publicity cause disruptions with suppliers. The real or perceived sale of contaminated food products by us could result in product liability claims against our suppliers or us, expose us or our suppliers to governmental enforcement action or private litigation, or lead to costly recalls and a loss of consumer confidence, any of which could have an adverse effect on our business, financial condition, and results of operations. We may also in the future voluntarily recall or withdraw products that we consider do not meet our standards in order to protect our brand brands and reputation. While we carry product liability insurance, our insurance may not be adequate to cover all liabilities that we may incur in connection with product liability claims. In addition, we may be unable to continue to maintain our existing insurance coverage or obtain comparable insurance at a reasonable cost, if at all, or secure additional coverage, which may result in future product liability claims being uninsured. Any of these factors could negatively impact our business, financial condition, and results of operations.

Pandemics or other health crises, such as the possible resurgence of the COVID-19 pandemic, may adversely affect our results of operations.

The outbreak and global spread of the COVID-19 pandemic, including the spread of recent variants, and related containment efforts created, and may continue to contribute to, significant economic disruption in the United States and around the world. A resurgence of the COVID-19 pandemic, variations of the COVID-19 virus, or other pandemics could adversely affect our business operations. It is impossible to predict the effect and ultimate impact of the possible resurgence of the COVID-19 pandemic, a variation of the COVID-19 virus, or other pandemic. In response to the COVID-19 pandemic, we implemented working from home where possible and enhanced disinfection and social distancing within our workplace. Future COVID-19 surges or variants, as well as other pandemics, may result in us again encouraging employees to work from home, which could adversely impact costs, operations, and morale, as well as result in consumer privacy, IT security, and fraud concerns.

Governmental lockdowns and other restrictions at the onset of the COVID-19 pandemic negatively impacted, and in the event of a future resurgence or a different pandemic or health crisis may again negatively impact, the operations of and ability to ship from our fulfillment center. Our future results of operations and overall financial performance could be uncertain should a new virus strain of COVID-19, a new pandemic, or other health crisis occur.

Securities Risks

Our stock price fluctuates from time to time and may fall below expectations of securities analysts and investors, and could subject us to litigation, which may result in you suffering a loss on your investment.

The market price of our common stock may fluctuate significantly in response to a number of factors, many of which are out of our control. These factors include: changes in accounting treatments or principles; announcements by our competitors of new products and services offerings; significant contracts, acquisitions, or strategic relationships; additions or departures of key personnel; any future sales of our common stock or other securities; stock market price and volume fluctuations of publicly traded companies; and general political, economic, and market conditions. In some future quarter our operating results may fall below the expectations of securities analysts and investors, which could result in a decrease in the trading price of our common stock. In addition, if the Company fails to meet expectations related to future growth, profitability, dividends, or other market expectations, the price of the Company's common stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention. In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources, which could seriously harm our business and operating results.

We may issue additional shares of preferred stock that could defer a change of control or dilute the interests of our common shareholders. Our charter documents could defer a takeover effort which could inhibit your ability to receive an acquisition premium for your shares.

Our charter permits our Board of Directors to issue up to 5.0 million shares of preferred stock without shareholder approval. Currently there are 2,500 shares of our Convertible Preferred Stock issued and outstanding. This leaves slightly less than 5.0 million shares of preferred stock available for issuance at the discretion of our Board of Directors. These shares, if issued, could contain dividend, liquidation, conversion, voting, or other rights which could adversely affect the rights of our common shareholders and which could also be utilized, under some circumstances, as a method of discouraging, delaying, or preventing a change in control. Provisions of our articles of incorporation, bylaws and Florida law could make it more difficult for a third party to acquire us, even if many of our shareholders believe it is in their best interest.

Our ability to pay regular dividends to our shareholders and the amounts of any such dividends are subject to the discretion of the Board and may be limited by our financial condition, or limitations under Florida law.

We have paid regular dividends to our shareholders since from 2009 any such to August 2023, and on February 1, 2024, our Board of Directors elected to suspend the quarterly dividend indefinitely. The Board of Directors determined to reserve and/or utilize cash resources that would otherwise be available for distributions in order to fund additional strategic transactions or investments in our business. The determination to pay dividends and the amounts thereof in the future will be at the discretion of the Board and will be dependent on then-existing conditions, including our financial condition, income, legal requirements, including limitations under Florida law, and other factors the Board deems relevant. The Board has previously decided, and may in the future decide, in its sole discretion, to change the amount or frequency of dividends or discontinue the payment of dividends entirely. For example, the Board may determine to reserve and/or utilize cash resources that would otherwise be available for distributions in order to fund additional strategic transactions or investments in our business. For these reasons, shareholders should not rely on dividends to receive a return on investment. Accordingly, and for the foreseeable future, realization of any gain on shares of our common stock may will depend solely on the appreciation of the price of our common stock, which may not occur.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None None.

ITEM 1C. CYBERSECURITY

We have an enterprise-wide information security program designed to assess, identify, and manage the Company's information security risks and identify, evaluate, respond to and resolve information security incidents. To protect our information systems from information security incidents, we use various processes and tools to identify, prevent, detect, escalate, investigate, resolve and recover from identified vulnerabilities and threats. These include, but are not limited to, reporting, monitoring and detection tools that are widely used in the industry, and internal solutions. We have an enterprise-wide Incident Response Policy and Incident Response Procedure, which outlines the various points and detailed processes and procedures to be followed when a suspected incident is identified. The overall Incident Response Objectives are to:

a. Accurately investigate and validate the incident
b. Minimize damage or loss of data and services for the Company, our clients, users,employees, and other potentially affected individual data subjects, as appropriate
c. Preserve and/or collect evidence pursuant to the incident in a legally sound manner
d. Quickly restore data and services
e. Review evidence to determine next steps, including notifications where necessary or advisable

f. Document and implement post incident actionable recommendations to prevent incident reoccurrence and improve the incident response process

We assess our cybersecurity maturity and readiness utilizing the CIS (Center for Internet Security) Critical Security Controls, and measure our ongoing progress against this framework to identify areas of opportunity for improvement to our overall cybersecurity readiness.

We continually evaluate cybersecurity threats and our ability to monitor for or mitigate against these threats based on information from our vendors, partners, and our own internal research and exposures. As we are undergoing multiple system upgrades and digital transformation efforts, we will be further evaluating and implementing security measures and best practices in our new systems as we phase out legacy systems. We conduct regular scans, penetration, and vulnerability testing as part of our overall security practice, and as part of our Payment Card Industry Digital Security Standard (PCI-DSS) compliance. Our auditors perform an independent analysis on parts of our information security practices, predominantly in their assessment of our PCI compliance. We regularly conduct cybersecurity training for our employees, including training for some of the most common breach vectors seen in the industry. For our key partners who help develop or key vendors who provide information systems or have access to our information systems, we require security training or review their information security practices.

We from time to time use our Incident Response Procedures to respond to potential cybersecurity incidents and threats, as our systems and users identify areas of potential incidents during the course of normal operations, none of which to date we believe have been material. We cannot provide assurance that there will not be future incidents that may materially impact us, our financials, our strategy, or our operations. For more cybersecurity risks, see “Our failure or the failure of third-party service providers to protect our websites, networks, and systems against cybersecurity incidents, or otherwise to protect our confidential information, could damage our reputation and brands and substantially harm our business, financial condition, and results of operations” under Item 1A “Risk Factors.”

The Company’s Board of Directors, as a whole, has oversight responsibility for our strategic and operational risks. The Audit Committee of the Board of Directors is responsible for board-level oversight of cybersecurity risk, and the Audit Committee regularly reports risks and compliance actions to the Board. As part of its’ oversight role, the Audit Committee receives reporting about the Company’s strategy, programs, incidents and threats, and other developments and action items. These action items include receiving updates on the status of remediation efforts for any non-compliance or risk items related to cybersecurity regularly throughout the year, including through periodic updates from management.

ITEM 2. PROPERTIES

We own our facilities, including our principal executive offices and distribution center, which are located at 420 South Congress Avenue, Delray Beach, Florida 33445 (the “Delray Beach Property”). The Delray Beach Property consists of approximately 634,000 square feet of land or 14.6 acres with two building complexes totaling approximately 185,000 square feet, with additional land for future use. The first building complex consists of approximately 125,000 square feet and the second building complex consists of approximately 60,000 square feet each consisting of both office and warehouse space. The Company occupies approximately 97,000 square feet of the first building for its principal offices and distribution center. As of March 31, 2023 March 31, 2024, 48% of the Delray Beach Property was leased to two tenants with a remaining weighted average lease term of 2 years. 1 year, and we are currently in the process of renegotiating both leases. We believe that our facilities are sufficient for our current needs and are in good condition in all material respects.

In connection with our acquisition of PetCareRx, in April 2023 we assumed the leases of two buildings occupied by PetCareRx located in Lynbrook, New York. These facilities, which aggregate approximately 35,000 32,000 square feet, are used by PetCareRx as a shipping and fulfillment center and as an executive office. The leases expire in April 2027 and include the option to renew for an additional five years. We also assumed a PetCareRx also has a lease for office space in Brooklyn, NY that it does PetCareRx did not occupy and is was subleased. This lease expires expired in May April 2024.

ITEM 3. LEGAL PROCEEDINGS

We are involved from time to time in various claims and lawsuits in the ordinary course of business, including claims related to products, product warranties, contracts, employment, intellectual property, consumer protection, pharmacy and other regulatory matters. We have settled complaints that had been filed with various states’ pharmacy boards in the past. There can be no assurances made that other states will not attempt to take similar actions against us in the future. We also initiate litigation to protect our trade or service marks. There can be no assurance that we will be successful in protecting our trade or service marks. In the opinion of management, none of the claims and suits, either individually or in the aggregate, are reasonably likely to have a material adverse effect on our operations or consolidated financial statements. Legal costs related to the above matters are expensed as incurred.

On April 18, 2024, Plaintiff Timothy Fitchett (“Plaintiff”) filed an action in the Court of Common Pleas of Allegheny County, Pennsylvania, on behalf of himself and purportedly on behalf of a class of others similarly situated. Plaintiff alleges that the Company violated Pennsylvania’s Unfair Trade Practices and Consumer Protection Law by representing “reg.” prices for products which the Company allegedly never charged for those products. On May 13, 2024, the Company removed the matter to the U.S. District Court for the Western District of Pennsylvania in Pittsburgh, and Plaintiff moved to remand the case back to state court on June 11, 2024. The Company’s deadline to respond to the motion to remand is June 25, 2024. On the face of the Complaint, Plaintiff is seeking damages for himself in the amount of the allegedly illusory discounts he allegedly believed he was receiving when purchasing products from the Company or, in the alternative, a complete refund of amounts he paid to the Company, and he is also seeking a liability determination for members of the proposed class. The Company denies liability in this matter and intends to defend the action accordingly, and the Company cannot determine materiality or estimate a range of potential liability, if any, at this time if the Company were determined to be liable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “PETS.”

Holders

There were 134 109 holders of record of our common stock on May 23, 2023, and approximately 48,300 of our holders are “street name” or beneficial holders, whose shares are held by banks, brokers, or other financial institutions. June 12, 2024.

Dividend Policy

We have paid cash dividends every quarter since on a quarterly basis from August 2009. 2009 to August 2023. For the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, we declared and paid cash dividends totaling $25.3 million ($0.30 $12.7 million (an aggregate of $0.60 per share per quarter) for the year ended March 31, 2024) and $24.8 million ($0.30 $25.3 million (an aggregate of $1.20 per share per quarter), for the year ended March 31, 2023), respectively.

The Company’s

On October 26, 2023, our Board of Directors declared elected to suspend the quarterly dividend for the second quarter of fiscal year 2024, and on February 1, 2024, our Board of Directors elected to suspend the quarterly dividend indefinitely. This move is intended to focus use of the Company’s existing cash flow on growth initiatives and other higher return initiatives. The Board of Directors reviews and discusses the capital allocation needs of the Company, at a minimum, on a quarterly dividend of $0.30 per share on May 22, 2023. The dividend will be payable on June 12, 2023 to common shareholders of record on June 6, 2023. basis. The declaration and payment of future dividends is discretionary and will be subject to a determination by the Board of Directors each quarter. Directors. When considering whether to declare a dividend, our Board of Directors will take into account:

- General economic and business conditions;
- Our financial condition and operating results;
- Our available cash and current and anticipated cash needs;
- Our capital requirements;
- Strategic uses of cash for growth initiatives;
- Contractual, legal, tax and regulatory restrictions on the payment of dividends by us; and
- Such other factors as our Board of Directors may deem relevant.

Issuer Purchases of Equity Securities

The Company has $110.0 million of shares authorized under previously approved share repurchase programs. The share repurchase program does not have an expiration date and is intended to be implemented through purchases made from time to time in either the open market or through private transactions at the Company's discretion, subject to market conditions and other factors, in accordance with SEC requirements. There can be no assurances as to the timing and number of shares that will be repurchased under the share repurchase program, and the Company may modify or discontinue the share repurchase program at any time subject to compliance with applicable regulatory requirements. Shares purchased pursuant to the share repurchase program will either be cancelled or held in the Company's treasury.

During the quarter and fiscal year ended March 31, 2023, the Company did not repurchase any shares of its common stock. As of March 31, 2023, the Company had approximately $28.7 million remaining under the Company’s share repurchase program. Since the inception of the share repurchase program up to March 31, 2023, approximately 6.2 million shares have been repurchased under the program for approximately $81.3 million, averaging approximately $13.15 per share.

Performance Graph

Set forth below is a line graph comparing the five-year cumulative performance of our common stock with the NASDAQ Composite, the Russell 2000, and our SIC Code 5912 (pharmacy peer group) S&P 500 from March 31, 2018, March 31, 2019 to March 31, 2023 March 31, 2024. The graph assumes that $100 was invested on March 31, 2018 March 31, 2019, in each of our Common Stock, the NASDAQ Composite, the Russell 2000, and the SIC Code 5912 (pharmacy peer group). S&P 500. Because we have historically paid dividends on a quarterly basis, the graph assumes that dividends were reinvested. The performance graph and related information below shall not be deemed “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

3591

Performance graph data:

	Fiscal Year Ended March 31,					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
PetMed Express, Inc.	100.00	56.52	75.15	95.03	72.77	48.61
NASDAQ Composite	100.00	109.43	109.01	187.54	201.33	173.03
SIC Code 5912	100.00	107.33	97.87	150.44	171.55	155.60
Russell 2000	100.00	100.67	75.39	145.19	135.35	117.85

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth securities authorized for issuance under equity compensation plans, including individual compensation arrangements, by us under our 2015 Outside Director Equity Compensation Restricted Stock Plan, 2016

Employee Equity Compensation Restricted Stock Plan and 2022 Employee Equity Compensation Restricted Stock Plan as of March 31, 2023:

EQUITY COMPENSATION PLAN INFORMATION
(In thousands)

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
2015 Outside Director Equity Compensation Restricted Stock Plan	69	—	502 (1)
2016 Employee Equity Compensation Restricted Stock Plan	684	—	40
2022 Employee Equity Compensation Restricted Stock Plan	—	—	1,000
Total	753		1,542

(1) The number of shares of common stock available for issuance under the 2015 Outside Director Equity Compensation Restricted Stock Plan automatically increase on the first trading day of January each calendar year during the term of the 2015 Outside Director Equity Compensation Restricted Stock Plan, by an amount equal to ten percent (10%) of the total number of shares of common stock authorized under the 2015 Outside Director Equity Compensation Restricted Stock Plan.

Recent Sales of Unregistered Securities

On February 3, 2023, we issued 6,000 shares of our common stock to a consultant pursuant to a consulting agreement in exchange for consulting services. The securities were issued in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act as a transaction by an issuer not involving any public offering.

	Fiscal Year Ended March 31,					
	2019	2020	2021	2022	2023	2024
PetMed Express, Inc.	100.00	133.16	168.44	128.99	86.10	26.52
NASDAQ Composite	100.00	99.62	171.38	183.98	158.12	211.91
S&P 500	100.00	91.19	140.17	159.84	144.98	185.38
Russell 2000	100.00	74.89	144.21	134.45	117.06	137.98

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

PetMed Express, Inc. and subsidiaries, d/b/a PetMeds® (the "Company") is a leading nationwide direct-to-consumer pet pharmacy and online provider of prescription and non-prescription medications, food, foods, supplements, supplies and vet services for dogs, cats, and horses. PetMeds markets and sells directly to consumers through its websites, toll-free numbers, and mobile applications. application. The Company offers consumers an attractive alternative for obtaining pet medications, foods, and supplies in terms of convenience, price, speed of delivery, and valued customer service.

Founded in 1996, the Company's executive headquarters offices are currently located at 420 South Congress Avenue, Delray Beach, Florida 33445, and our telephone number is (561) 526-4444. The Company has a March 31 fiscal year.

Presently, our product line includes approximately 15,000 of the most popular pet medications, health products, and supplies for dogs, cats, and horses.

We market our products through national advertising campaigns which aim to increase the recognition of the "PetMeds" brand name and "PetCareRx" brand name, increase traffic on our website websites at *www.petmeds.com*and *www.petcarerx.com*, acquire new customers, and maximize repeat purchases. Approximately 86.4% of all sales were generated via the Internet in fiscal 2023 and 84.2% in fiscal 2022. Our sales consist of products sold mainly to retail consumers. The twelve-month average purchase remained at approximately $94 and $93 per order for the fiscal years ended March 31, 2023 March 31, 2024, and March 31, 2022. March 31, 2023, respectively.

Restatement

As described in the Note 1 of "Notes to Condensed Consolidated Financial Statements," we have restated our consolidated financial statements and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended March 31, 2023 and March 31, 2022.

Critical Accounting Policies

Our discussion and analysis of our financial condition and the results of our operations contained herein are based upon our consolidated financial statements and the data used to prepare them. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. On an ongoing basis we re-evaluate our judgments and estimates including those related to product returns, bad debts, inventories, and income taxes. We base our estimates and judgments on our historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Our estimates are guided by observing the following critical accounting policies. See Note (2) - Summary of Significant Accounting Policies, in the "Notes to Consolidated Financial Statements" included in Part II, Item 8, Financial Statements and Supplementary Data, of this 10-K Report for a description of our significant accounting policies as well as a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this 10-K Report.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below involve a significant level of estimation uncertainty and have the greatest potential impact on our financial condition and results of operations and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates, assumptions, and judgments on an ongoing basis. Our actual results may differ from these estimates under different assumptions, judgments, and conditions.

Revenue recognition

We account for revenue under ASC Topic 606 ("*Revenue from Contracts with Customers")* and generate revenue by selling pet medication products and pet supplies mainly to retail customers. Certain pet supplies offered on our website are drop shipped to customers. We consider ourself the principal in the arrangement because we control the specified good before it is transferred to the customer. Revenue contracts contain one performance obligation, which is delivery of the product; customer care and support is deemed not to be a material right to the contract. The transaction price is adjusted at the date of sale for any applicable sales discounts and an estimate of product returns, which are estimated based on historical patterns, however this is not considered a key judgment. There are no amounts excluded from the variable

consideration. Revenue is recognized when control transfers to the customer at the point in time in which the shipment of the product occurs. This key judgment is determined as the shipping point, which represents the point in time where we have a present right to payment, title has transferred to the customer, and the customer has assumed the risks and rewards of ownership.

Outbound shipping and handling fees are an accounting policy election and are included in sales as we consider ourself the principal in the arrangement given responsibility for supplier selection and discretion over pricing. Shipping costs associated with outbound freight after control over a product has transferred to a customer are an accounting policy election and are accounted for as fulfillment costs and are included in cost of sales.

Membership fees represent the amounts recognized periodically from two membership models. The first is the PetPlus membership for PetCareRx customers, and the second is a partner membership provided through PetCareRx. These memberships provide discounted pricing, free standard shipping, veterinary telehealth services and local Caremark Pharmacy prescription pickup which represent a single stand-ready performance obligation to provide these benefits. The PetPlus membership fee is an upfront annual charge and automatically renews one year from the initial enrollment date. The Company recognizes the revenue ratably over the term of the PetPlus membership which is generally one year

We disaggregate sales in the following two categories: (1) reorder sales vs new order sales and (2) internet sales vs call center membership sales. The following table illustrates sales by various classifications:

Year Ended March 31,	**Year Ended March 31,**								**Year Ended March 31,**				**Increase (Decrease)**	
Sales (In thousands)		**2023**	**%**	**2022**	**%**	**$ Variance**	**% Variance**							
Net Sales (In thousands)								**Net Sales (In thousands)**	**2024**	**%**	**2023**	**%**	**$**	**%**
Reorder sales	Reorder sales	$232,633	90.6 %	$244,505	89.4 %	$(11,872)	(4.9) %							
Reorder sales														
Reorder sales									$246,977	87.9 %	$232,380	90.6 %	$14,597	6.3 %
New order sales	New order sales	$ 24,225	9.4 %	$ 28,912	10.6 %	$ (4,687)	(16.2) %	New order sales	24,304	8.6 8.6 %	24,199	9.4 9.4 %	105	0.4 0.

Membership fees	Membership fees	9,783	3.5 %	—	— %	9,783	n/m	

Total net sales	Total net sales	$256,858	100.0 %	$273,417	100.0 %	$(16,559)	(6.1) %
Internet sales		$221,894	86.4 %	$230,263	84.2 %	$ (8,369)	(3.6) %
Call center sales		$ 34,964	13.6 %	$ 43,154	15.8 %	$ (8,190)	(19.0) %
Total net sales	Total net sales	$256,858	100.0 %	$273,417	100.0 %	$(16,559)	(6.1) %
Total net sales		$281,064	100.0 %	$256,579	100.0 %	$24,485	9.5 %

Year Ended March 31,	Year Ended March 31,						
Sales (In thousands)	2022	%	2021	%	$ Variance	% Variance	

	Year Ended March 31,					Increas (Decreas
Net Sales (In thousands)	2023	%	2022	%		

Reorder sales												
Reorder sales												
Reorder sales	Reorder sales	$244,505	89.4 %	$263,152	85.1 %	$(18,647)	(7.1) %	$ 232,380	90.6	90.6 %	$243,490	89.4 89.4 % $(11
New order sales	New order sales	$ 28,912	10.6 %	$ 46,063	14.9 %	$(17,151)	(37.2) %	New order sales 24,199	9.4	9.4 %	28,792	10.6 10.6 %
Total net sales	Total net sales	$273,417	100.0 %	$309,215	100.0 %	$(35,798)	(11.6) %					
Internet sales		$230,263	84.2 %	$259,404	83.9 %	$(29,141)	(11.2) %					
Call center sales		$ 43,154	15.8 %	$ 49,811	16.1 %	$ (6,657)	(13.4) %					
Total net sales	Total net sales	$273,417	100.0 %	$309,215	100.0 %	$(35,798)	(11.6) %					
Total net sales								$256,579	100.0 %	$ 272,282	100.0 %	$(15

Please note that On April 1, 2022, we changed the definition of a new customer on April 1, 2022, to include anyone who has not ordered over the past thirty-six months. The reorder and new order sales amounts for the years ended March 31, 2022, and March 31, 2021 reflect this new revised customer definition change. definition.

Under the previous definition of a new customer, reorder and new order sales were $250.4 million $249.4 million and $23.0 million, respectively, for the year ended March 31, 2022. Under the previous definition of a new customer, reorder and new order sales were $272.6 million and $36.6 million $22.9 million, respectively, for year ended ended March 31, 2021 March 31, 2022.

Virtually all of our sales are paid by credit cards and we usually receive the cash settlement in two to three banking days. Credit card sales minimize accounts receivable balances relative to sales. We had no material contract asset or contract liability balances as of March 31, 2023 March 31, 2024, or March 31, 2022 March 31, 2023.

We maintain an allowance for doubtful accounts for credit losses that we estimate will arise from customers' inability to make required payments, arising from either credit card chargebacks or insufficient funds checks. We determine our estimates of the uncollectability of accounts receivable by analyzing historical bad debts and current economic trends. The allowance for doubtful accounts credit losses was approximately $273 thousand and $35 thousand at March 31, 2024 and $39 thousand at March 31, 2023 and 2022, 2023, respectively.

Valuation

Business Combination

We account for our business combinations using the acquisition method of inventory accounting in accordance with Accounting Standards Codification ("ASC") Topic 805 (*"Business Combinations"*). The purchase price is allocated to the fair value of the assets acquired and liabilities assumed. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The excess of the purchase price of acquisition over the fair value of the identifiable net assets of the acquiree is recorded as goodwill. The results of businesses acquired in a business combination are included in our unaudited condensed consolidated financial statements from the date of acquisition.

Inventories consist

Determining the fair value of prescription assets acquired and non-prescription pet medications liabilities assumed requires management to use significant judgment and pet supplies estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions, and competition. In connection with the determination of fair values, we may engage a third-party valuation specialist to assist with the valuation of intangible and certain tangible assets acquired and certain obligations assumed. Acquisition-related transaction costs incurred by us are not included as a component of consideration transferred but are accounted for as an operating expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized but instead is tested for impairment annually on January 1, or more frequently if events or changes in circumstances indicate goodwill might be impaired. When testing goodwill for impairment, we have the option to choose whether we will apply a qualitative assessment first and then a quantitative assessment, if necessary, or to apply the quantitative assessment directly. We have concluded that are available for sale we have one reporting unit and are priced have assigned the entire balance of goodwill to this reporting unit.

The Company performed its annual goodwill impairment testing as of January 1, 2024 using a quantitative assessment and at that time concluded there was no impairment. Since then, the lower Company's stock price decreased from $7.56 at December 31, 2023 to $4.79 at March 31, 2024. The Company considered the decrease in its stock price to be indicative of cost or net realizable a risk that the carrying amount of goodwill may not be recoverable. Therefore, the Company performed a quantitative impairment assessment as of March 31, 2024.

Based on the assessment, the Company concluded that goodwill was not impaired because the estimated fair value of the reporting unit exceeded its carrying value by approximately 27%.We estimated fair value using discounted cash flow and public company market approaches with a 70% and 30% weighting, respectively.A key assumption under the cash flow approach was a 27% weighted average cost method. We write down our inventory for estimated obsolescence. The inventory reserve of capital.A key assumption under the public company market approach was approximately $48 thousand and $81 thousand at March 31, 2023 and 2022, respectively.

Advertising

Our advertising expense consists primarily of Internet marketing, direct mail/print, and television advertising. Internet costs are expensed in the month incurred and direct mail/print advertising costs are expensed when the related brochures and postcards are produced, distributed, or superseded. Television advertising costs are expensed as the advertisements are televised. a 10% control premium.

Accounting for income taxes

We account for income taxes under the provisions of ASC Topic 740 ("*Accounting for Income Taxes*"), which generally requires recognition of deferred tax assets and liabilities for the expected future tax benefits or consequences of events that have been included in our consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and the tax bases of assets and liabilities and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse. As required by "Accounting for Uncertainty in Income Taxes" guidance, which clarifies ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the Consolidated Financial Statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company applies "Accounting for Uncertainty in Income Taxes" guidance to all tax positions for which the statute of limitations remains open. The Company had no liabilities for uncertain tax positions for either fiscal 2024 or fiscal 2023. The Company files tax returns in the U.S. federal jurisdiction and Florida, Arizona, California, Connecticut, Idaho, Maryland, Michigan, Oklahoma, South Carolina, Virginia, Wisconsin, New Jersey, Georgia, Indiana, New York and the District of Columbia. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years ending March 31, 2020, or earlier. Any interest and penalties related to income taxes will be recorded to other income (expenses).

COVID-19 and Other Macroeconomic Factors

The COVID-19 pandemic had a significant impact around the world and has created significant volatility, uncertainty, and economic disruption. It prompted governments and businesses to take unprecedented measures in response. While economies of various countries have rebounded from the global Covid-19 COVID-19 economic shutdown that began in the late first quarter and early second quarter 2020, the impact of the Covid-19 COVID-19 pandemic continued, to varying degrees, in 2022 and 2023, and continues, to varying degrees, in 2023 2024 due to mounting inflationary cost pressures and potential recession indicators that have now negatively impacted the global economy. We continue to monitor the effects of the pandemic and macroeconomic environment and take appropriate steps to mitigate the impact on our business, employees and financial condition; however, the nature and extent of this impact in future periods remains difficult to predict due to numerous uncertainties outside our control.

Results of Operations

The following should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere herein. The following table sets forth, as a percentage of sales, certain operating data appearing in our consolidated statements of income:

	Fiscal Year Ended March 31,		
	2023	**2022**	**2021**

		Fiscal Year Ended March 31,						Fiscal Year Ended March 31,			
		2024				2024		2023		2022	
Sales	Sales	100.0 %	100.0 %	100.0 %	Sales	100.0	%	100.0	%	100.0	%
Cost of sales	Cost of sales	72.4	71.4	70.9							
Gross profit	Gross profit	27.6	28.6	29.1							
Gross profit											
Gross profit											
Operating expenses:											
Operating expenses:											
Operating expenses:	Operating expenses:										
General and administrative	General and administrative	19.3	11.3	9.1							
Advertising	Advertising	7.6	6.9	7.0							
Depreciation	Depreciation	1.4	1.0	0.8							
Total operating expenses	Total operating expenses	28.3	19.2	16.9							
(Loss) income from operations	(Loss) income from operations	(0.7)	9.4	12.2							
(Loss) income from operations											
(Loss) income from operations											
Total other income	Total other income	1.2	0.5	0.5							
Total other income											
Total other income											
Income before provision for income taxes		0.5	9.9	12.7							
Income (loss) before provision for income taxes											
Income (loss) before provision for income taxes											
Income (loss) before provision for income taxes											
Provision for income taxes	Provision for income taxes	0.5	2.2	2.8							
Provision for income taxes											
Provision for income taxes											
Net income		— %	7.7 %	9.9 %							
Net (loss) income											
Net (loss) income											
Net (loss) income						(2.6)	%	2.0	%	6.9	%

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors and the market with additional information regarding our financial results, we have disclosed (see below) adjusted EBITDA, a non-GAAP financial measure that we calculate as net income excluding share-based compensation expense; depreciation; income tax provision; interest income (expense); and other non-operational expenses. We have provided reconciliations below of adjusted EBITDA to net (loss) income, the most directly comparable GAAP financial measures.

We have included adjusted EBITDA, herein, because it is a key measure used by our management and Board of Directors to evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and other expenses. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

We believe it is useful to exclude non-cash charges, such as share-based compensation expense and depreciation from our adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. We believe it is useful to exclude income tax provision and interest income (expense), as neither are components of our core business operations. We also believe that it is useful to exclude other expenses, including the investment banking fee related to the Vetster partnership, acquisition costs related to PetCareRx, employee severance and an estimated unremitted prior period state sales tax accrual as these items are not indicative of our ongoing operations.

Adjusted EBITDA has limitations as a financial measure, and these non-GAAP measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Although depreciation is a non-cash charge, the assets being depreciated may have to be replaced in the future and adjusted EBITDA does not reflect capital expenditure requirements for such replacements or for new capital expenditures;
- Adjusted EBITDA does not reflect share-based compensation. Share-based compensation has been, and will continue to be for the foreseeable future, a material recurring expense in our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect interest income (expense), net; or changes in, or cash requirements for, our working capital;
- Adjusted EBITDA does not reflect transaction related costs and other items which are either not representative of our underlying operations or are incremental costs that result from an actual or planned transaction and include litigation matters, integration consulting fees, internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems;
- Adjusted EBITDA does not reflect certain non-operating expenses including the employee severance which reduces cash available to us;
- Adjusted EBITDA does not reflect certain non operating expenses (income) including the estimated state sales tax accrual which reduces cash available expense (income) relating to us. recording a liability for sales tax we did not collect from our customers or recognizing a gain on settlement from settling a state liability for less than recorded.
- Other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces the measures usefulness as comparative measures.

Because of these and other limitations, Adjusted EBITDA should only be considered as supplemental to, and alongside with other GAAP based financial performance measures, including various cash flow metrics, net income, net margin, and our other GAAP results.

The following table presents a reconciliation of net (loss) income, the most directly comparable GAAP measure to Adjusted EBITDA for each of the periods indicated:

		Reconciliation of Non-GAAP Measures PetMed Express, Inc.							
		Three Months Ended							
	Reconciliation of Non-GAAP Measures PetMed Express, Inc.								Reconci GAAI PetMed
	Three Months Ended								
($ in thousands, except percentages)									
($ in thousands, except percentages)									
($ in thousands, except percentages)	($ in thousands, except percentages)	March 31, 2023	March 31, 2022	$ Change	% Change	March 31, 2024	March 31, 2023	$ Change	% Chan
						Consolidated Reconciliation of GAAP Net Income to Adjusted EBITDA:			
Consolidated Reconciliation of GAAP Net Loss to Adjusted EBITDA:									
Consolidated Reconciliation of GAAP Net Loss to Adjusted EBITDA:									
Consolidated Reconciliation of GAAP Net Loss to Adjusted EBITDA:									
Net (loss) income		$ (5,102)	$ 6,066	$ (11,168)	-184 %				
Net loss									
Net loss									
Net loss						$ (5,016)	$ (216)	$ (4,800)	
Add (subtract):	Add (subtract):								
Add (subtract):									
Add (subtract):									
Share-based Compensation									
Share-based Compensation									

Share-based Compensation	Share-based Compensation	1,630	1,509	121	8 %		1,674	1,630	1,630	44	44	3
Income Taxes	Income Taxes	(927)	1,368	(2,295)	-168 %	Income Taxes	1,536	669	669	867	867	130
Depreciation		994	687	307	45 %							
Depreciation and amortization						Depreciation and amortization	1,895		994		901	
Interest Income	Interest Income	(857)	(92)	(765)	832 %	Interest Income	(30)	(439)	(439)	409	409	(93)
Acquisition/Partnership Transactions and Other Items	Acquisition/Partnership Transactions and Other Items	1,010	—	1,010	n/m	Acquisition/Partnership Transactions and Other Items	385	1,010	1,010	(625)	(625)	(62)
State Sales Tax Accrual		6,900	—	6,900	n/m							
Employee Severance												
Employee Severance												
Employee Severance							104		—		104	
Adjusted EBITDA	Adjusted EBITDA	$ 3,648	$ 9,538	$ (5,890)	-62 %							
Adjusted EBITDA												
Adjusted EBITDA							$ 548		$ 3,648		$ (3,100)	

		Year Ended										
Year Ended												
($ in thousands, except percentages)												
($ in thousands, except percentages)												
($ in thousands, except percentages)	($ in thousands, except percentages)	March 31, 2023	March 31, 2022	$ Change	% Change	March 31, 2024		March 31, 2023		$ Change		
						Consolidated Reconciliation of GAAP Net Income to Adjusted EBITDA:						
Consolidated Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA:												
Consolidated Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA:												
Consolidated Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA:												
Net income		$ 233	$ 21,100	$ (20,867)	-99 %							
Net (loss) income												
Net (loss) income												
Net (loss) income							$ (7,464)		$ 5,140		$ (12,604)	
Add (subtract):	Add (subtract):											
Add (subtract):												
Add (subtract):												
Share-based Compensation												
Share-based Compensation												
Share-based Compensation	Share-based Compensation	6,617	4,549	2,068	45 %		6,870	6,617	6,617	253	253	
Income Taxes	Income Taxes	1,351	5,971	(4,620)	-77 %	Income Taxes	1,191	2,305	2,305	(1,114)	(1,114)	
Depreciation		3,546	2,738	808	30 %							
Depreciation and amortization						Depreciation and amortization	7,056		3,546		3,510	
Interest Income	Interest Income	(2,070)	(335)	(1,735)	518 %	Interest Income	(511)	(450)	(450)	(61)	(61)	
Acquisition/Partnership Transactions and Other Items	Acquisition/Partnership Transactions and Other Items	1,904	—	1,904	n/m	Acquisition/Partnership Transactions and Other Items	1,679	1,904	1,904	(225)	(225)	
Employee Severance	Employee Severance	364	—	364	n/m	Employee Severance	512	364	364	148	148	
State Sales Tax Accrual		7,825	—	7,825	n/m							
Sales Tax Expense (Income)						Sales Tax Expense (Income)	(1,088)		344		(1,432)	
Adjusted EBITDA	Adjusted EBITDA	$ 19,770	$ 34,023	$ (14,253)	-42 %							
Adjusted EBITDA												
Adjusted EBITDA							$ 8,245		$ 19,770		$ (11,525)	

Fiscal 2023 2024 Compared to Fiscal 2022 2023

Sales

Sales decreased increased by approximately $16.6 million $24.5 million, or 6.1% 9.5%, to $256.9 million $281.1 million for the fiscal year ended March 31, 2023 March 31, 2024, from approximately $273.4 million $256.6 million for the fiscal year ended March 31, 2022 March 31, 2023. The decrease increase in sales for the fiscal year ended March 31, 2023, March 31, 2024 was primarily due to incremental sales and membership fees from the increased cost to acquire acquisition of PetCareRx, partially offset by declines in PetMeds new customer and reorder sales.

We acquired approximately 302,000 new customers and competitive pressures. Sales for the fiscal year 2023 were impacted by a much more competitive environment, and a crowded advertising market which had substantially higher advertising costs ended March 31, 2024, compared to approximately 274,000 new customers for the same period in the prior year.

We acquired approximately 274,000 new customers for the fiscal year ended March 31, 2023, compared to approximately 325,000 new customers for the same period the prior year. Financial data in the tables below reflects the new 36-month definition of new customers. Prior year new and reorder customers and sales have been recalculated utilizing the new 36-month definition of a new customer (described below). The following chart illustrates sales by various sales classifications:

	Year Ended March 31,					
Sales (In thousands)	**2023**	**%**	**2022**	**%**	**$ Variance**	**% Variance**
Reorder sales	$ 232,633	90.6 %	$ 244,505	89.4 %	$ (11,872)	-4.9 %
New order sales	$ 24,225	9.4 %	$ 28,912	10.6 %	$ (4,687)	-16.2 %
Total net sales	$ 256,858	100.0 %	$ 273,417	100.0 %	$ (16,559)	-6.1 %
Internet sales	$ 221,894	86.4 %	$ 230,263	84.2 %	$ (8,369)	-3.6 %
Call center sales	$ 34,964	13.6 %	$ 43,154	15.8 %	$ (8,190)	-19.0 %
Total net sales	$ 256,858	100.0 %	$ 273,417	100.0 %	$ (16,559)	-6.1 %

Please note that we changed the definition of a new customer on April 1, 2022, to include anyone who has not ordered over the past thirty-six months. The reorder and new order sales amounts for the years ended March 31, 2022 reflect this new customer definition change.

Under the previous definition of a new customer, reorder and new order sales were $250.4 million and $23.0 million, respectively, and acquired new customers were approximately 263,000, for the year ended March 31, 2022.

	Year Ended March 31,				Increase (Decrease)	
Net Sales (In thousands)	**2024**	**%**	**2023**	**%**	**$**	**%**
Reorder sales	$ 246,977	87.9 %	$ 232,380	90.6 %	$ 14,597	6.3 %
New order sales	24,304	8.6 %	24,199	9.4 %	105	0.4 %
Membership fees	9,783	3.5 %	—	— %	9,783	n/m
Total net sales	$ 281,064	100.0 %	$ 256,579	100.0 %	$ 24,485	9.5 %

In July 2021 we launched the new AutoShip & Save subscription program ("AutoShip") on our website. AutoShip is a new convenient way for our loyal customer base to have future pet medication orders delivered directly to them without the need to place an order each time. During the quarter ended June 30, 2022 we made a change to the methodology on how we calculate the percentage of our revenue that was generated by our AutoShip program. We now report AutoShip sales, as a percent of sales, net of discounts and credits for the entire quarter. Previously, we reported AutoShip sales as a percent of total sales on the last month in the quarter. This change to the calculation resulted in a decrease to the AutoShip percentage that was previously reported by only a few percentage points. We believe that this change reflects a more accurate representation of our subscription business for stakeholders to gauge our performance.

We are encouraged by the adoption of our AutoShip program and have seen an increasingly positive trend over the last several quarters since we launched this program. For example, our quarterly AutoShip percentage was 44.4% 53.5% of net sales for the most recent quarter ended March 31, 2023 March 31, 2024, up from 30.9% 44.4% of net sales for the same period last year and up from 42.3% 52.2% of net sales sequentially in the prior quarter. We have set a goal of generating approximately 50.0% of our PetMeds net sales via the AutoShip program for fiscal 2024.

Going forward sales may be adversely affected due to increased competition and consumers giving more consideration to price. The changes in consumer behavior post pandemic makes future sales somewhat challenging to predict. No guarantees can be made that sales will continue to grow in the future. The majority of our product sales are affected by the seasons, due to the seasonality of mainly heartworm, and flea and tick medications. For the quarters ended June 30, September 30, December 31, and March 31 of fiscal year 2023, our sales were approximately 27%, 26%, 23%, and 24%, respectively. For the quarters ended June 30, September 30, December 31, and March 31 of fiscal year 2022, our sales were approximately 29%, 25%, 22%, and 24%, respectively.

Cost of sales

Cost of sales decreased increased by approximately $9.5 million $16.6 million, or 4.9% 8.9% to $202.4 million for the fiscal year ended March 31, 2024, from $185.8 million for the fiscal year ended March 31, 2023, from $195.3 million for the fiscal year ended March 31, 2022. The cost of sales decrease increase can be directly related to the decrease increase in sales during fiscal year 2023. 2024. As a percentage of sales, cost of sales was 72.0% in fiscal year 2024, as compared to 72.4% in fiscal year 2023, as compared to 71.4% in fiscal 2022. 2023. The cost of sales percentage increase decrease was primarily due to increased per order freight expense. higher profit margins driven by membership fees from the acquisition of PetCareRx.

Gross profit

Gross profit decreased increased by approximately $7.1 million $7.9 million, or 9.0% 11.2%, to $71.0 million $78.6 million for the fiscal year ended March 31, 2023 March 31, 2024, from $78.1 million $70.7 million for the fiscal year ended March 31, 2022 March 31, 2023. The decrease increase in gross profit can be directly related to the decrease increase in sales and an increase in per order freight expense and higher profit margins during fiscal 2023. 2024. Gross profit as a percentage of sales for fiscal 2023 2024 was 27.6% 28.0% compared to 28.6% 27.6% for fiscal 2022. 2023. The gross profit and gross profit percentage decreased increased for the fiscal year ended March 31, 2023 2024 compared to the previous fiscal year.

General and administrative expenses

General and administrative expenses increased by approximately $18.6 million $13.5 million, or 60.5% 32.4%, to $49.5 million $55.2 million for the fiscal year ended March 31, 2023 March 31, 2024, from $30.8 million $41.7 million for the fiscal year ended March 31, 2022 March 31, 2023. The increase in general and administrative expenses for the fiscal year ended March 31, 2023 March 31, 2024 was due to a $5.8 million $8.4 million increase in payroll expenses, of which $2.1 million $0.3 million is from increased stock compensation and $0.4 million $0.1 million from accrued severance, as well as a $1.9 million $0.7 million increase of professional fees, a $1.0 million increase of software and systems expense, and a $0.2 million $4.9 million increase of variable and other overhead expenses. In addition, general and administrative expenses increased for The expense increases were partially attributed to the fiscal year ended March 31, 2023 due combination of PetCareRx. These increases were offset by $1.4 million related to a $7.8 million sales tax accrual and $1.9 million of acquisition related expenses. settlements with states.. General and administrative expenses as a percentage of sales was 19.3% 19.7% for the fiscal year ended March 31, 2023 March 31, 2024, compared to 11.3% 16.3% for the fiscal year ended March 31, 2022 March 31, 2023. We currently expect general and administrative expense as a percentage of sales to approximate 17.0%, and expect stock compensation expense to approximate $6.4 million, in fiscal 2024.

Advertising expenses

Advertising expenses, which is net of manufacturer funded advertising COOP, increased by approximately $0.6 million $5.1 million to $24.5 million for the fiscal year ended March 31, 2024, from $19.4 million for the fiscal year ended March 31, 2023, from $18.8 million for the fiscal year ended March 31, 2022. This increase for the fiscal year ended March 31, 2023 March 31, 2024, can be mainly attributed to media spend related to PetCareRx, partially offset by increased advertising COOP. Advertising COOP increased by $1.5 million over the same period, of which $0.9 million of the increase can be attributed to lower advertising COOP dollars and increased agency fees. the combination of PetCareRx. The advertising costs of acquiring a new customer, defined as total advertising costs divided by new customers acquired, was $81 for the fiscal year ended March 31, 2024, compared to $71 for the fiscal year ended March 31, 2023, compared to $58 for the fiscal year ended March 31, 2022, per the new definition of new customers. The increase to customer acquisition costs for the fiscal year ended March 31, 2023 March 31, 2024, was due to an increase in overall advertising prices and less efficient variable marketing spend. The the advertising cost of acquiring a new customer can be impacted by the advertising environment, the effectiveness of our advertising creative, spending, and price competition. Historically, the advertising environment fluctuates due to supply and demand. A more favorable advertising environment may positively impact future sales, whereas a less favorable advertising environment may negatively impact future sales. As a percentage of sales, advertising expense was 7.6% 8.7% and 6.9% 7.6% for the fiscal years ended March 31, 2023 March 31, 2024, and 2022, 2023, respectively. We anticipate advertising as a percentage of sales to be approximately 8.0% for fiscal year 2024. However, the advertising percentage may fluctuate quarter to quarter due to seasonality and advertising availability.

Depreciation and amortization

Depreciation and amortization expense for the fiscal year ended March 31, 2023 March 31, 2024, increased to approximately $3.5 million $7.1 million from $2.7 million $3.5 million for the fiscal year ended March 31, 2022 March 31, 2023. This increase to depreciation and amortization expense for the fiscal year ended March 31, 2023 March 31, 2024 can be attributed to new property and equipment additions in fiscal 2023.

2024, as well as a $2.0 million amortization expense for the intangibles acquired from PetCareRx.

Other income

Other income increased by approximately $1.7 million $0.5 million, to $3.0 million $1.9 million for the fiscal year ended March 31, 2023 March 31, 2024, from $1.4 million for the fiscal year ended March 31, 2022 March 31, 2023. The increase was primarily related to additional interest income as a result of higher interest rates. Interest income may decrease in the future as we utilize our cash balances on any quarterly dividend payment, on future investments or partnerships, on our operating activities, enter a credit facility or if the current interest rate environment changes, or on our share repurchase program, which has approximately $28.7 million remaining as of March 31, 2023. changes.

Provision for income taxes

For the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, we recorded an income tax provision of approximately $1.4 million $1.2 million and $6.0 million $2.3 million, respectively. The decrease to the income tax provision for fiscal 2023 2024 is related to a decrease in operating income compared to fiscal 2022. 2023. The effective tax rate for the fiscal year ended March 31, 2023 March 31, 2024 was approximately 85.3% (19.0)%, compared to approximately 22.1% 31.0% for the fiscal year ended March 31, 2022 March 31, 2023. The pre-tax loss in fiscal 2024 caused unfavorable items to decrease the rate instead of increase it. The primary driver is related to the effective rate non-deductible executive compensation under Sec. 162(m). This limits deductions for compensation of covered executives to $1 million per individual.

Net income

Net (loss) income decreased by approximately $12.6 million, to a loss of approximately $7.5 million for the fiscal year ended March 31, 2023 March 31, 2024, can be attributed to one-time non-deductible acquisition costs and non-deductible restricted stock compensation. The state tax rate increased due to continued expansion from income of operations and associated state income tax filing requirements.

Net income

Net income decreased by approximately $20.9 million, or 98.9%, to approximately $0.2 million $5.1 million for the fiscal year ended March 31, 2023, from approximately $21.1 million for the fiscal year ended March 31, 2022. The decrease to net income was primarily related to a decrease in sales and resulting gross profit, an increase increases in general and administrative expenses, including the sales tax accrual for $7.8 million and $1.9 million related to acquisition related expenses, and an increase in increased advertising expenses, partially offset by higher gross profit margins during the fiscal year.

Fiscal 2022 Compared to Fiscal 2021

Sales

Sales decreased by approximately $35.80 million, or 11.6%, to $273.4 million for the fiscal year ended March 31, 2022, from approximately $309.2 million for the fiscal year ended March 31, 2021. The decrease in sales for the fiscal year ended March 31, 2022 was primarily due to decreased reorder sales and new order sales. Sales for fiscal year 2022 were impacted by a much more competitive environment, and a crowded advertising market which had substantially higher advertising costs compared to the same period in the prior year. Veterinary visits increased during fiscal year 2022, compared to being down during the prior year. We believe the increase in veterinary visits was primarily due to pet owners needing to visit their veterinarian for their pets'annual exam in order to renew their prescriptions, as many veterinarians were closed in the prior year due to the pandemic.

We acquired approximately 325,000 new customers for the fiscal year ended March 31, 2022, compared to approximately 546,000 new customers for the same period the prior year. Financial data in the tables below reflects the new 36-month definition of new customers. Prior year new and reorder customers and sales have been recalculated utilizing the new 36-month definition of a new customer (described below). The following chart illustrates sales by various sales classifications:

	Year Ended March 31,					
Sales (In thousands)	**2022**	**%**	**2021**	**%**	**$ Variance**	**% Variance**
Reorder sales	$ 244,505	89.4 %	$ 263,152	85.1 %	$ (18,647)	(7.1)%
New order sales	$ 28,912	10.6 %	$ 46,063	14.9 %	$ (17,151)	(37.2)%
Total net sales	$ 273,417	100.0 %	$ 309,215	100.0 %	$ (35,798)	(11.6)%
Internet sales	$ 230,263	84.2 %	$ 259,404	83.9 %	$ (29,141)	(11.2)%
Call center sales	$ 43,154	15.8 %	$ 49,811	16.1 %	$ (6,657)	(13.4)%
Total net sales	$ 273,417	100.0 %	$ 309,215	100.0 %	$ (35,798)	(11.6)%

Please note that we changed the definition of a new customer on April 1, 2022, to include anyone who has not ordered over the past thirty-six months. The reorder and new order sales amounts for the years ended March 31, 2022 and 2021 reflect this new customer definition change.

Under the previous definition of a new customer, reorder and new order sales were $250.4 million and $23.0 million, respectively, and acquired new customers were approximately 263,000, for the year ended March 31, 2022. Under the previous definition of a new customer, reorder and new order sales were $272.6 million and $36.6 million, respectively, and acquired new customers were approximately 443,000, for the year ended March 31, 2021.

The majority of our product sales are affected by the seasons, due to the seasonality of mainly heartworm, and flea and tick medications. For the quarters ended June 30, September 30, December 31, and March 31 of fiscal 2022, our sales were approximately 29%, 25%, 22%, and 24%, respectively. For the quarters ended June 30, September 30, December 31, and March 31 of fiscal 2021, our sales were approximately 31%, 25%, 21%, and 23%, respectively.

Cost of sales

Cost of sales decreased by approximately $23.9 million, or 10.9% to $195.3 million for the fiscal year ended March 31, 2022, from $219.3 million for the fiscal year ended March 31, 2021. The cost of sales increase can be directly related to the increase in sales during fiscal 2022. As a percentage of sales, cost of sales was 71.4% in fiscal 2022, as compared to 70.9% in fiscal 2021. The cost of sales percentage increase was adversely impacted due to the major manufacturers, with whom we have a purchasing relationship, shifting their rebate funding from discounting product costs to more cooperative marketing rebates.

Gross profit

Gross profit decreased by approximately $11.9 million, or 13.2%, to $78.1 million for the fiscal year ended March 31, 2022, from $89.9 million for the fiscal year ended March 31, 2021. The decrease in gross profit can be directly related to the decrease in sales during fiscal 2022. Gross profit as a percentage of sales for fiscal 2022 was 28.6% compared to 29.1% for fiscal 2021. The decrease in the gross profit percentage was adversely impacted due to the major manufacturers, with whom we have a purchasing relationship, shifting their rebate funding from discounting product costs to more cooperative marketing rebates.

General and administrative expenses

General and administrative expenses increased by approximately $2.5 million, or 9.0%, to $30.8 million for the fiscal year ended March 31, 2022 from $28.3 million for the fiscal year ended March 31, 2021. The increase in general and administrative expenses for the fiscal year ended March 31, 2022 was primarily due to the following: a $1.4 million increase in payroll expenses, the majority of which related to increased stock compensation expense; a $989,000 increase in professional fees related to brand and marketing consultation, legal, and investment banking; and a $514,000 increase in other expenses which include property expenses, travel related expense, insurance expense, and other expenses. Partially offsetting the increase was a decrease of $397,000 primarily related to decreased bank service fees due to the decrease in sales. General and administrative expenses as a percentage of sales was 11.3% for the fiscal year ended March 31, 2022, compared to 9.1% for the fiscal year ended March 31, 2021.

Advertising expenses

Advertising expenses decreased by approximately $2.8 million to $18.8 million for the fiscal year ended March 31, 2022, from $21.6 million for the fiscal year ended March 31, 2021. The decrease in advertising expenses for fiscal 2022 was due to receiving increased cooperative marketing funds from product manufacturers to offset our advertising expenses, within the terms of our contractual relationships. Overall advertising spending was flat compared to fiscal 2021, yet total net advertising expenses decreased due to increased cooperative advertising rebates. The advertising costs of acquiring a new customer, defined as total advertising costs divided by new customers acquired, was $58 for the fiscal year ended March 31, 2022, compared to $40 for the fiscal year ended March 31, 2021. The increase to customer acquisition costs for the fiscal year ended March 31, 2022, was due to an increase in overall advertising prices and a less efficient variable marketing spend. Advertising cost of acquiring a new customer can be impacted by the advertising environment, the effectiveness of our advertising creative, advertising spending, and price competition. Historically, the advertising environment fluctuates due to supply and demand. A more favorable advertising environment may positively impact future sales, whereas a less favorable advertising environment may negatively impact future sales. As a percentage of sales, advertising expense was 6.9% and 7.0% for the fiscal years ended March 31, 2022, and 2021, respectively. However, the advertising percentage may fluctuate quarter to quarter due to seasonality and advertising availability.

Depreciation

Depreciation expense for the fiscal year ended March 31, 2022 increased slightly to approximately $2.7 million from $2.4 million for the fiscal year ended March 31, 2021. This increase to depreciation expense for the fiscal year ended March 31, 2022 can be attributed to new property and equipment additions in fiscal 2022.

Other income

Other income decreased by approximately $0.3 million to $1.4 million for the fiscal year ended March 31, 2022, from $1.6 million for the fiscal year ended March 31, 2021. The decrease was related to a reduction in advertising income in fiscal 2022. Interest income was flat compared to the prior year. Interest income may decrease in the future as we utilize our cash balances on its share repurchase plan, with approximately $28.7 million remaining as of March 31, 2022, on any quarterly dividend payment, on future investment/partnerships, or on its operating activities.

Provision for income taxes

For the fiscal years ended March 31, 2022 and 2021, we recorded an income tax provision of approximately $6.0 million and $8.6 million, respectively. The decrease to the income tax provision for fiscal 2022 is related to a decrease in operating income compared to fiscal 2021. The effective tax rate for the fiscal years ended March 31, 2022 and 2021 were 22.1% and 22.0%, respectively. The slight increase to the effective rate for the fiscal year ended March 31, 2022, can be attributed to receiving more one-time tax benefits in fiscal 2021 than in fiscal 2022 The one-time tax benefits received in fiscal 2021 included a one-time state income tax refund of $285,000 in the June 2020 quarter and a $135,000 income tax benefit related to restricted stock compensation in the September 2020 and March 2021 quarters. This compared to a $196,000 one-time state income tax refund and a $131,000 benefit due to a state rate reduction in the March 2022 quarter.

Net income

Net income decreased by approximately $9.5 million, or 31%, to approximately $21.1 million for the fiscal year ended March 31, 2022 from approximately $30.6 million for the fiscal year ended March 31, 2021. The decrease to net income was primarily related to a decrease in sales and resulting gross profit, and an increase in general and administrative expenses, partially offset by a decrease in advertising expenses, during the fiscal year.

Liquidity and Capital Resources

Our working capital at March 31, 2023 March 31, 2024 and 2022 2023 was approximately $95.0 million $21.5 million and approximately $117.8 million $72.9 million, respectively. The $22.8 million $51.4 million decrease in working capital was primarily attributable to $36 million paid in fiscal year 2024 to acquire PetCareRx along with a decrease in income generated by operations and the use of cash to fund both the $5 million investment $5.3 million investments in the Vetster partnership and infrastructure and $5.3 million $4.5 million of property and equipment additions. additions separate from the PetCareRx acquisition. Net cash provided by operating activities was $27.8 million $4.3 million and $18.5 million $27.8 million for the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, respectively. This change is primarily due to the loss from operations, partially offset by higher non-cash expenses combined with a net increase in accounts payable, and accrued expenses, and a decrease an increase in inventory due to changes separate from inventory acquired in our inventory practices the PetCareRx acquisition in the fiscal year ended March 31, 2023, partially offset by lower net income. March 31, 2024. Net cash used in investing activities was $10.3 million $40.7 million and $1.8 million $10.3 million for the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, respectively. This change in investing activities is related to the investment acquisition of PetCareRx, partially offset by lower investments in the Vetster partnership and and higher levels of property and equipment additions including web development improvements acquired in fiscal 2023. year-over-year. Net cash used in financing activities was $24.5 million $12.4 million and

$24.4 million $24.5 million for the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, respectively, due to the payment of an aggregate $0.60 per share dividend in fiscal year 2024 and an aggregate $1.20 per share dividend in each fiscal year. year 2023.

As of March 31, 2023, we had approximately $28.7 million remaining under our share repurchase program. We have paid cash dividends quarterly from August 2009 to August 2023. On May 22, 2023 February 1, 2024, our Board of Directors declared elected to suspend the quarterly dividend indefinitely. This move is intended to focus use of the Company's cash flow on growth initiatives and other higher return initiatives. The Board of Directors reviews and discusses the capital allocation needs of the Company, at a $0.30 per share dividend, with minimum, on a June 6, 2023 record date and a June 12, 2023 payment date. ~~up~~quarterly basis. The declaration and payment of future dividends is discretionary and will be subject to a determination by the Board of Directors each quarter. Directors. When considering whether to declare a dividend, our Board of Directors will take into account:

- General economic and business conditions;
- Our financial condition and operating results;
- Our available cash and current and anticipated cash needs;
- Our capital requirements;
- Strategic uses of cash for growth initiatives;
- Contractual, legal, tax and regulatory restrictions on the payment of dividends by us; and
- Such other factors as our Board of Directors may deem relevant.

On April 3, 2023, we closed on our acquisition of PetCareRx for aggregate cash consideration of approximately $36.0 million. At March 31, 2023 March 31, 2024 we had no other material outstanding purchase or lease commitments. We are not currently bound by any long- or short-term agreements for the purchase or lease of property and equipment. Any material amounts expended for property and equipment would be the result of an increase in the capacity needed to adequately provide for any future increase in our business. To date we have paid for any needed additions to our capital equipment infrastructure from working capital funds and anticipate this being the case in the future. Our primary source of working capital is cash from operations. We presently have no need for alternative sources of working capital and have no commitments.

In addition to the foregoing, the Company cannot predict the long-term impact on its development timelines, revenue levels and its liquidity due to the worldwide spread of COVID-19 and other macroeconomic factors, including inflationary cost pressures and potential recession indicators. Based upon the Company's current assessment, it does not expect the impact of the COVID-19 pandemic effects and other macroeconomic factors to materially impact the Company's operations. However, the Company is continuing to assess the impact that the continuing spread of COVID-19 and other macroeconomic factors may have on its operations.

Recent Accounting Pronouncements

Other than disclosures included in Note 1 of the Consolidated Financial Statements, which are incorporated by reference as if fully set forth herein, we do not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, will have a material effect on our consolidated financial position, results of operations, or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk generally represents the risk that losses may occur in the value of financial instruments as a result of movements in interest rates, foreign currency exchange rates, and commodity prices. Our financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The book values of cash equivalents, accounts receivable, and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. Interest rates affect our return on excess cash and cash equivalents. At March 31, 2023 March 31, 2024, we had $104.1 million $55.3 million in cash and cash equivalents, and the majority of our cash and cash equivalents generate interest income based on prevailing interest rates. A significant change in interest rates would impact the amount of interest income generated from our excess cash and cash equivalents. It would also impact the market value of our cash and cash equivalents. Our cash and cash equivalents are subject to market risk, primarily interest rate and credit risk. Our cash and cash equivalents are managed by a limited number of outside professional managers within investment guidelines set by our Board of Directors.

Such guidelines include security type, credit quality, and maturity, and are intended to limit market risk by maintaining cash in federally-insured bank deposit accounts and restricting cash equivalents to highly-liquid investments with a maturities of three months or less. We do not hold any derivative financial instruments that could expose us to significant market risk. At March 31, 2023 March 31, 2024, we had no debt obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PETMED EXPRESS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders
The Stockholders and the Board of Directors of PetMed Express, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PetMed Express, Inc. and its subsidiaries (the Company) as of March 31, 2023 March 31, 2024 and 2022, 2023, the related consolidated statements of income, operations, changes in shareholders' stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2023 March 31, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 March 31, 2024 and 2022, 2023, and the results of their its operations and their its cash flows for each of the three years in the period ended March 31, 2023 March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's and subsidiaries' internal control over financial reporting as of March 31, 2023 March 31, 2024, based on criteria established in *Internal Control—Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated May 23, 2023 June 13, 2024, expressed an opinion that the Company had not maintained effective internal control over financial reporting as of March 31, 2023 March 31, 2024, based on criteria established in *Internal Control—Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 . 2013.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical AuditMatter

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (i) relate (1) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) (2) involved our especially challenging, subjective or complex judgments. We determined that there are no The communication of the critical audit matters. matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Certain Identifiable Intangible Assets Acquired in a Business Combination

As described in Note 4 to the consolidated financial statements, on April 3, 2023, the Company acquired 100% of the issued and outstanding equity interests of PetCareRx for total consideration of $36.1 million. The transaction was accounted for as a business combination using the acquisition method of accounting. The fair values of intangible assets acquired consisted primarily of a trade name, customer relationships, and developed technology, which were estimated by applying various discounted cash flow models such as the relief from royalty rate for the trade name, the multi-period excess earnings method for the customer relationships, and the cost to replace method for the developed technology.

We identified valuation of certain identifiable intangible assets acquired in the business combination as a critical audit matter because of the significant assumptions management used in estimating their fair values. Auditing management's assumptions used in the estimates of fair value, including projections of revenue and operating margins, and the selection of discount rates and a royalty rate, involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, due to the impact these assumptions have on the estimates of fair value.

Our audit procedures related to the Company's identifiable intangible assets acquired in the business combination included the following, among others:

- We tested the reasonableness of management's projections of revenue and operating margins, by comparing them to current industry and market trends, historical results of the acquired business and to other relevant factors.

- We utilized our valuation specialists to assist in the following procedures, among others:

  – Evaluating the reasonableness of the discount rates and royalty rate by comparing the inputs used by management to publicly available market data.

  – Evaluating the appropriateness of the valuation models used by management and testing their mathematical accuracy.

Goodwill Impairment Testing

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company's goodwill balance was $26.7 million as of March 31, 2024. The Company's evaluation of goodwill for impairment involves the comparison of the fair value of its reporting unit to its carrying value. The Company determines the fair value of its reporting unit using a combination of an income (discounted cash flow) approach and the market approach. The determination of the fair value using the income approach requires management to make significant assumptions related to terminal value growth rates and weighted-average cost of capital. The determination of the fair value using the market approach requires management to make significant assumptions related to the selection of comparable publicly traded companies and cash flow multiples to determine the fair value.

We identified the Company's annual goodwill impairment test as a critical audit matter because of the significant assumptions management used in its annual impairment test This required a high degree of auditor judgment and an increased extent of effort, including the need to include our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the terminal value growth rate, weighted-average cost of capital, comparable publicly traded companies, and cash flow multiples.

Our audit procedures related to the Company's annual goodwill impairment test included the following, among others:

- We evaluated the appropriateness of the model used by management to determine the market capitalization of the Company's reporting unit and tested its mathematical accuracy.

- We tested the underlying data, such as the number of shares and the quoted market prices used by management in its model for completeness and accuracy.

- With the assistance of our valuation specialists, we evaluated the reasonableness of the Company's estimated fair value of its reporting unit by performing the following:

  – Tested the accuracy of the market data referenced by management in determining the selected control premium by agreeing such market data to independently sourced information.

  – We evaluated the terminal value growth rate and weighted-average cost of capital, including testing the underlying source information and the mathematical accuracy of the calculations, and developing ranges of independent estimates and comparing those to the terminal value growth rate and weighted-average cost of capital selected by management.

  – We evaluated the selected comparable publicly traded companies and cash flow multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its comparable publicly traded companies.

/s/ RSM US LLP

We have served as the Company's auditor since 2007.

Fort Lauderdale, Florida
May 23, 2023 June 13, 2024

PETMED EXPRESS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In (in thousands, except for share and per share amounts)

	March 31, 2023	March 31, 2022
ASSETS		

Current assets:				
Cash and cash equivalents	$	104,086	$	111,080
Accounts receivable, less allowance for doubtful accounts of $35 and $39, respectively		1,740		1,913
Inventories - finished goods		19,023		32,455
Prepaid expenses and other current assets		4,719		4,866
Prepaid income taxes		1,883		681
Total current assets		131,451		150,995
Noncurrent assets:				
Property and equipment, net		26,178		24,464
Intangible and other assets		5,860		860
Deferred tax assets		628		–
Total noncurrent assets		32,666		25,324
Total assets	$	164,117	$	176,319
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	25,208	$	27,500
Accrued expenses and other current liabilities		11,289		5,697
Total current liabilities		36,497		33,197
Deferred tax liabilities		–		936
Other long-term liabilities		3,825		–
Total liabilities		40,322		34,133
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; 21,084 and 20,979 shares issued and outstanding, respectively		21		21
Additional paid-in capital		18,277		11,660
Retained earnings		105,488		130,496
Total shareholders' equity		123,795		142,186
Total liabilities and shareholders' equity	$	164,117	$	176,319

See accompanying notes to consolidated financial statements.

		March 31, 2024		March 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	$	55,296	$	104,086
Accounts receivable, less allowance for credit losses of $273 and $35, respectively		3,283		1,740
Inventories		28,556		19,023
Prepaid expenses and other current assets		6,325		4,719
Prepaid income taxes		188		863
Total current assets		93,648		130,431
Noncurrent assets:				
Property and equipment, net		26,657		26,178
Intangible and other assets, net		16,503		5,860
Goodwill		26,658		—
Operating lease right-of-use assets, net		1,432		—

Deferred tax assets, net	4,986	5,009
Total noncurrent assets	76,236	37,047
Total assets	$ 169,884	$ 167,478
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37,024	$ 25,208
Sales tax payable	25,012	26,113
Accrued expenses and other current liabilities	7,060	6,191
Current operating lease liabilities	459	—
Deferred revenue	2,603	—
Total current liabilities	72,158	57,512
Long-term operating lease liabilities	995	—
Total liabilities	73,153	57,512
Commitments and contingencies (Note 14)		
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; 21,149 and 21,084 shares issued and outstanding, respectively	21	21
Additional paid-in capital	25,146	18,277
Retained earnings	71,555	91,659
Total shareholders' equity	96,731	109,966
Total liabilities and shareholders' equity	$ 169,884	$ 167,478

PETMED EXPRESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME OPERATIONS
(In thousands, except for share and per share amounts)

	Year Ended March 31,						**Year Ended March 31,**
	2024				**2024**	**2023**	**2022**
			Year Ended March 31,				
		2023	**2022**	**2021**			
Sales		$256,858	$273,417	$309,215			
Net sales							
Net sales							
Net sales							
Cost of sales	Cost of sales	185,844	195,341	219,267			
Gross profit	Gross profit	71,014	78,076	89,948			
Gross profit							
Gross profit							
Operating expenses:	Operating expenses:						
Operating expenses:							
Operating expenses:							
General and administrative							
General and administrative							
General and administrative	General and administrative	49,474	30,829	28,293			
Advertising	Advertising	19,424	18,799	21,641			

Depreciation		3,546	2,738	2,427
Depreciation and amortization				
Total operating expenses	Total operating expenses	72,444	52,366	52,361
(Loss) income from operations	(Loss) income from operations	(1,430)	25,710	37,587
(Loss) income from operations				
(Loss) income from operations				
Other income:	Other income:			
Interest income, net		2,070	335	314
Other income:				
Other income:				
Interest income (expense), net				
Interest income (expense), net				
Interest income (expense), net				
Other, net	Other, net	944	1,026	1,315
Total other income		3,014	1,361	1,629
Total other income (expense)				
Income before provision for income taxes		1,584	27,071	39,216
(Loss) Income before provision for income taxes				
(Loss) Income before provision for income taxes				
(Loss) Income before provision for income taxes				
Provision for income taxes	Provision for income taxes	1,351	5,971	8,613
Provision for income taxes				
Provision for income taxes				
Net income		$ 233	$ 21,100	$ 30,603
Net (loss) income				
Net (loss) income				
Net (loss) income				
Net income per common share:				
Net (loss) income per common share:				
Net (loss) income per common share:				
Net (loss) income per common share:				
Basic				
Basic				
Basic	Basic	$ 0.01	$ 1.05	$ 1.53
Diluted	Diluted	$ 0.01	$ 1.04	$ 1.52
Weighted average number of common shares outstanding:	Weighted average number of common shares outstanding:			
Weighted average number of common shares outstanding:				

Weighted average number of common shares outstanding:				
Basic				
Basic				
Basic	Basic	20,275	20,176	20,060
Diluted	Diluted	20,339	20,358	20,119
Cash dividends declared per common share	Cash dividends declared per common share	$ 1.20	$ 1.20	$ 1.12
Cash dividends declared per common share				
Cash dividends declared per common share				

See accompanying notes to consolidated financial statements.

PETMED EXPRESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended March 31, 2021 March 31, 2022, March 31, 2022 March 31, 2023, and March 31, 2023 March 31, 2024
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amounts	Shares	Amounts			
Balance, March 31, 2021							
Balance, March 31, 2020	3	$ 9	20,166	$ 20	$ 3,804	$126,177	$130,010
Issuance of restricted stock, net	–	–	103	–	–	–	–
Share based compensation	–	–	–	–	3,307	–	3,307
Dividends declared	–	–	–	–	–	(22,639)	(22,639)
Net income	–	–	–	–	–	30,603	30,603
Balance, March 31, 2021							
Balance, March 31, 2021	3	9	20,269	20	7,111	134,141	141,281
Issuance of restricted stock, net	–	–	710	1	–	–	1
Issuance of restricted stock, net							
Issuance of restricted stock, net							
Share based compensation							
Share based compensation							
Share based compensation	–	–	–	–	4,549	–	4,549
Dividends declared	–	–	–	–	–	(24,745)	(24,745)
Dividends declared							
Dividends declared							

Net income								
Net income								
Net income	Net income	–	–	–	–	–	21,100	21,100
Balance, March 31, 2022	Balance, March 31, 2022	3	9	20,979	21	11,660	130,496	142,186
Balance, March 31, 2022								
Balance, March 31, 2022								
Issuance of restricted stock, net								
Issuance of restricted stock, net								
Issuance of restricted stock, net	Issuance of restricted stock, net	–	–	105	–	–	–	–
Share based compensation	Share based compensation	–	–	–	–	6,617	–	6,617
Share based compensation								
Share based compensation								
Dividends declared								
Dividends declared								
Dividends declared	Dividends declared	–	–	–	–	–	(25,241)	(25,241)
Net income	Net income	–	–	–	–	–	233	233
Net income								
Net income								
Balance, March 31, 2023	Balance, March 31, 2023	3	$ 9	21,084	$ 21	$ 18,277	$105,488	$123,795
Balance, March 31, 2023								
Balance, March 31, 2023								
Issuance of restricted stock, net								
Issuance of restricted stock, net								
Issuance of restricted stock, net								
Share based compensation								
Share based compensation								
Share based compensation								
Dividends declared								
Dividends declared								
Dividends declared								
Net loss								
Net loss								
Net loss								
Balance, March 31, 2024								
Balance, March 31, 2024								
Balance, March 31, 2024								

See accompanying notes to consolidated financial statements.

PETMED EXPRESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended March 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	$ 233	$ 21,100	$ 30,603
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,546	2,738	2,427
Share based compensation	6,617	4,549	3,307
Deferred income taxes	(1,564)	(345)	311
Bad debt expense	214	165	130
(Increase) decrease in operating assets and increase (decrease) in liabilities:			
Accounts receivable	(41)	509	1,126
Inventories - finished goods	13,432	1,965	(16,536)
Prepaid income taxes	(1,202)	278	(959)
Prepaid expenses and other current assets	147	(363)	(974)
Accounts payable	(2,292)	(12,048)	19,890
Accrued expenses and other current liabilities	8,713	(50)	1,221
Income taxes payable	–	–	(471)
Net cash provided by operating activities	27,803	18,498	40,075
Cash flows from investing activities:			
Purchase of minority interest investment in Vetster	(5,000)	–	–
Purchases of property and equipment	(5,260)	(1,752)	(2,432)
Net cash used in investing activities	(10,260)	(1,752)	(2,432)
Cash flows from financing activities:			
Dividends paid	(24,537)	(24,384)	(22,687)
Net cash used in financing activities	(24,537)	(24,384)	(22,687)
Net (decrease) increase in cash and cash equivalents	(6,994)	(7,638)	14,956
Cash and cash equivalents, at beginning of year	111,080	118,718	103,762
Cash and cash equivalents, at end of year	$ 104,086	$ 111,080	$ 118,718
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 4,312	$ 6,085	$ 10,018
Dividends payable in accrued expenses	$ 1,262	$ 558	$ 198

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PETMED EXPRESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

	Year Ended March 31, 2024	2023	2022

Cash flows from operating activities:			
Net (loss) income	$ (7,464)	$ 5,140	$ 18,716
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	7,056	3,546	2,738
Share based compensation	6,869	6,617	4,549
Deferred income taxes	292	(1,630)	(846)
Bad debt expense	324	214	165
(Increase) decrease in operating assets and increase (decrease) in liabilities:			
Accounts receivable	(1,742)	(41)	509
Inventories	(6,417)	13,432	1,965
Prepaid income taxes	675	(182)	278
Prepaid expenses and other current assets	(185)	147	(363)
Operating lease right-of-use assets, net	788	—	—
Accounts payable	6,102	(2,292)	(12,048)
Sales tax payable	(1,101)	1,956	2,928
Accrued expenses and other current liabilities	276	896	(93)
Operating lease liabilities	(766)	—	—
Deferred revenue	(390)	—	—
Net cash provided by operating activities	4,317	27,803	18,498
Cash flows from investing activities:			
Purchase of minority interest investment in Vetster	(300)	(5,000)	—
Acquisition of PetCareRx, net of cash acquired	(35,859)	—	—
Purchases of property and equipment	(4,511)	(5,260)	(1,752)
Net cash used in investing activities	(40,670)	(10,260)	(1,752)
Cash flows from financing activities:			
Dividends paid	(12,437)	(24,537)	(24,384)
Net cash used in financing activities	(12,437)	(24,537)	(24,384)
Net decrease in cash and cash equivalents	(48,790)	(6,994)	(7,638)
Cash and cash equivalents, at beginning of fiscal year	104,086	111,080	118,718
Cash and cash equivalents, at end of fiscal year	$ 55,296	$ 104,086	$ 111,080
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 130	$ 4,312	$ 6,085
Dividends payable in accrued expenses	$ 1,466	$ 1,262	$ 558

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Restatement of Previously Issued Financial Statements

In the third quarter of fiscal year 2024, we reviewed the accounting treatment related to previously reported sales tax accruals as well as the accounting treatment related to the valuation of the deferred tax asset associated with our acquisition of PetCareRx in April 2023. As a result of this review, management determined that we incorrectly applied United States Generally Accepted Accounting Principles (U.S. GAAP) as it relates to the sales tax liability and improperly valued the deferred tax asset and goodwill included in our consolidated financial statements.

We corrected the misstatements relating to sales tax accruals by recording sales tax accruals as of the end of each of the affected periods using a legal liability approach under Accounting Standards Codification Topic 405, Liabilities. The restated sales tax accrual amounts assume that (i) customers who have not yet provided certificates or other documentation of exemption from sales tax are taxable, (ii) total potential interest and penalty assessments may be imposed, and (iii) we will not receive waivers of interest and penalties or other benefits under agreements we may obtain with jurisdictions from our outreach with voluntary disclosures. We will continue to accrue interest on any outstanding liabilities until the voluntary disclosure agreements are settled. These accrual amounts have been, and will continue to be, adjusted in future periods as and if we obtain any waivers of interest and penalties or other benefits from our voluntary disclosures and as and if we obtain additional documentation from customers supporting exemption from sales tax.

In addition, we have corrected misstatements relating to the deferred tax asset we recognized in connection with our acquisition of PetCareRx on April 3, 2023. In the accounting for that acquisition, it was determined that we incorrectly valued deferred tax assets associated with loss carryforwards of PetCareRx under section 382 of the Internal Revenue Code. As a result of this error, we recorded a decrease in the amount of our deferred tax assets and a corresponding increase in the amount of goodwill in each of the affected periods.

The misstatements that appeared in our previously issued financial statements were material, and we also corrected other immaterial errors.

As described in additional detail in the Explanatory Note in our Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended March 31, 2023, originally filed with the SEC on May 23, 2023, we restated our audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021, as well as our unaudited condensed consolidated quarterly financial information for the quarterly periods within the fiscal years ended March 31, 2023 and 2022, to reflect the correction of the misstatements relating to sales tax accruals and other immaterial adjustments, and to make corresponding disclosures. We also filed with the SEC (i) an Amendment No. 1 on Form 10-Q/A to our Quarterly Report on Form 10-Q for the three months ended June 30, 2023, originally filed with the SEC on August 2, 2023, to restate our unaudited condensed consolidated financial statements as of and for the three months ended June 30, 2023 and 2022 and (ii) an Amendment No. 1 on Form 10-Q/A to our Quarterly Report on Form 10-Q for the three months ended September 30, 2023, originally filed with the SEC on October 31, 2023, to restate our unaudited condensed consolidated financial statements as of and for the three and six months ended September 30, 2023 and 2022, in each case to reflect the correction of the misstatements relating to sales tax accruals and the valuation of deferred tax assets associated with our acquisition of PetCareRx in April 2023.

The restated prior-year results are reflected in the consolidated financial results disclosed within this Annual Report on Form 10-K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies

Organization

PetMed Express, Inc. and subsidiaries, d/b/a PetMeds® (collectively, the "Company"), is a leading nationwide direct-to-consumer pet pharmacy and online provider of prescription and non-prescription medications, food, supplements, supplies and vet services for dogs, cats, and horses. The Company markets and sells directly to consumers through its websites, toll-free numbers, and mobile applications. application. The Company offers consumers an attractive alternative for obtaining pet medications, foods, and supplies in terms of convenience, price, speed of delivery, and valued customer service.

Founded in 1996, the Company's executive headquarters offices are currently located in Delray Beach, Florida. The Company has a March 31 fiscal year and references herein to fiscal 2024, 2023, 2022, or 2021 2022 refer to the Company's fiscal years ended March 31, 2023 March 31, 2024, 2023, and 2022, and 2021, respectively.

Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") GAAP and include PetMed Express, Inc. and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition

The Company generates revenue by selling pet medication products and pet supplies. Certain pet supplies offered on the Company's website are drop shipped to customers. The Company considers itself the principal in the arrangement because the Company controls the specified good before it is transferred to the customer. Revenue contracts contain one performance obligation, which is delivery of the product. Customer care and support is deemed not to be a material right to the contract. The transaction price is adjusted at the date of sale for any applicable sales discounts and an estimate of product returns, which are estimated based on historical patterns; however, this is not considered a key judgment. Revenue is recognized when control transfers to the customer at the point in time in which shipment of the product occurs. This key judgment is determined as the shipping point represents the point in time in which the Company has a present right to payment, title has transferred to the customer, and the customer has assumed the risks and rewards of ownership.

Outbound shipping and handling fees are an accounting policy election and are included in sales as the Company considers itself the principal in the arrangement given responsibility for supplier selection and discretion over pricing. Shipping costs associated with outbound freight after control over a product has transferred to a customer are an accounting policy election and are accounted for as fulfillment costs and are included in cost of sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

The Company disaggregates sales in the following two categories: (1) reorder sales vs new order sales, and (2) internet sales vs call center sales. The following table illustrates sales by various classifications:

Sales (In thousands)	Year Ended March 31, 2023	%	2022	%	$ Variance	% Variance
Reorder sales	$ 232,633	90.6 %	$ 244,505	89.4 %	$ (11,872)	(4.9)%
New order sales	$ 24,225	9.4 %	$ 28,912	10.6 %	$ (4,687)	(16.2)%
Total net sales	$ 256,858	100.0 %	$ 273,417	100.0 %	$ (16,559)	(6.1)%
Internet sales	$ 221,894	86.4 %	$ 230,263	84.2 %	$ (8,369)	(3.6)%
Call center sales	$ 34,964	13.6 %	$ 43,154	15.8 %	$ (8,190)	(19.0)%
Total net sales	$ 256,858	100.0 %	$ 273,417	100.0 %	$ (16,559)	(6.1)%

Sales (In thousands)	Year Ended March 31, 2022	%	2021	%	$ Variance	% Variance
Reorder sales	$ 244,505	89.4 %	$ 263,152	85.1 %	$ (18,647)	(7.1)%
New order sales	$ 28,912	10.6 %	$ 46,063	14.9 %	$ (17,151)	(37.2)%
Total net sales	$ 273,417	100.0 %	$ 309,215	100.0 %	$ (35,798)	(11.6)%
Internet sales	$ 230,263	84.2 %	$ 259,404	83.9 %	$ (29,141)	(11.2)%
Call center sales	$ 43,154	15.8 %	$ 49,811	16.1 %	$ (6,657)	(13.4)%
Total net sales	$ 273,417	100.0 %	$ 309,215	100.0 %	$ (35,798)	(11.6)%

The Company changed the definition of a new customer on April 1, 2022, to include anyone who has not ordered over the past thirty-six months. The reorder and new order sales amounts for the years ended March 31, 2022 and March 31, 2021, respectively, reflect this new customer definition change.

Under the previous definition of a new customer, reorder and new order sales were $250.4 million and $23.0 million, respectively, for the year ended March 31, 2022. Under the previous definition of a new customer, reorder and new order sales were $272.6 million and $36.6 million, respectively, for the year ended March 31, 2021.

Virtually all of the Company's sales are paid by credit cards and the Company usually receives the cash settlement in two to three banking days. Credit card sales minimize accounts receivable balances relative to sales. The Company had no material contract asset or liability balances as of March 31, 2023 and 2022. Business Combinations

The Company maintains an allowance for doubtful accounts for losses that its business combinations using the Company estimates will arise from customers' inability to make required payments, arising from either credit card chargebacks or insufficient funds checks. The Company determines its estimates acquisition method of the uncollectability of accounts receivable by analyzing historical bad debts and current economic trends accounting in compliance accordance with the provisions of Accounting Standards Codification ("ASC") Topic 326 (" 805 (*Financial Instruments - Credit Losses"). "Business Combinations"*). The allowance for doubtful accounts was approximately $35 thousand purchase price is allocated to the fair value of the assets acquired and $39 thousand liabilities assumed. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at March 31, 2023 and March 31, 2022, respectively. their fair values as of the acquisition date. The excess of the purchase price of acquisition over the fair value of the identifiable net assets of the acquiree is recorded as goodwill. The results of businesses acquired in a business combination are included in the Company's unaudited condensed consolidated financial statements from the date of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary Determining the fair value of Significant Accounting Policies (Continued) assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions, and competition. In connection with the determination of fair values, the Company may engage a third-party valuation specialist to assist with the valuation of intangible and certain tangible assets acquired and certain obligations assumed. Acquisition-related transaction costs incurred by the Company are not included as a component of consideration transferred but are accounted for as an operating expense in the period in which the costs are incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at March 31, 2023 March 31, 2024 and 2022 2023 consisted of the Company's cash accounts and money market accounts with a maturity of three months or less. The carrying amount of cash equivalents approximates fair value. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies

Inventories

Inventories consist of prescription and non-prescription pet medications and pet supplies that are available for sale and are priced at the lower of cost or net realizable value using a weighted average cost method. The Company writes down its inventory for estimated obsolescence. The inventory reserve was approximately $72 thousand and $48 thousand at March 31, 2024 and $81 thousand at March 31, 2023 and 2022, 2023, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Our building is being depreciated over a period of thirty years. The furniture, fixtures, equipment, and computer software are being depreciated over periods ranging from three to ten years.

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to the undiscounted cash flows expected to be generated from the asset.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized but instead is tested for impairment annually on January 1, or more frequently if events or changes in circumstances indicate goodwill might be impaired. When testing goodwill for impairment, the Company has the option to choose whether it will apply a qualitative assessment first and then a quantitative assessment, if necessary, or to apply the quantitative assessment directly. The Company has concluded that it has one reporting unit and has assigned the entire balance of goodwill to this reporting unit

The Company performed its annual goodwill impairment testing as of January 1, 2024 using a quantitative assessment and at that time concluded there was no impairment. Since then, the Company's stock price decreased from $7.56 at December 31, 2023 to $4.79 at March 31, 2024. The Company considered the decrease in its stock price to be indicative of a risk that the carrying amount of goodwill may not be recoverable. Therefore, the Company performed a quantitative impairment assessment as of March 31, 2024.

Based on the assessment, the Company concluded that goodwill was not impaired because the estimated fair value of the reporting unit exceeded its carrying value by approximately 27%.We estimated fair value using discounted cash flow and public company market approaches with a 70% and 30% weighting, respectively.A key assumption under the cash flow approach was a 27% weighted average cost of capital.A key assumption under the public company market approach was a 10% control premium.

Intangible Assets

The Company acquired definite-lived intangible assets consist of a toll-free telephone number and internet domain names. In in the acquisition (see Note 4) that will be amortized based on their estimated useful lives in accordance with the ASC Topic 350 ("*Goodwill and Other Intangible Assets*") the. These definite-lived intangible assets are being amortized over periods ranging from three to seven years. Acquired trade name is not being amortized and are is subject to an annual review for impairment. impairment consistent with the existing intangible assets in fiscal 2024. Following the Company's annual impairment testing in fiscal 2024, it concluded there was no impairment of its intangible assets.

Other Assets

Other assets consist of the initial minority interest investment in Vetster. Details can be found in Note 12 16 below.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term nature of these instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies

Advertising

The Company's advertising expense consists primarily of Internet marketing and direct mail/print, and television advertising. . Internet costs are expensed in the month incurred and direct mail/print advertising costs are expensed

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

when the related catalogs, brochures, and postcards are produced, distributed, or superseded. Television advertising costs

Leases

The Company accounts for leases in accordance with ASC Topic 842 (*"Leases")*. The Company reviews all contracts and determines if the arrangement is or contains a lease, at inception. Operating leases are expensed reported as right-of-use ("ROU") assets, current lease liabilities and long-term lease liabilities on the advertisements are televised. unaudited Condensed Consolidated Balance Sheets. The Company does not have any material leases, individually or in the aggregate, classified as a finance lease.

Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments. The operating lease ROU asset also includes any upfront lease payments made and excludes lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recorded on the balance sheet. The Company's lease agreements do not contain any residual value guarantees.

Approximately 48% of our Delray Beach property, or approximately 88,000 square feet was leased to two tenants. At March 31, 2023, 2024, the leases with these two tenants had a remaining weighted average lease term of 2.0 years. one year. The Company recorded approximately $710 thousand $1.2 million , $0.7 million and $689 thousand $0.7 million in rental revenue in fiscal 2024, 2023 and 2022, respectively, which was included in other income. In 2024, the Company recorded $0.5 million of rental revenue associated with a PetCareRx lease which expired in April 2024. The Company expects to receive the following future lease payments, under the current lease agreements, over the next five years: $731 $617 thousand in fiscal 2024; $566 thousand in fiscal 2025, $110 2025; $112 thousand in fiscal 2026, and $0 thousand in fiscal 2027, 2028 and 2028. 2029. As of March 31, 2024, both leases were being negotiated.

Comprehensive Income

The Company applies ASC Topic 220 ("*Reporting Comprehensive Income*") which requires that all items that are recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The items of other comprehensive income that are typically required to be displayed are foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. For the fiscal years ended March 31, 2023 March 31, 2024, 2022 2023 and 2021, 2022, the Company had no components of comprehensive income and therefore does not report comprehensive income or Consolidated Statements of Comprehensive Income.

Income Taxes

The Company accounts for income taxes under the provisions of ASC Topic 740 ("*Accounting for Income Taxes*") which generally requires the recognition of deferred tax assets and liabilities for the expected future tax benefits or consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and the tax bases of assets and liabilities and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse. As required by "Accounting for Uncertainty in Income Taxes" guidance, which clarifies ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies

recognized in the Consolidated Financial Statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company applies "Accounting for Uncertainty in Income Taxes" guidance to all tax positions for which the statute of limitations remains open. The Company had no liabilities for uncertain tax positions for both either fiscal 2023 and 2024 or fiscal 2022. 2023. The Company files tax returns in the U.S. federal jurisdiction and Florida, Arizona, California, Connecticut, Idaho, Maryland, Michigan, Oklahoma, South Carolina, Virginia, Wisconsin, New Jersey, Georgia, Indiana, New York and the District of Columbia. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years ending March 31, 2019 March 31, 2020, or earlier. Any interest and penalties related to income taxes will be recorded to other income (expenses).

Business Concentrations

The Company purchases its products from a variety of sources, including certain manufacturers, domestic distributors, and wholesalers. We have multiple suppliers for each of our product lines to obtain the lowest cost. There were seven and six suppliers from which we purchased approximately 69% 78% and 77% 69% of all products in fiscal 2023 2024 and 2022, 2023, respectively.

Accounting for Share Based Compensation

The Company records compensation expense associated with restricted stock in accordance with ASC Topic 718 ("*Share Based Payment Payments*"). The compensation expense related to all of the Company's stock-based compensation arrangements is recorded as a component of general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

The Company does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, will have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

(2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Revenue Recognition

In accordance with ASC Topic 606 *("Revenue from Contracts with Customers")*, the Company generates revenue by selling prescription and non-prescription pet medication products, pet food, supplements, supplies, membership fees, and veterinary services. Certain pet supplies offered on the Company's website are drop shipped to customers. The Company considers itself the principal in the arrangement because the Company controls the specified good before it is transferred to the customer. Revenue contracts contain one performance obligation, which is delivery of the product. Customer care and support is deemed not to be a material right to the contract. The transaction price is adjusted at the date of sale for any applicable sales discounts and an estimate of product returns, which are based on historical patterns, however this is not considered a key judgment. Revenue is recognized when control transfers to the customer at the point in time at which the shipment of the product occurs. This key judgment is determined as the shipping point, which represents the point in time when the Company has a present right to payment, title has transferred to the customer, and the customer has assumed the risks and rewards of ownership. Virtually all the Company's sales are paid by credit cards and the Company usually receives the cash settlement in two to three banking days. Credit card sales minimize the accounts receivable balances relative to sales. Revenue is recorded net of sales tax, discounts and return allowances. Return allowances are estimated using historical experience and not material.

Outbound shipping and handling fees are an accounting policy election and are included in sales as the Company considers itself the principal in the arrangement given its responsibility for supplier selection and discretion over pricing. Shipping costs associated with outbound freight after control over a product has transferred to a customer are an accounting policy election and are accounted for as fulfillment costs and are included in cost of sales.

Membership fees represent the amounts recognized periodically from two membership models. The first is the PetPlus membership for PetCareRx customers, the second is a partner membership provided through PetCareRx. These memberships provide discounted pricing, free standard shipping, veterinary telehealth services and local Caremark Pharmacy prescription pickup which represent a single stand-ready performance obligation to provide these benefits. The PetPlus membership fee is an upfront annual charge and automatically renews one year from the initial enrollment date. The Company recognizes the revenue ratably over the term of the PetPlus membership which is generally one year. As shown in the following table, under the PetPlus program, the Company recognized $7.0 million deferred annual membership fees in the twelve months ended March 31, 2024, and had $2.6 million of deferred revenue as of the year ended March 31, 2024.

	(amounts in millions)
Deferred revenue, March 31, 2023	$ –
Deferred revenue acquired with PetCareRx	3.0
Deferred memberships fees received	6.6
Deferred membership fee revenue recognized	(7.0)
Deferred revenue, March 31, 2024	2.6

In addition to annual membership fees earned under the PetPlus program, the Company also earns membership fees on a month-to-month basis under its PetCareRx partner membership program. For the twelve months ended March 31, 2024, membership fees earned under the partner program were $2.8 million.

The Company has no material contract asset or liability balances at March 31, 2024 and March 31, 2023, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company disaggregates sales in the following two categories: reorder sales vs new order sales vs membership fees. The following table illustrates sales by various classifications:

	Year Ended March 31,				Increase (Decrease)	
Net Sales (In thousands)	**2024**	**%**	**2023**	**%**	**$**	**%**
Reorder sales	$ 246,977	87.9 %	$ 232,380	90.6 %	$ 14,597	6.3 %
New order sales	$ 24,304	8.6 %	$ 24,199	9.4 %	$ 105	0.4 %
Membership fees	$ 9,783	3.5 %	$ —	— %	$ 9,783	n/m
Total net sales	$ 281,064	100.0 %	$ 256,579	100.0 %	$ 24,485	9.5 %

	Year Ended March 31,				Increase (Decrease)	
Net Sales (In thousands)	**2023**	**%**	**2022**	**%**	**$**	**%**
Reorder sales	$ 232,380	90.6 %	$ 243,490	89.4 %	$ (11,110)	(4.6)%
New order sales	$ 24,199	9.4 %	$ 28,792	10.6 %	$ (4,593)	(16.0)%
Total net sales	$ 256,579	100.0 %	$ 272,282	100.0 %	$ (15,703)	(5.8)%

The Company changed the definition of a new customer on April 1, 2022, to include anyone who has not ordered over the past thirty-six months. The reorder and new order sales amounts for the years ended March 31, 2022 reflect this new customer definition change. Under the previous definition of a new customer, reorder and new order sales were $249.4 million and $22.9 million, respectively, for the year ended March 31, 2022.

The Company maintains an allowance for credit losses that the Company estimates will arise from customers' inability to make required payments, arising from either credit card chargebacks or insufficient funds checks. The Company determines its estimates of the uncollectability of accounts receivable by analyzing historical bad debts and current economic trends in compliance with the provisions of ASC Topic 326 (*"Financial Instruments - Credit Losses").* The allowance for credit losses was approximately $273 thousand and $35 thousand at March 31, 2024 and March 31, 2023, respectively.

(4) Acquisition

On April 3, 2023, the Company acquired 100% of the issued and outstanding equity interests of PetCareRx, a New York corporation and a leading supplier of pet food, pet medications, and supplies. The acquisition was completed pursuant to an Agreement and Plan of Merger ("Merger Agreement") by and among the Company, Harry Merger Sub, Inc., a New York corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), PetCareRx and Jeanette Loeb (as representative of the PetCareRx equity holders). The Merger Agreement provided for the Company's acquisition of PetCareRx pursuant to the merger of Merger Sub with and into PetCareRx, with PetCareRx as the surviving corporation. The aggregate purchase price consideration was $36.1 million and was funded from the Company's cash on hand.

The acquisition of PetCareRx allowed the Company to significantly expand its product catalog, most notably in non-medication products, including food. In addition, PetCareRx brings increased distribution capability and experience, geographic diversity, technology enhancements, additional vendor relationships and a long-tenured and experienced staff.

The Company recognized goodwill of approximately $26.7 million, which is calculated as the excess of the consideration exchanged and liabilities assumed as compared to the fair value of the identifiable assets acquired. Goodwill recognized in the transaction represents synergies or scale achieved by significantly increasing the customer base without adding corresponding levels of additional overhead, the value of additional vendor relationships, including the food manufacturing relationships, a broader product catalog, and an assembled and

experienced workforce. These items represent intangible assets that do not qualify for separate recognition. No goodwill is deductible for tax purposes.

The values assigned to the assets acquired and liabilities assumed are based on their estimates of fair value available as of April 3, 2023, as calculated by an independent third-party firm. The selected rates of returns were chosen in consideration of the individual risk profiles of the assets, as well as the resulting weighted average return on assets. Intangible assets are considered to be riskier than the overall business, so the Company included a premium to the investment rate of return on the identified intangible discount rates.

The fair values of intangible assets acquired consist of a trade name, customer relationships, and developed technology, which were estimated by applying various discounted cash flow models such as the relief from royalty rate for the trade name, the multi-period excess earnings method for the customer relationships, and the cost to replace method for the developed technology. The fair value measurements were based on significant inputs that are not observable (Level 3). The assumptions made by management in determining the fair value of intangible assets included a discount rate of 12% based on the weighted average cost of capital.

As a result of the acquisition, the Company performed an Internal Revenue Code Section 382 analysis to determine if the net operating losses carried forward will have a utilization limitation. Refer to Note 9 for further discussion.

The table below outlines the purchase price allocation of the purchase for PetCareRx to the acquired identifiable assets, liabilities assumed and goodwill (in thousands):

Cash and cash equivalents	$	220
Accounts receivable, net		125
Other receivables		506
Inventory		3,116
Other current assets		835
Property and equipment		1,065
Deferred tax assets, net		270
Goodwill		26,657
Intangible assets, net		12,300
Right of use assets		2,220
Other assets		80
Total assets		47,394
Accounts payable		5,713
Accrued liabilities		131
Deferred revenue		2,993
Other current liabilities		258
Operating lease liabilities		2,220
Total liabilities		11,315
Total purchase consideration	$	36,079

The Company incurred a total of $1.7 million in acquisition related costs that were expensed as incurred and recorded in general and administrative expenses in the Company's Condensed Consolidated Statements of Operations, of which $0.5 million was recorded in fiscal year 2023, and $1.2 million was recorded for the twelve months ended March 31, 2024. These costs include banking, legal, accounting, and consulting fees related to the acquisition.

Supplemental Pro Forma Information (As Restated)

The supplemental pro forma financial information presented below is for illustrative purposes only, does not include the pro forma adjustments that would be required under Regulation S-X of the Exchange Act for pro forma financial information, is not necessarily indicative of the financial position or results of operations that would have been realized if the PetCareRx acquisition had been completed on April 1, 2022, does not reflect synergies that might have been achieved, nor is it indicative of future operating results or financial position. The pro forma adjustments are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances.

The supplemental pro forma financial information reflects pro forma adjustments to present the combined pro forma results of operations as if the PetCareRx acquisition had occurred on April 1, 2021 to give effect to certain events that the Company believes to be directly attributable to the acquisition. These pro forma adjustments primarily include:

a. A decrease in depreciation expense that would have been recognized due to acquired identifiable fixed assets;
b. A decrease in amortization expense that would have been recognized due to acquired identifiable intangible assets; and
c. A decrease in payroll costs and benefits.

The supplemental pro forma financial information for the prior period twelve months ended March 31, 2023 and 2022 is as follows (in thousands):

	Twelve Months Ended March 31, 2023		Twelve Months Ended March 31, 2022	
	(unaudited)		(unaudited)	
Revenue	$	300,230	$	311,480
Net (loss) income		(261)		13,613

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Property and Equipment, Net

Major classifications of property and equipment consist of the following (in thousands):

	March 31,		March 31,	
	2024		2024	2023

		March 31,	
		2023	2022
Building			
Building			
Building	Building	$14,997	$14,997
Land	Land	3,700	3,700
Building Improvements	Building Improvements	3,917	2,834
Computer Software	Computer Software	9,391	5,512
Furniture, fixtures and equipment	Furniture, fixtures and equipment	9,404	9,106
		41,409	36,149
	46,785		
Less: accumulated depreciation	Less: accumulated depreciation	(15,231)	(11,685)
Property and equipment, net	Property and equipment, net	$26,178	$24,464
Property and equipment, net			
Property and equipment, net			

Depreciation expense was $5.1 million, $3.5 million and $2.7 million for the twelve months ended March 31, 2024, 2023 and 2022, respectively.

(3) The Company evaluated its tangible property and equipment for indicators of impairment as of March 31, 2024 and concluded that no impairment existed.

Note 6: Intangible and Other Assets, Net

Intangible assets and other assets, net consisted of the following (in thousands):

	Useful Life	Gross Value	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life (Years)
March 31, 2024					
Intangible Assets					
Toll-free telephone number	Indefinite	$ 375	$ —	$ 375	Indefinite
Internet domain names	Indefinite	485	$ —	485	Indefinite
Trade Names - PetCareRx	Indefinite	2,600	$ —	2,600	Indefinite
Customer Relationships -PetCareRx	7 years	6,700	(957)	5,743	6.25
Developed Technology - PetCareRx	3 years	3,000	(1,000)	2,000	2.25
		$ 13,160	$ (1,957)	$ 11,203	
Other Assets					
Minority interest investment in Vetster	N/A	5,300	—	5,300	N/A
Balance March 31, 2024		$ 18,460	$ (1,957)	$ 16,503	
March 31, 2023					
Intangible Assets					
Toll-free telephone number	Indefinite	$ 375	$ —	$ 375	Indefinite
Internet domain names	Indefinite	485	$ —	485	Indefinite
Balance March 31, 2023		$ 860	$ —	$ 860	
Other Assets					
Minority interest investment in Vetster	N/A	$ 5,000	$ —	$ 5,000	N/A
Balance March 31, 2023		$ 5,860	$ —	$ 5,860	

The Company evaluated its intangible assets for indicators of impairment as of March 31, 2024 and concluded that no impairment existed.

Amortization expense for intangible assets was $2.0 million for the twelve months ended March 31, 2024 and zero for the twelve months ended March 31, 2023 and 2022, respectively. The indefinite life intangibles are not

being amortized and are subject to an annual review for impairment in accordance with the ASC Topic 350 (“*Goodwill and Other Intangible Assets*”).

The following table summarizes expected amortization of our intangible assets at March 31, 2024 (in thousands):

Year Ending March 31,	
2025	$ 1,957
2026	1,957
2027	957
2028	957

2029		957
Thereafter		957
Total	$	7,743

On April 19, 2022, the Company engaged in a three-year partnership agreement with Vetster Inc. (“Vetster”), a Canadian veterinary telehealth company. The Company also purchased a 5% minority interest in Vetster in the amount of $5.0 million and received warrants for additional equity in Vetster, which are tied to future performance milestones. Under the terms of the agreement, the Company became the exclusive e-commerce provider for Vetster, and Vetster became the exclusive provider of telehealth and telemedicine services to the Company. The minority interest investment is being valued on the cost basis and the investment will be evaluated periodically for any impairment. On October 3, 2023, the Company purchased additional shares in Vetster in the amount of $0.3 million. This increased the minority interest investment to $5.3 million. Following this round, the Company’s minority ownership changed to approximately 4.8% of Vetster’s outstanding shares. The minority interest investment is being valued on the cost basis. At March 31, 2024, we evaluated the investment in accordance with ASC Topic 321 (*Accounting for Equity Interests*) and determined it was not impaired.

Under the terms of the agreement, Vetster earns from 10% to 20% of revenue generated from its customers on orders fulfilled by the Company. For the years ended March 31, 2024 and 2023, the Company earned approximately $0.8 million and $0.4 million in net sales for orders placed through Vetster and incurred fees to Vetster of approximately $153 thousand and $80 thousand, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Accrued Expenses and Other Current Liabilities

Major classifications of accrued expenses and other current liabilities consist of the following (in thousands):

March 31, 2024	2024	March 31, 2023

		March 31,	
		2023	2022
Accrued sales tax		$ 5,098	$1,106
Accrued credit card fees			
Accrued credit card fees			
Accrued credit card fees	Accrued credit card fees	401	428
Accrued salaries and benefits	Accrued salaries and benefits	1,564	1,134
Accrued merchandise credits / reward program	Accrued merchandise credits / reward program	1,660	1,623
Accrued professional expenses	Accrued professional expenses	559	459
Accrued sales return allowance	Accrued sales return allowance	221	190
Accrued dividends payable	Accrued dividends payable	1,262	558
Accrued real estate taxes	Accrued real estate taxes	118	111
Other accrued liabilities	Other accrued liabilities	406	88

Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	$11,289	$5,697
Accrued expenses and other current liabilities			
Accrued expenses and other current liabilities			

(8) Leases

The Company's leasing activities primarily consist of real estate leases acquired during the acquisition of PetCareRx for use in the business operations. The leases had initial terms ranging from 5 years to 10 years. Some of the initial lease terms have already matured and the remaining leases have maturity dates ranging from fiscal year 2024 to 2028. The Company assesses whether each lease is an operating lease or a finance lease at the lease commencement date. The Company does not have any material leases, individually or in the aggregate, classified as a finance lease.

Variable Lease Costs

Certain of the Company's leases require payments for taxes, insurance, and other costs applicable to the property, in addition to the minimum lease payment. These costs are considered variable costs which are based on actual expenses incurred by the lessor. Therefore, these amounts are not included in the calculation of the right-of-use assets and lease liabilities.

The Company has lease agreements which provide for fixed and scheduled escalations, which are included in the calculation of the right-of-use assets and lease liabilities.

Options to Extend or Terminate Leases

(4) The Company's leases may contain an option to extend the lease term for periods from one to five years The exercise of lease renewal options is at the Company's sole discretion. If it is reasonably certain that the Company will exercise such options, the periods covered by such options are included in the lease term and are recognized as part of the Company's right-of-use assets and lease liabilities. The Company's leases do not generally contain options to early terminate.

Other Lease items

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's operating leases are included in operating lease right-of-use assets, other current liabilities, and operating lease liabilities on the accompanying Consolidated Balance Sheets.

Discount Rate and Lease Term

As of March 31, 2024, the weighted average remaining lease term and discount rate for the Company's operating leases were 3 years and 3.6%, respectively. As the rate implicit in the lease is generally not readily determinable for the Company's operating leases, the Company uses its estimated incremental borrowing rate based on the information available at the date of acquisition, April 3, 2023, in determining the present value of future payments.

Lease Costs and Activity

The Company's lease costs as recorded in the general and administrative costs and activity for the twelve months ended March 31, 2024 are as follows (in thousands):

Lease cost		Twelve months ended March 31, 2024
Operating lease cost - fixed	$	853
Operating lease costs - variable		65
Total lease cost	$	918

Supplemental cash flow information for the twelve months ended March 31, 2024 are as follows (in thousands):

		Twelve months ended March 31, 2024
Cash paid for the amounts included in the measurement of operating lease liabilities	$	832
Right-of-use assets obtained in exchange for new operating lease liabilities as a result of acquisition	$	2,220

Maturity of Lease Liabilities

The maturity of the Company's lease liabilities on an undiscounted cash flow basis and a reconciliation to the operating lease liabilities recognized on the Company's Condensed Consolidated Balance Sheet as of March 31, 2024 were as follows (in thousands):

		March 31, 2024
2025		501
2026		488
2027		502
2028		42
Total lease payments		1,533
Less: Imputed Interest		(79)
Present value of lease liabilities	$	1,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4)Income Taxes (Continued)

effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows (in thousands):

March 31,		March 31,
2024	2024	2023
Deferred tax assets:		
Accrued sales tax liability		
Accrued sales tax liability		
Accrued sales tax liability		
Other accrued expenses		
Deferred stock compensation		
Deferred revenue		
Bad debt and inventory reserves		
Capitalized research and development costs		

Lease liabilities		
	March 31,	
	2023	2022
Deferred tax assets:		
Accrued expenses	$1,529	$ 364
Deferred stock compensation	1,605	662
Bad debt and inventory reserves	21	27
Net operating loss carryforward		
Net operating loss carryforward		
Net operating loss carryforward		
Total deferred tax assets Total deferred tax assets	3,155	1,053
Deferred tax liabilities: Deferred tax liabilities:		
Deferred tax liabilities:		
Deferred tax liabilities:		
Tax accounting method change		
Tax accounting method change		
Tax accounting method change		
Intangible assets		
Property and equipment Property and equipment	(2,527)	(1,989)
Right of use assets		
Total deferred tax liabilities		
Total net deferred tax assets (liabilities)	$ 628	$ (936)
Valuation allowance		
Valuation allowance		
Valuation allowance		
Total net deferred tax assets		
Total net deferred tax assets		
Total net deferred tax assets		

At March 31, 2023 March 31, 2024, the Company had no $11.3 million of federal or net operating loss carryforwards which begin to expire in fiscal 2024. The Company also had $9.0 million in state net operating loss carryforwards. carryforwards which begin to expire in fiscal 2026. In fiscal 2024 the Company acquired PetCareRx, a loss corporation. The tax attributes acquired are subject to Internal Revenue Code Section 382 which limits the utilization annually. The Company has determined the utilization of the state loss carryforwards is not likely to be realized. As a result, the Company has recorded a valuation allowance of $0.6 million for the tax effected value of these state losses. Outlined below are the tax attributes acquired and the balances remaining as of March 31, 2024 (in thousands).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9)Income Taxes (Continued)

PetCareRx Tax Attributes Acquired	Total	Sec. 382 limited utilization	Attributes for which a deferred tax asset is recorded	Expiration
Federal net operating losses - limited carryover	85,454	83,300	2,154	Beginning in FY 2024
Federal net operating losses - unlimited carryover	10,501	—	10,501	None
Disallowed business interest expense carryover	1,855	—	1,855	None
State net operating losses	11,040	2,066	8,974	Beginning in FY 2026

Tax Attribute as of March 31, 2024	Total	Sec. 382 limited utilization	Attributes for which a deferred tax asset is recorded	Expiration
Federal net operating losses - limited carryover	84,114	83,300	814	Beginning in FY 2025
Federal net operating losses - unlimited carryover	10,501	—	10,501	None
Disallowed business interest expense carryover	—	—	0	None
State net operating losses	11,040	2,066	8,974	Beginning in FY 2026

The components of the income tax provision consist of the following (in thousands):

		Year Ended March 31,		
		2023	2022	2021
	Year Ended March 31, 2024	2024	2023	2022
Current taxes	Current taxes			
Current taxes				
Current taxes				
Federal				
Federal				
Federal	Federal	$1,831	$5,801	$7,446
State	State	1,084	515	856
Total current taxes		2,915	6,316	8,302
Total current income tax provision				
Deferred taxes				
Deferred income tax provision (benefit)				
Deferred income tax provision (benefit)				
Deferred income tax provision (benefit)				
Federal				
Federal				
Federal	Federal	(982)	(317)	279
State	State	(582)	(28)	32
Total deferred taxes	Total deferred taxes	(1,564)	(345)	311
Total provision for income taxes		$1,351	$5,971	$8,613
Total income tax provision				
Total income tax provision				
Total income tax provision				

(4) (9) Income Taxes (Continued)

The reconciliation of income tax provision computed at the U.S. federal statutory tax rates to income tax expense is as follows (in thousands):

	Year Ended March 31,		
	2023	2022	2021
Income taxes at U.S. statutory rates	$ 333	$ 5,685	$ 8,235
State income taxes, net of federal tax benefit	275	379	708
Permanent differences	396	59	198
Restricted stock shortfall (windfall) adjustment	208	33	(135)
Other	139	(185)	(393)
Total provision for income taxes	$ 1,351	$ 5,971	$ 8,613

	Year Ended March 31,		
	2024	2023	2022
Income taxes at federal statutory rates	$ (1,317)	$ 1,564	$ 5,078
State income taxes, net of federal tax benefit	304	107	428
Non-deductible executive compensation	1,771	—	—
Other permanent differences	105	340	116
Restricted stock shortfall adjustment	281	171	31
Deferred tax adjustments	47	—	—
Other	—	124	(184)
Total income tax provision	$ 1,191	$ 2,305	$ 5,469

In fiscal 2024, the Company recognized non-deductible executive stock compensation of approximately $1.8 million. This includes adjusting the deferred tax assets by a cumulative $1.0 million to account for future limitations under Sec. 162(m). This limits deductions for compensation of covered executives to $1.0 million per individual. In fiscal 2023, the Company recognized a stock compensation shortfall charge of approximately $208 $171 thousand, and recognized a one-time charge of approximately $382 $124 thousand, related to a return to provision true up of from the fiscal 2022 income tax provision. In fiscal 2022, the Company recognized a stock compensation shortfall charge of approximately $33 $31 thousand, and recognized a one-time benefit of approximately $29 $184 thousand, related to a return to provision true up of from the fiscal 2021 income tax provision. In fiscal 2021 the Company recognized a stock compensation windfall benefit of approximately $135 thousand, and recognized a one-time benefit of approximately $194 thousand, related to a return to provision true up of the fiscal 2020 income tax provision.

The differences between the effective income tax rate and the statutory U.S. federal income tax rate are as follows:

	Year Ended March 31,		
	2023	2022	2021
Federal rate on income before taxes	21.0 %	21.0 %	21.0 %

	Year Ended March 31,		
	2024	2023	2022
Federal rate on income before taxes			

Federal rate on income before taxes						21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	State income taxes, net of federal tax benefit	17.4 %	1.4 %	1.8 %	State income taxes, net of federal tax benefit	(4.9) %	1.4 %	1.8 %
Permanent differences		25.0 %	0.2 %	0.5 %				
Restricted stock shortfall (windfall) adjustments		13.1 %	0.1 %	(0.3)%				
Non-deductible executive compensation					Non-deductible executive compensation	(28.2) %	— %	— %
Other permanent differences					Other permanent differences	(1.7) %	4.6 %	0.5 %
Restricted stock shortfall adjustment					Restricted stock shortfall adjustment	(4.5) %	2.3 %	0.1 %
Deferred tax adjustments					Deferred tax adjustments	(0.8) %	— %	— %
Other	Other	8.8 %	(0.6)%	(1.0)%	Other	— %	1.7 %	(0.8) %
Total Effective Tax Rate	Total Effective Tax Rate	85.3 %	22.1 %	22.0 %				
Total Effective Tax Rate								
Total Effective Tax Rate						(19.0) %	31.0 %	22.6 %

The pre-tax loss in fiscal 2024 caused unfavorable items to decrease the rate instead of increase it. The primary driver is related to the non-deductible executive compensation. The primary drivers for the increase in effective tax rate for the fiscal 2023 include is due to the recognition of permanent differences related to one-time acquisition costs and a non-deductible portion of restricted stock compensation. The state tax rate for fiscal 2023 includes continued expansion of operations as well as a one-time true up for new state filings for fiscal 2022.

(5) (10) Shareholders' Equity

Preferred Stock

In April 1998, the Company issued 250,000 shares of its $.001 par value preferred stock at a price of $4.00 per share, less issuance costs of $112 thousand. Each share of the preferred stock is convertible into approximately

4.05 shares of common stock at the election of the shareholder. The shares have a liquidation value of $4.00 per share and may pay dividends at the sole discretion of the Company. The Company does not anticipate paying dividends to the preferred shareholders in the foreseeable future. Each share of preferred stock is entitled to one vote on all matters submitted to a vote of shareholders of the Company. At March 31, 2023 March 31, 2024 and 2022, 2023, 2,500 shares of the convertible preferred stock remained unconverted and outstanding.

Share Repurchase Program

Company has $110.0 million of shares authorized under previously approved share repurchase programs. The share repurchase program does not have an expiration date and is intended to be implemented through purchases made from time to time in either the open market or through private transactions at the Company's discretion, subject to market conditions and other factors, in accordance with Securities and Exchange Commission requirements. There can be no assurances as to the timing and number of shares that will be repurchased under the share repurchase program, and the Company may modify or discontinue the share repurchase program at any time subject to compliance with applicable regulatory requirements. Shares purchased pursuant to the share repurchase program will either be cancelled or held in the Company's treasury. During fiscal 2023 and 2022 the Company had no share repurchases. At March 31, 2023 the Company had approximately $28.7 million remaining under the Company's share repurchase program.

Dividends

The declaration and payment of future dividends is discretionary and will be subject to a determination by the Board of Directors each quarter following its review of the Company's financial performance. During fiscal 2023, 2024, our Board of Directors declared the following dividends:

Declaration Date	Per Share Dividend	Record Date	Total Amount (In thousands)	Payment Date
May 9, 2022	$0.30	May 20, 2022	$6,297	May 27, 2022
July 25, 2022	$0.30	August 12, 2022	$6,323	August 19, 2022
November 7, 2022	$0.30	November 18, 2022	$6,323	November 30, 2022
February 6, 2023	$0.30	February 20, 2023	$6,325	February 27, 2023

Declaration Date	Per Share Dividend	Record Date	Total Amount (In thousands)	Payment Date
May 22, 2023	$0.30	June 6, 2023	$6,352	June 12, 2023
July 31, 2023	$0.30	August 14, 2023	$6,344	August 18, 2023

(6) (11) Restricted Stock

In July 2015, the Company's 2015 Outside Director Equity Compensation Restricted Stock Plan ("2015 Director Plan") became effective upon the approval of the plan by the Company's Shareholders. shareholders. The 2015 Director Plan authorized 400,000 shares of the Company's common stock available for issuance under the plan and provides for an automatic increase every year in the amount of shares available for issuance under the plan of 10% of the shares authorized under the plan. In July 2016, the Company's 2016 Employee Equity Compensation Restricted Stock Plan ("2016 Employee Plan") became effective upon the approval of the plan by the Company's Shareholders. shareholders. The 2016 Employee Plan authorized 1,000,000 shares of the Company's Common stock available for issuance under the plan. In July 2022, the Company's 2022 Employee Equity Compensation Restricted Stock Plan ("2022 Employee Plan") became effective upon the approval of the plan by the Company's shareholders. The 2022 Employee Plan replaced the 2016 Employee Plan, and as of April 2023 no further awards were granted, or will be granted, under the 2016 Employee Plan. The 2022 Employee Plan authorized 1,000,000 shares of the Company's common stock available for issuance.The value of the restricted stock is determined based on the market value of the stock at the issuance date. The restriction period or forfeiture period is determined by the Company's Compensation and Human Capital Committee and is to be no less than 1 year and no more than ten years unless otherwise specified by the Compensation and Human Capital Committee.

The Company records compensation expense associated with restricted stock in accordance with ASC Topic 718 ("*Share Based Payment Payments*") (ASU 2016-09). At March 31, 2023 March 31, 2024, the Company had 960,007 restricted 957,260 common shares issued under the 2016 Employee Plan, and 240,755 restricted 255,251 common shares issued under the 2015 Director Plan. No Plan and 149,488 common shares had been issued under the 2022 Employee Plan as Plan. As of March 31, 2023. All March 31, 2024, all shares in the 2022 Employee Plan, 2016 Employee Plan and 2015 Director Plan were issued subject to a restriction or forfeiture or vesting period that lapses ratably on the first, second, and third anniversaries of the date of grant, and the fair value of which is being

amortized over a one to three-year restriction period, with the exception of performance restricted shares which were issued to the Company's former Chief Executive Officer and the Company's Chief Financial Officer.

In August 2021, the Company issued 90,000 restricted shares and 510,000 performance restricted shares to the Company's former CEO, in accordance with the former CEO's employment agreement, under the 2016 Employee Plan. The performance restricted shares are were based on achieving absolute stock hurdles within the three-year period from the grant date. If the shares meet met the absolute stock price hurdle, they will would have only vest been released from restrictions on the third anniversary of the date of grant. As of March 31, 2023 March 31, 2024, none of the performance stock hurdles were met. met, and subsequent to March 31, 2024 the performance restricted shares were forfeited and cancelled as a result of the former CEO's cessation of employment with the Company.

In August 2022, the Company issued 13,000 restricted shares and 3,000 performance restricted shares to the Company's new CFO, in accordance with the CFO's employment agreement, under the 2016 Employee Plan. One-third of the restricted shares will vest on each of the first three anniversaries of the date of grant, subject to the CFO's continued employment with the Company through the applicable vesting date, with any unvested RSUs being forfeited upon the CFO ceasing to be an employee of the Company.The performance restricted shares are were based on the attainment of performance criteria equally weighted between adjusted EBITDA and revenue. The shares for each grant will be released from restriction equally revenue, and on June 8, 2023 the Company determined that the performance criteria was not attained over a three year the applicable performance period on the anniversary of the grant date, and in the case of the performance restricted shares were forfeited.

In June 2023, the Company granted the Company's CFO 11,750 RSUs under the 2022 Employee Plan, of which 3,750 RSUs were awarded in recognition of the CFO's contributions during fiscal year 2023 and the remaining 8,000 awarded as a part of the equity award cycle for fiscal year 2024. One-third of the RSUs will vest on each of the first three anniversaries of the date of grant, subject to the attainment CFO's continued employment with the Company through the applicable vesting date, with any unvested RSUs being forfeited upon the CFO ceasing to be an employee of the Company.Also in June 2023, the CFO was awarded 8,000 PSUs with a market condition. The CFO will earn shares of our common stock pursuant to the PSUs based on the Company's total shareholder return ("TSR") relative to the S&P 600 Specialty Retail Index ("Index") over an overall three-year performance criteria. period consisting of the 2024 through 2026 fiscal years, as follows:

- 100% of the target number of shares, which is 8,000 shares, will be earned if the Company's TSR is equal to or greater than the 75th percentile of the Index (the "maximum target payout");
- 50% of the target number of shares, which is 4,000 shares, will be earned if the Company's TSR is equal toat least the 50th percentile of the Index;
- 25% of the target number of shares, which is 2,000 shares, will be earned if the Company's TSR is equal to at least the 25th percentile of the Index (the "minimum threshold");
- No shares will be earned if the TSR is less than the 25th percentile of the Index, and the payout is capped at 2,000 shares if absolute TSR is negative, regardless of relative position to the Index; and
- Linear scaling will be used to determine the number of shares earned for performance between the maximum target payout level and the minimum threshold payout level.

Subsequent to March 31, 2024, 3,917 of the RSUs granted in June 2023 and all PSUs granted granted in June 2023 were forfeited and cancelled in connection with the CFO's Transition and Separation Agreement - see Note 16, Subsequent Events.

For the fiscal years ended March 31, 2023 March 31, 2024, 2022, 2023, and 2021, 2022, the Company recognized compensation expense related to the 2016 and 2022 Employee Plan and the 2015 Director Plan of $6.6 million $6.9 million, $4.5 million $6.6 million, and $3.3 million $4.5 million, respectively. All stock-based compensation expense is recognized as a payroll-related expense and it is included within the general and administrative expenses line item within the Company's Consolidated Statements of (Loss) Income, and the offset is included in the additional paid-in capital line item of the Company's Consolidated Balance Sheets.

On February 3, 2023

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Restricted Stock (Continued)

Restricted Stock Awards

For the year ended March 31, 2024, we issued 6,000 shares of our common restricted stock to a consultant pursuant to a consulting agreement in exchange for consulting services. The securities were issued in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) award ("RSA") activity under the Securities Act Plans was as a transaction by an issuer not involving any public offering and the standard Securities Act restrictive legend and stop transfer instructions were noted on the stock certificate. follows:

A summary of the Company's non-vested restricted stock at March 31, 2023is as follows (in thousands):

	Employee Plan Number of Shares	Director Plan Number of Shares	Both Plans Number of Shares
Non-vested restricted stock outstanding at March 31, 2022	702	69	771
Restricted stock granted	88	39	127

Restricted stock vested	(88)	(30)	(118)
Restricted stock forfeited or expired	(18)	(9)	(27)
Non-vested restricted stock outstanding at March 31, 2023	684	69	753

	2016 Employee Plan Number of Shares	2015 Director Plan Number of Shares	2022 Employee Plan Number of Shares	All Plans Number of Shares
Non-vested restricted stock outstanding at March 31, 2023	684,200	68,629	0	752,829
Granted and issued	12,400	1,623	89,742	103,765
Vested	(76,343)	(29,418)	(8,332)	(114,093)
Forfeited	(14,914)	(17,127)	(7,334)	(39,375)
Non-vested restricted stock outstanding at March 31, 2024	605,343	23,707	74,076	703,126

At March 31, 2023 March 31, 2024 and 2022, 2023, there were 752,829 703,126 and 770,652, non-vested 752,829, restricted shares subject to restriction and forfeiture outstanding, respectively. During the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, the Company issued, released from restrictions, net of forfeitures, 99,390 64,390 and 709,599 99,390 restricted shares, respectively. The weighted-average grant date fair value of restricted shares was $21.57 $14.75 and $30.47 $21.57 for fiscal years 2023 2024 and 2022, 2023, respectively. The total fair value of restricted shares vested released from restrictions was $2.4 million $1.4 million and $3.0 million $2.4 million for fiscal years 2023 2024 and 2022, 2023, respectively. At March 31, 2023 March 31, 2024 and 2022, 2023, there were $9.1 million $3.2 million and $13.4 million $9.1 million of unrecognized compensation costs related to the restricted stock subject to restriction and forfeiture awards, respectively, which is expected to be recognized over the remaining weighted average restriction and forfeiture period of 7 months and 1.6 years for fiscal 2024 and 2023, respectively.

Restricted Stock Units

The Company first granted restricted stock units ("RSUs") in the year ended March 31, 2024. The fair value assigned to RSUs is the market price of the Company's stock on the grant date. The vesting period for employees and members of the Board of Directors ranges from one to three years.

For the year ended March 31, 2024, RSU activity under the Plans was as follows:

	RSUs	Weighted-Average Grant Date Fair Value Per RSU
Non-vested RSUs outstanding at March 31, 2023	–	$ –
Granted	88,880	$ 12.78
Vested and issued	–	$ –
Forfeited	(3,800)	$ 13.35
Non-vested RSUs outstanding at March 31, 2024	85,080	$ 12.75

The total grant-date fair value of RSUs granted during the twelve months ended March 31, 2024 and 2023 was $1.1 million and zero, respectively. For the twelve months ended March 31, 2024 and 2023, the Company recorded stock-based compensation related to RSUs of $0.3 million and zero, respectively. At March 31, 2024 and 2023, there were $0.8 million and zero of unrecognized compensation costs related to RSUs subject to restriction and forfeiture awards, respectively, which is expected to be recognized over the remaining weighted average restriction and forfeiture period of 2.3 years and 0 years for fiscal 2024 and 2023, respectively.

Performance Stock Units

The Company first granted performance stock units ("PSUs") in the year ended March 31, 2024. The fair value assigned to PSUs is determined using the market price of the Company's stock on the grant date for awards with a performance condition, and by using a Monte Carlo simulation for awards with a market condition. Existing PSUs with a performance condition vest over one year. Existing PSUs with a market condition vest over three years. Stock-based compensation costs associated with PSUs with a performance condition are re-assessed each reporting period based upon the estimated performance attainment on the reporting date until the performance conditions are met. The ultimate number of shares of common stock that are issued to an employee is the result of the actual performance of the Company at the end of the performance period compared to the performance targets and generally ranges from 0% to 200% of the initial PSU grant.

For the year ended March 31, 2024, PSU activity under the Plans was as follows:

	PSUs	Weighted-Average Grant Date Fair Value Per PSU
Non-vested PSUs outstanding at March 31, 2023	–	$ –
Granted	12,000	$ 10.48
Vested and issued	–	$ –
Forfeited	–	$ –
Performance adjustment	–	$ –
Non-vested RSUs outstanding at March 31, 2024	12,000	$ 10.48

The total grant-date fair value of PSUs granted during the twelve months ended March 31, 2024 and 2023 was $126 thousand and zero, respectively. For the twelve months ended March 31, 2024 and 2023, the Company recorded stock-based compensation related to PSUs of $64 thousand and zero, respectively. At March 31, 2024 and 2023, there were $62 thousand and zero of unrecognized compensation costs related to PSUs subject to restriction and forfeiture awards, respectively, which is expected to be recognized over the remaining weighted average restriction and forfeiture period of 1.6 years and 2.3 0 years for fiscal 2024 and 2023, and 2022, respectively. respectively

(7) (12) Fair Value Measurements

The Company carries cash and cash equivalents and investments at fair value in the Consolidated Balance Sheets. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. ASC Topic 820 (*"Fair Value Measurements"*) establishes a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. At March 31, 2023 March 31, 2024 and 2022 2023 the Company had invested the majority of its $104.1 million $55.3 million and $111.1 million $104.1 million cash and cash equivalents balance in money market funds which are classified within Level 1.

(8) (13) Net (Loss) Income Per Share

In accordance with the provisions of ASC Topic 260 ("*Earnings Per Share*") basic net (loss) income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per common share includes the dilutive

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Net Income Per Share (Continued)

effect of potential restricted stock and the effects of the potential conversion of preferred shares, calculated using the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Net Income Per Share (Continued)

treasury stock method. Unvested restricted stock, and convertible preferred shares issued by the Company represent the only dilutive effect reflected in diluted weighted average shares outstanding.

The following is a reconciliation of the numerators and denominators of the basic and diluted net (loss) income per share computations for the periods presented (in thousands, except for per share amounts):

Year Ended March 31,		Year Ended March 31,	
2024	2024	2023	2022

Net (loss) income (numerator):

		Year Ended March 31,							
Net (loss) income									
		2023	**2022**	**2021**					
Net income (numerator):									
Net (loss) income									
Net income		$ 233	$21,100	$30,603					
Net (loss) income									
Shares (denominator)	Shares (denominator)								
Shares (denominator)									
Shares (denominator)									
Weighted average number of common shares outstanding used in basic computation									
Weighted average number of common shares outstanding used in basic computation									
Weighted average number of common shares outstanding used in basic computation	Weighted average number of common shares outstanding used in basic computation	20,275	20,176	20,060		20,395,959	20,274,786		20,175,930
Common shares issuable upon the vesting of restricted stock	Common shares issuable upon the vesting of restricted stock	54	172	49	Common shares issuable upon the vesting of restricted stock	—	54,091		171,765
Common shares issuable upon conversion of preferred shares	Common shares issuable upon conversion of preferred shares	10	10	10	Common shares issuable upon conversion of preferred shares	—		10,125	
Shares used in diluted computation	Shares used in diluted computation	20,339	20,358	20,119	Shares used in diluted computation	20,395,959	20,339,002		20,357,820
Net income per common share:									
Net (loss) income per common share:									
Net (loss) income per common share:									
Net (loss) income per common share:									
Basic									
Basic									
Basic	Basic	$ 0.01	$ 1.05	$ 1.53					
Diluted	Diluted	$ 0.01	$ 1.04	$ 1.52					

At March 31, 2023 March 31, 2024, 2022, 2023, and 2021 2022, 827,863, 745,854, 220,727, and 20,952 220,727 shares of common restricted stock, respectively, were excluded from the computations of diluted net income per common share, as their inclusion would have had an anti-dilutive effect on diluted (net loss)/net income per common share.

(9) (14) Commitments and Contingencies

Legal Matters and Routine Proceedings

The Company has settled complaints that had been filed with various states' pharmacy boards in the past. There can be no assurances made that other states will not attempt to take similar actions against the Company in the future. The Company also intends to vigorously defend its trade or service marks. There can be no assurance that the Company will be successful in protecting its trade or service marks. Legal costs related to the above matters are expensed as incurred. From time to time, the Company may be involved in and subject to disputes and legal proceedings, as well as demands, claims and threatened litigation that arise in the ordinary course of its business. These proceedings may include allegations involving business practices, infringement of intellectual property, employment or other matters. The ultimate outcome of any legal proceeding is often uncertain, there can be no assurance that the Company will be successful in any legal proceeding, and unfavorable outcomes could have a negative impact on our results of operations and financial condition. In accordance with ASC Topic 450-20 ("*Loss Contingencies*"), the Company records a liability in its financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews the status of each significant matter each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary to make the financial statements not misleading. If the loss is not probable and cannot be reasonably estimated, a liability is

not recorded in the Company's financial statements. Gain contingencies are not recorded until they are realized. Legal costs related to any legal matters are expensed as incurred.

Sales Tax

On June 21, 2018, the United States Supreme Court rendered a decision in South Dakota v. Wayfair, Inc., holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning certain existing court precedent. The Company has evaluated its state tax filings with respect to the Wayfair decision and currently collects and remits applicable sales taxes in all jurisdictions in which it has a physical presence or it believes Nexus exists. During the year ended March 31, 2023, the Company received an assessment for sales tax; based upon this, the Company evaluated the various jurisdictions for additional exposure and recorded an increase of $7.8 million for potential sales tax exposure. The Company included $4.0 million in the "Accrued expenses and other current liabilities" line item and $3.8 million in the "Other long-term liabilities" line item in the Consolidated Balance Sheets as of March 31, 2023 with the offsetting expense recognized in the "General and administrative" line item within the Consolidated Statements of Income for the year ended March 31, 2023.

Employment Agreements

On May 28, 2021,the Board of Directors notified Menderes Akdag ("Mr. Akdag"), former CEO & President and Director, that the Company would not extend Mr. Akdag's employment agreement with the Company, and the employment agreement would therefore end on July 30, 2021,in accordance with the scheduled end date of the agreement. Effective July 31, 2021,the Board of Directors appointed Bruce S. Rosenbloom ("Mr. Rosenbloom"), the Company's former Chief Financial Officer, as Interim Chief Executive Officer and President of the Company, until a permanent successor chief executive officer was appointed. Mr. Rosenbloom received an additional cash stipend of $10 thousand for the additional responsibilities while serving as Interim Chief Executive Officer and President, which ended on August 30, 2021.

On June 11, 2021,the Company and Mr. Akdag, entered into a CEO Separation Agreement and General Release setting forth certain matters relating to the expiration of Mr. Akdag's employment with the Company (the "Separation Agreement"). The Separation Agreement provided that Mr. Akdag's employment with the Company, and service as an officer and director of the Company, would terminate as of July 30, 2021.The Separation Agreement also documented Mr. Akdag's agreement that, during his remaining period of employment through July 30, 2021,he would continue to provide his fulltime attention to the business affairs of the Company and cooperate with the Company's Board of Directors on the transition to a new chief executive officer. The Separation Agreement provided that Mr. Akdag would be paid *two* lump-sum severance payments of $325 thousand each, with the first such payment to be paid, and was paid, onAugust 10, 2021,and the second to be paid, and was paid, on December 31, 2021,subject to his compliance with the terms and conditions of his then existing employment agreement, and the Separation Agreement. In exchange for the Company's agreement to make the severance payments, Mr. Akdag granted the Company a full release of any and all claims that he mayhave against the Company and its affiliates and related parties.

In addition, as a part of the Separation Agreement, the Company confirmed that the 37,800 restricted shares held by Mr. Akdag would be, and were, released from restriction and forfeiture on July 31, 2021,and that the Company would, and did, cover the tax withholding obligations in connection with such release of shares from restriction and forfeiture. Under the Separation Agreement, Mr. Akdag agreed that he would continue to comply with his existing confidentiality, non-solicitation, and non-compete obligations, and he further agreed that until July 31, 2022,he would comply with certain "standstill" covenants relating to the Company.

On August 25, 2021, the Board of Directors appointed Mathew N. Hulett ("Mr. Hulett") as Chief Executive Officer and President of the Company and as a member of the Board of Directors. These appointments and the employment agreement were effective as of August 30, 2021. The employment agreement is was for an initial term of three (3) years commencing on August 30, 2021 and will automatically renew renewed for successive one (1) year terms, or for longer periods as mutually agreed upon by the parties, unless the employment agreement is was expressly cancelled by either Mr. Hulett or the Company sixty (60) days prior to the end of the then current term, or is was otherwise terminated as provided in the agreement. The employment agreement provides provided that Mr. Hulett will

receive received an annual base salary of $500 thousand, subject to periodic review for increases with the approval of the Board of Directors, and will was be eligible to participate in the standard employee benefit plans generally available to executives and employees of the Company, including health insurance, life and disability insurance, restricted stock under the Company's equity compensation plan(s), 401(k) plan, and paid time off and paid holidays. The employment agreement also provides provided that the Company will reimburse Mr. Hulett for his documented business expenses incurred in connection with his employment pursuant to the Company's standard reimbursement expense policy and practices. The employment agreement contains contained certain rights of Mr. Hulett and the Company to terminate Mr. Hulett's employment, including termination by the Company for "Cause" as defined in the employment agreement, and termination by Mr. Hulett for "Good Reason" as defined in the employment agreement within twelve (12) months of a Change in Control as defined in the employment agreement. Mr. Hulett is was also entitled to severance pay equal to twelve (12) months of Mr. Hulett's current base salary and eighteen (18) months of health insurance benefits in the event of his termination by the Company without Cause, or termination by Mr. Hulett for Good Reason within twelve (12) months of a Change in Control. The foregoing severance benefits are conditioned upon Mr. Hulett's execution of a release of claims and compliance with certain restrictive covenants. The employment agreement contains customary non-disclosure and non-solicitation provisions as well as a one (1) year non-compete following the termination of the agreement. Subsequent to March 31, 2024 the employment agreement with Mr. Hulett was terminated (See Note 16 - Subsequent Events, for a description of the Transition and Separation Agreement with Mr. Hulett).

On August 30, 2021, Mr. Hulett also received an award of 90,000 shares of restricted stock under the Company's 2016 Employee Plan, which stock restrictions will lapse pro rata on each of August 30, 2022, August 30, 2023, and August 30, 2024, which are subject to forfeiture in the event of termination of employment (except as provided in the restricted stock agreement). Mr. Hulett also received an award of 510,000 shares of performance restricted stock under the 2016 Employee Plan, which stock restrictions will lapse on the third anniversary of the date of grant based on (i) achieving absolute stock price hurdles within the three-year period from the date of grant, and (ii) continued employment through the performance period of three years from the date of grant, in accordance with the following schedule: 85,000 shares at the stock hurdle price of $40 per share, 107,000 shares at the stock hurdle price of $45 per share, 106,000 shares at the stock hurdle price of $50, 106,000 shares at the stock hurdle price of $55, and 106,000 shares at the stock hurdle price of $60.

Should none of the absolute stock price hurdles be met during the three-year period from the date of grant, no shares would vest (as defined in the performance restricted stock agreement). Once the absolute stock price hurdle is achieved, it will be considered to have met the absolute stock price hurdle, regardless of the stock price on the third anniversary of the date of grant. The absolute stock price hurdle would be considered to have been met if the average closing stock price of the Company is at or above the absolute stock price hurdle for a period of ninety (90) consecutive trading days. If the shares would be considered to have met the absolute stock price hurdle, they will only vest on the third anniversary of date of grant, subject to Mr. Hulett's continued employment through the performance period of three years from the date of grant (except as provided in the performance restricted stock agreement). As of March 31, 2023 March 31, 2024, none of the performance restricted stock vested, as no performance stock price hurdles were met.

On July 14, 2022, the Board of Directors appointed Christine Chambers ("Ms. Chambers") to serve as the Company's Chief Financial Officer and to assume the duties of principal financial officer and principal accounting officer effective August 3, 2022 ("Effective Date"). The Company entered into an offer letter with Ms. Chambers

to set the terms and conditions of Ms. Chambers' employment as Chief Financial Officer of the Company. Ms. Chambers will receive an annual base salary of $375 thousand and received a one-time sign-on bonus in the amount of $50 thousand, subject to pro rata repayment if Ms. Chambers terminates terminated employment with the Company within the first twelve months of employment. Ms. Chambers received an initial equity award under the 2016 Employee Plan consisting of (i) an award of 13,000 restricted shares, and (ii) 3,000 performance restricted shares, which performance restricted shares will be based on the attainment of performance criteria equally weighted between adjusted EBITDA and revenue as of the fiscal year ended March 31, 2023 March 31, 2024. The shares for each grant will be released from restriction equally over a three (3) year period on the anniversary of the grant date, subject to the attainment of performance criteria in the case of the performance restricted shares.

In connection with Mr. Rosenbloom's transition services and subsequent separation from employment with the Company, on August 2, 2022 the Company and Mr. Rosenbloom entered into a CFO Transition and Separation Agreement (the "Separation Agreement") pursuant to which Mr. Rosenbloom remained in his current position as CFO of the Company through and including August 2, 2022, and following the termination of his status as CFO, Mr. Rosenbloom continued to serve as an employee of the Company to provide transition services to the Company through his date of termination. His employment ended on December 31, 2022 ("Separation Date"). While Mr. Rosenbloom served as an employee of the Company, he continued to receive his current base salary and benefits as was in effect. The Separation Agreement provided that Mr. Rosenbloom would be paid two lump-sum severance payments of $182 thousand each, with the first such payment to be paid on the Company's next payroll date following the Separation Date, and was paid January 13, 2023, and the second to be paid on the Company's next payroll date six-months following the Separation Date, subject to his compliance with the terms and conditions of his then existing employment agreement, and the Separation Agreement. In exchange for the Company's agreement to make the severance payments, Mr. Rosenbloom granted the Company a full release of any and all claims that he may have against the Company and its affiliates and related parties.

In addition, as a part of the Separation Agreement, the Company confirmed that the 13,275 restricted shares held by Mr. Rosenbloom under the 2016 Employee Plan were released from restriction and forfeiture on December 31, 2022, Under the Separation Agreement, Mr. Rosenbloom's existing non-compete obligation was reduced to a period of twelve (12) months.

In connection with the separation of the Company's former Chief Financial Officer, the Company has accrued paid the remaining $182 thousand payment with respect to the severance, pursuant to the Separation Agreement included in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheet as of March 31, 2023. fiscal year 2024.

(10) (15) Employee Benefit Plan

The Company maintains a 401(k) Savings Plan for eligible employees. The plan is a defined contribution plan that is administered by the Company. All regular, full-time employees are eligible for voluntary participation upon completing one year 90 days of service and having attained the age of 21. The plan provides for growth in savings through contributions and income from investments. It is subject to the provisions of the Employee Retirement Income Security Act of 1974*,* as amended. Plan participants are allowed to contribute a specified percentage of their base salary. The Company matches 100% of the first 4% of the employees employee's contribution. The matching contribution is funded subsequent to the calendar year. During the fiscal years ended March 31, 2023 March 31, 2024, 2022, 2023, and 2021, 2022, the Company recorded $350 thousand, $289 thousand, $238 thousand, and $245 $238 thousand, respectively, of 401(k) matching contribution and administration expense to general and administrative expenses.

(11) Minority Interest Investment in Vetster (16) Subsequent Events

Transition and Separation Agreement with Matthew Hulett

On April 19, 2022 April 29, 2024, the Company engaged in and Mathew Hulett entered into a three-year partnership agreement with Vetster Inc. ("Vetster"), Transition and Separation Agreement pursuant to which Mr. Hulett resigned as President and Chief Executive Officer, and also as a veterinary telehealth Canadian company. The director, of the Company also purchased a 5% minority interest in Vetster in the amount of $5.0 million and received warrants for additional equity in Vetster, which are tied to future performance milestones. effective April 29, 2024 (the "Hulett Agreement"). Under the terms of the agreement, Hulett Agreement, Mr. Hulett remained employed by the Company became through May 10, 2024 to assist the exclusive e-commerce provider for Vetster, Company in transition matters, and Vetster became the exclusive provider Company will pay Mr. Hulett severance compensation thereafter in the form of telehealth and telemedicine services to the Company. The minority interest investment is being valued on the cost basis. At March 31, 2023, we evaluated the investment in accordance with ASC Topic 321 (*Accounting for Equity Interests*) and determined it was not impaired. continuation of his base salary

(12) Subsequent Events and reimbursement of COBRA premiums through August 30, 2024, which was the scheduled expiration date of his employment agreement. The Hulett Agreement also provided that the Company cancelled the 510,000 performance restricted shares granted in August 2021, and accelerated the vesting of Mr. Hulett's remaining unvested shares of restricted common stock (consisting of 30,000 shares) previously granted under a Restricted Stock Agreement between the Company and Mr. Hulett which would have otherwise vested on August 30, 2024.

Appointment of Sandra Campos as Chief Executive Officer

On January 13, 2023 April 29, 2024, the Company appointed Sandra Campos, an existing director of the Company, as the Company's new Chief Executive Officer and President. On the same date, the Company and Ms. Campos entered into an Executive Employment Agreement setting forth the terms under which Ms. Campos was employed by the Company as Chief Executive Officer and Plan President (the "Employment Agreement"). Ms. Campos will continue to serve as a director of Merger to acquire PetCareRx, Inc. ("PetCareRx"), a leading supplier of pet medications, food, the Company for so long as she remains Chief Executive Officer and supplies, President.

Ms. Campos' Employment Agreement provides for an aggregate consideration initial employment term of approximately $36.0 million 3 years and for automatic renewal for successive 1-year terms thereafter unless either party provides notice of non renewal at least 60 days prior to the end of the then-current term. As provided in cash, the Employment Agreement, Ms. Campos will serve the Company on a full-time basis and will receive an annual base salary of $550,000, which may be increased in the discretion of the board of directors (but may not be decreased other than as part of a proportionate reduction in management salaries and wages applicable to all senior management). Ms. Campos will receive a signing bonus of $120,000, which is subject to adjustment. repayment if Ms. Campos leaves the Company within one year under circumstances detailed in the Employment Agreement. Ms. Campos will also receive customary expense reimbursement (in accordance with the Company's standard policies), and will receive the medical, health, and other benefits provided to Company employees generally, including participation in the Company's 401(k) plan on the same basis as other employees generally. The Employment Agreement provides that Ms. Campos will be eligible to receive an annual performance bonus based on annual performance goals determined by the Company's board of directors, with a target annual bonus of 100% of Ms. Campos' base salary and a maximum bonus of 200% of base salary. The agreement includes customary restrictive covenants, including confidentiality and non-solicitation covenants and a one-year post-employment non-compete restriction.

Under the Employment Agreement, Ms. Campos will be entitled to equity grants under the Company's current or future equity plan, as follows: On April 29, 2024, Ms. Campos received a grant of restricted stock units ("RSUs") under the Company's 2022 Employee Equity Compensation Plan for a number of RSUs equal to $2.0 million divided by the closing price of the transaction was Company's common stock on the Nasdaq Stock Market on the date of grant. Such RSUs will vest in one-third increments on each of the first 3 anniversaries of the date of grant so long as Ms. Campos continues to be employed by the Company on each vesting date, and such RSUs will otherwise contain the standard provisions for RSU grants by the Company. Thereafter, Ms. Campos will be entitled to annual grants of RSUs and performance stock units ("PSUs") having an aggregate value per grant of $750,000 for the annual RSU grant and $750,000 for the annual PSU grant, with such value being calculated based on the closing price of the Company's common stock on the date of grant but subject to customary closing conditions a floor of $4.00 per share. The RSUs included in any such annual grants will vest in the same manner as the initial RSU grant, and certain state pharmacy license the PSUs will have a 3-year performance period and permit filings related to the change of control of PetCareRx. The transaction was approved such performance goals and other terms as shall be determined by the Board Company's board of Directors directors.

Appointment of both the Company and PetCareRx, and Justin L. Mennen as a Director

Table of Contents

the stockholders of PetCareRx, and closed on April 3, 2023. Upon completion of the acquisition, PetCareRx became a wholly-owned subsidiary of the Company.

Subsequent to March 31, 2023 On May 16, 2024, the Board of Directors approved and issued 42,142 restricted shares to employees (the "Board") of PetCareRx under the 2022 Employee Plan as part of a retention initiative, which shares were issued subject to a restriction or forfeiture period that lapses on the first anniversary of the date of grant.

Subsequent to March 31, 2023, the Board of Directors approved and issued 11,910 restricted shares, net of forfeitures, to employees under the 2016 Employee Plan and 31,000 restricted shares to employees under the 2022 Employee Plan, which shares were issued subject to a restriction or forfeiture period that lapses ratably on the first, second, and third anniversaries of the date of grant. The Board also approved the issuance of a pro-rata portion of a non-employee director annual restricted stock grant in the amount of 1,623 restricted shares to Sandra Campos, a newly appointed director on the Board of Directors, under the 2015 Director Plan, which shares were issued subject to a restriction or forfeiture period that lapses ratably on the first, second, and third anniversaries of the date of grant.

OnMay 22, 2023,the Company's Board of Directors declared a quarterly dividend of $0.30 per share on its common stock. The $6.3 million dividend will be payable on June 12, 2023,to shareholders of record at the close of business on June 6, 2023.

(13) Related Party Transaction

The Company's Board of Directors Chairman, Gian Fulgoni, serves on the board of directors of Prophet, a brand and marketing consulting company, which PetMed Express, Inc. engaged (the "Company"), appointed Justin L. Mennen to serve as a director of the Company beginning June 3, 2024. Mr. Mennen will hold this position until the 2024 annual meeting of the Company's stockholders or until his successor is elected and qualified, subject to his earlier resignation or removal. Mr. Mennen has been appointed to serve on the Board's Audit Committee and Corporate Governance and Nominating Committee. In connection with his appointment to the Board, Mr. Mennen will receive compensation in March 2021for $292 thousand. The Company expensed $32 thousand in fiscal 2021, accordance with the remaining $260 thousand expensed in Company's Non-Employee Director Compensation Program.

Transition and Separation Agreement with Christine Chambers

On May 31, 2024, PetMed Express, Inc. (the "Company") entered into a Transition and Separation Agreement (the "Chambers Agreement") with Christine Chambers, the Company's Chief Financial Officer, Treasurer, and Secretary, pursuant to which the Company and Ms. Chambers agreed to the mutual termination of Ms. Chambers' employment with the Company following a transition period. Under the terms of the Agreement, the Company and Ms. Chambers mutually agreed to terminate the Executive Employment Agreement, dated August 3, 2022, between the Company and Ms. Chambers effective immediately (notwithstanding the scheduled expiration date of August 3, 2024), provided that Ms. Chambers will continue to serve as the Company's Chief Financial Officer, Secretary, and Treasurer on a full-time basis for a transition period (the "Transition Period") that will end on the fifth business day after the Company files its Quarterly Report on Form 10-Q for the Company's fiscal 2022. This transaction was approved quarter ending June 30, 2024, or, if earlier, upon the fifteenth day after written notice by the Company of the earlier termination of the Transition Period. Ms. Chambers will work with and cooperate with the Company in transitioning her duties and responsibilities to such successor.

The Chambers Agreement provides that, during the Transition Period, Ms. Chambers will continue to receive her current base salary and benefits, and upon the completion of the Transition Period and contingent on Ms. Chambers' complying with the terms of the Chambers Agreement, the Company will accelerate the vesting of all unvested restricted shares and restricted stock units that were originally scheduled to vest on or before August 3, 2025. Ms. Chambers has agreed to a customary general release and waiver of claims against the Company in exchange for the Company's Board of Directors with terms that are comparable to those with an unrelated third party. covenants and agreements set forth in the Chambers Agreement.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for the preparation and integrity of the Consolidated Financial Statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in the Annual Report on Form 10-K is consistent with that in the financial statements.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934 ("Exchange Act"). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements. Our internal control over financial reporting is supported by a team of consultants and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel, and a written Corporate Code of Business Conduct and Ethics adopted by our Company's Board of Directors, applicable to all Company Directors and all officers and employees of our Company and subsidiaries.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee ("Committee") of our Company's Board of Directors, comprised solely of Directors who are independent in accordance with the requirements of The NASDAQ Stock Market LLC listing standards, the Exchange Act and the Company's Corporate Governance Guidelines, meets with the independent auditors and management periodically to discuss internal control over financial reporting, and auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors without management present to ensure that the independent auditors have free access to the Committee.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2023 March 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework - 2013.* Based on our assessment, management believes that the Company did not maintain effective internal control over financial reporting as of March 31, 2023 March 31, 2024 due to the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As identified in the Form 10-K/A filed on April 15, 2024, we identified the following material weakness in internal control: the Company had inadequate weaknesses;

1. A lack of segregation of duties over the preparation, approval and posting of manual certain journal entries. Notwithstanding As mentioned below, this material weakness has been remediated at March 31, 2024; and

2. A material weakness in the foregoing, design of our controls over the review of appropriate application of GAAP relating to our sales tax liability in our consolidated financial statements.

At the time the 10-K/A was filed, we also identified a material weakness in the design of our controls over accurate valuation of our deferred tax asset and goodwill relating to our acquisition of PetCareRx. In April 2023, this material weakness resulted in the restatement of our unaudited condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2023 and September 30, 2023, as well as an additional tax error in the year ending March 31, 2024 relating the misapplication of Internal Revenue Code 162(m) which limits the deductibility of executive compensation.

The material weakness due to a lack of segregation of duties over the preparation, approval and posting of certain journal entries has been remediated and the material weaknesses in the design of our controls over accurate recording of our sales tax liability and our controls over accurate valuation of our deferred tax asset and goodwill relating to our acquisition of PetCareRx remain unremediated as of March 31, 2024. Management is taking steps to remediate these material weaknesses (see "Remediation of Material Weaknesses" below for details).

During the year ending March 31, 2024, we identified a new material weakness in internal controls relating to our information technology general controls ("ITGCs") in the areas of user access, change management believes, and service organizations over information technology ("IT") systems that support the Company's financial reporting processes. This material weakness may impact revenue and other business process controls and automated controls reliant opinion these ITGCs. We believe that these control deficiencies were a result of lack of documentation created and retained to evidence management's procedures. The individual deficiencies identified to preventative and detective controls resulted in an aggregate material weakness related to ITGCs. This material weakness did not result in any identified misstatements to the financial statements or any change in previously released financial results.

Remediation of Material Weaknesses

As mentioned above, we have remediated the material weakness relating to segregation of duties. In response to the material weakness due to a misstatement lack of our financial statements.

We are developing a remediation plan that includes increasing segregation of duties over the preparation, approval and posting of certain journal entries, we have increased resources and modifying modified processes to ensure there is adequate eliminate the lack of segregation of duties over the preparation, approval and posting of journal entries. We

While not yet remediated, in response to the material weakness due to the tax calculations, we have developed and are committed in the process of implementing a remediation plan. The key elements of the plan include:
1. Enhancing the oversight and review of tax-related accounting estimates and calculations to maintaining a strong ensure they are complete and accurate,
2. Providing additional training to personnel involved in tax accounting and financial reporting to enhance their understanding of the relevant accounting standards and requirements, and
3. Enhancing the documentation of tax positions and related accounting judgments to ensure they are adequately supported and can withstand external scrutiny.

While our remediation plan related to the material weakness in internal control environment controls relating to our information technology general controls ("ITGCs") may evolve and expand, management has been implementing and continues to implement measures designed to help ensure that control deficiencies contributing to the material weakness are remediated as soon as possible. such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) developing and maintaining documentation underlying ITGCs; (ii) implementing an IT management review, bringing in new management and revising the testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes; and (iii) enhanced quarterly reporting on the remediation measures to the Audit Committee of the Board of Directors.

While the material weakness around segregation of duties has been remediated, the other material weaknesses described herein will not be remediated until our remediation plan has been fully developed and implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively. We are continuing to work on the implementation of our remediation plan, following which we will continue to test and monitor the new and enhanced controls until management has concluded that they are designed and operating effectively. We may conclude that additional measures, including resources, are necessary to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional evaluation and implementation time. We may also modify certain of the remediation efforts described above.

The Company's auditors, RSM US LLP, a an independent registered public accounting firm, are appointed by the Audit Committee of the Company's Board of Directors, subject to ratification by our Company's shareholders. RSM US LLP have audited and reported on the Consolidated Financial Statements of PetMed Express, Inc. and subsidiaries, and issued a report on the Company's internal control over financial reporting. The reports of the independent auditors are contained in our Annual Report on Form 10-K.

/s/ Mathew N. Hulett Sandra Y. Campos
Mathew N. Hulett
President,

Sandra Y. Campos
Chief Executive Officer, President, Director

May 23, 2023 June 14, 2024

/s/ Christine Chambers
Christine Chambers

Chief Financial Officer, Treasurer and Treasurer Secretary

May 23, 2023 June 14, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and the Board of Directors of PetMed Express, Inc. and subsidiaries

Opinion on the Internal Control Over Financial Reporting

We have audited PetMed Express, Inc. and its subsidiaries' (the Company) internal control over financial reporting as of March 31, 2023 March 31, 2024, based on criteria established in *Internal Control—Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, because of the effect of the material weakness weaknesses described below, the Company has not maintained effective internal control over financial reporting as of March 31, 2023 March 31, 2024, based on criteria established in *Internal Control — Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company and our report dated May 23, 2023 June 13, 2024, expressed an unqualified opinion. opinion on those consolidated financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded PetCareRx, Inc. from its assessment of internal control over financial reporting as of March 31, 2024, because it was acquired by the Company in a purchase business combination in the first quarter of 2024. We have also excluded PetCareRX, Inc. from our audit of internal control over financial reporting. PetCareRx, Inc. is a wholly owned subsidiary whose total assets and net loss represent approximately 26% and 50%, respectively, of the related consolidated financial statement amounts as of and for the year ended March 31, 2024.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has weaknesses have been identified and included in management's assessment. management's assessment:

a. There were deficiencies in the design and implementation of information technology general controls (ITGCs) in the areas of user access, change management and service organizations that are relevant to preparation of the financial statements and impacts all business processes including revenue. As a result, IT-dependent manual and automated controls that rely on the affected ITGCs, or information from the IT systems with affected ITGCs, were also ineffective.

b. The Company has inappropriate segregation of duties did not have appropriate design and operating effectiveness in controls over the preparation, approval review of income taxes and posting the valuation of manual journal entries. goodwill.

This

c. The Company's prior-year material weakness was relating to the review of appropriate application of generally accepted accounting principles for the Company's sales tax liability remained unremediated as of March 31, 2024.

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 2024 consolidated financial statements, and this report does not affect our report dated May 23, 2023 June 13, 2024, on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Fort Lauderdale, Florida
May 23, 2023 June 13, 2024

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of March 31, 2023 March 31, 2024, the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date, that our disclosure controls and procedures were not effective as of March 31, 2023 March 31, 2024, due to the material weakness weaknesses in internal control over financial reporting described below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2023 March 31, 2024 based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework,* management concluded that our internal control over financial reporting was not effective, as of March 31, 2023 March 31, 2024, as a result of the material weakness weaknesses described below.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As a result of management's evaluation, identified in the Form 10-K/A filed on April 15, 2024, we identified the following material weaknesses;

1. A lack of segregation of duties over the preparation, approval and posting of certain journal entries. As mentioned below, this material weakness has been remediated at March 31, 2024; and

2. A material weakness in the design of our controls over the review of appropriate application of GAAP relating to our sales tax liability in our consolidated financial statements.

At the time the 10-K/A was filed, we also identified a material weakness in the design of our controls over accurate valuation of our deferred tax asset and goodwill relating to our acquisition of PetCareRx. In April 2023, this material weakness resulted in the restatement of our unaudited condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2023 and September 30, 2023, as well as an additional tax error in the year ending March 31, 2024 relating the misapplication of Internal Revenue Code 162(m) which limits the deductibility of executive compensation.

The material weakness due to a lack of segregation of duties over the preparation, approval and posting of certain journal entries. Notwithstanding entries has been remediated and the foregoing, material weaknesses in the design of our controls over accurate recording of our sales tax liability and our controls over accurate valuation of our deferred tax asset and goodwill relating to our acquisition of PetCareRx remain unremediated as of March 31, 2024. Management is taking steps to remediate these material weaknesses (see "Remediation of Material Weaknesses" below for details).

During the year ending March 31, 2024, we identified a new material weakness in internal controls relating to our information technology general controls ("ITGCs") in the areas of user access, change management believes, and service organizations over information technology ("IT") systems that support the Company's financial reporting processes. This material weakness may impact revenue and other business process controls and automated controls reliant opinion these

ITGCs. We believe that these control deficiencies were a result of lack of documentation created and retained to evidence management's procedures. The individual deficiencies identified to preventative and detective controls resulted in an aggregate material weakness related to ITGCs. This material weakness did not result in any identified misstatements to the financial statements or any change in previously released financial results.

Remediation of Material Weaknesses

As mentioned above, we have remediated the material weakness relating to segregation of duties. In response to the material weakness due to a material misstatement lack of our financial statements.

We are developing a remediation plan that includes increasing segregation of duties over the preparation, approval and posting of certain journal entries, we have increased resources and modifying modified processes to eliminate the lack of segregation of duties over the preparation, approval and posting of journal entries. We

While not yet remediated, in response to the material weakness due to the tax calculations, we have developed and are committed in the process of implementing a remediation plan. The key elements of the plan include:

1. Enhancing the oversight and review of tax-related accounting estimates and calculations to maintaining a strong ensure they are complete and accurate,
2. Providing additional training to personnel involved in tax accounting and financial reporting to enhance their understanding of the relevant accounting standards and requirements, and
3. Enhancing the documentation of tax positions and related accounting judgments to ensure they are adequately supported and can withstand external scrutiny.

While our remediation plan related to the material weakness in internal control environment controls relating to our information technology general controls ("ITGCs") may evolve and expand, management has been implementing and continues to implement measures designed to help ensure that control deficiencies contributing to the material weakness are remediated as soon as possible. such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) developing and maintaining documentation underlying ITGCs; (ii) implementing an IT management review, bringing in new management and revising the testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes; and (iii) enhanced quarterly reporting on the remediation measures to the Audit Committee of the Board of Directors.

While the material weakness around segregation of duties has been remediated, the other material weaknesses described herein will not be remediated until our remediation plan has been fully developed and implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively. We are continuing to work on the implementation of our remediation plan, following which we will continue to test and monitor the new and enhanced controls until management has concluded that they are designed and operating effectively. We may conclude that additional measures, including resources, are necessary to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional evaluation and implementation time. We may also modify certain of the remediation efforts described above.

Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal control over financial reporting during the fourth quarter ended March 31, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer In designing and our Chief Financial Officer, believes that our evaluating the disclosure controls and procedures, and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect recognizes that our disclosure any controls and procedures, or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived designed and operated, can provide only reasonable not absolute, assurance that of achieving the objectives of the desired control system are met. Further, objectives. In addition, the design of a control system and disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgement in evaluating the benefits of possible controls must be considered and procedures relative to the their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by the collusion of two or more people or by management override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. cost.

ITEM 9B. OTHER INFORMATION

Not applicable.

Trading Arrangements

During the fourth quarter ended March 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item will be set forth in our Proxy Statement, proxy statement, to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2023 March 31, 2024, relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023 August 8, 2024, and is incorporated herein by reference.

We have a Corporate Code of Business Conduct and Ethics ("Code") applicable to all officers, directors, and employees. The Company's Corporate Code of Business Conduct and Ethics is available on our website at *www.petmeds.com* under "About Us "Investors - Corporate Governance". You may also obtain a copy of our Corporate Code of Business Conduct and Ethics free of charge by contacting Investor Relations at 1-800-738-6337. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of this Code by posting such information on the website address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in our Proxy Statement, proxy statement, to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2023 March 31, 2024, relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023 August 8, 2024, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item (other than information required by Item 201(d) of Regulation S-K with respect to equity compensation plans, which is set forth under Item 5 in this Annual Report on Form 10-K) will be set forth in our Proxy Statement, proxy statement, to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2023 March 31, 2024, relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023 August 8, 2024, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in our Proxy Statement, proxy statement, to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2023 March 31, 2024, relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023 August 8, 2024, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in our Proxy Statement, proxy statement, to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2023 March 31, 2024, relating to our 2023 2024 Annual Meeting of Shareholders to be held on August 3, 2023 August 8, 2024, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

(1) Consolidated Financial Statements – See the Index to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

The following exhibits are filed as part of this Annual Report on Form 10-K or hereby incorporated by reference to exhibits previously filed with the SEC.

(3) Articles of Incorporation and By-Laws

3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Registration Statement on Form 10-SB, File No. 000-28827, filed January 10, 2000).

3.2 Articles of Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.2 toour Form 10-K for the year ended March 31, 2015, filed May 22, 2015).

3.4 Second Amended and Restated By-Laws of PetMed Express, Inc. (incorporated by reference to Exhibit 3.1 to our Form 8-K, filed March 26, 2020).

(4) Instruments Defining the Rights of Security Holders

4.1 Specimen common stock certificate (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form 10-SB, File No. 000-28827, filed January 10, 2000).

4.2 Description of Securities.*

(10) Material Contracts

10.1 +	2015 Outside Director Equity Compensation Restricted Stock Plan (incorporated by reference to Exhibit B to our definitive Proxy Statement for our 2015 Annual Meeting of Sharekholders filed June 8, 2015).
10.1.1+	Form of Restricted Stock Agreement used for grants of restricted stock under the 2015 Outside Director Equity Compensation Restricted Stock Plan (incorporated by reference to Exhibit 10.10.1 to our Form 10-K for the year ended March 31, 2017 filed May 23, 2017).
10.2 +10.1+	2016 Employee Equity Compensation Restricted Stock Plan, including form of Restricted Stock Agreement used for grants of restricted stock (incorporated by reference to Exhibit A to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders Shareholders filed June 13, 2016).
10.3 10.2 +	Form of Indemnification Agreement entered into with the Directors and Executive Officers of the Company (incorporated by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended June 30, 2019, filed July 30, 2019).
10.4 10.3 +	Executive Employment Agreement with,dated August 25, 2021,between the Company and Mathew N. Hulett (incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 30, 2021).
10.5 +	Restricted Stock Agreement with Mathew N. Hulett (incorporated by reference to Exhibit 10.2to our Form 8-K filed August 30, 2021).
10.6 +	Restricted Performance Stock Agreement with Mathew N. Hulett (incorporated by reference to Exhibit 10.3to our Form 8-K filed August 30, 2021).
10.7+	2022 Employee Equity Compensation Restricted Stock Plan (incorporated by reference to Exhibit A to our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders filed June 17, 2022).
10.7.1+	Form of Restricted Stock Agreement used for grants of restricted stock under the 2022 Employee Equity Compensation Restricted Stock Plan.*
10.8+	CFO Transition and Separation Agreement with Bruce Rosenbloom (incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 2, 2022).
10.9+	Executive Employment Agreement, with dated August 3, 2022, between the Company and Christine Chambers (incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 3, 2022).
10.10+10.8+	Restricted Stock Agreement with Christine Chambers (incorporated 2022 Employee Equity Compensation Plan (as amended and restated)(incorporated by reference to Exhibit 10.2 10.1 to our Form 8-K filed August 3, 2022 June 20, 2023).
10.11+10.8.1+	Form of Restricted Performance Stock Unit Agreement with Christine Chambers under 2022 Employee Equity Compensation Plan (incorporated by reference to Exhibit 10.3 to our Form 8-K filed August 3, 2022 June 20, 2023).
10.8.2+	Form of Performance Stock Unit Agreement under 2022 Employee Equity Compensation Plan(incorporated by reference to Exhibit 10.4 to our Form 8-K filed June 20, 2023).
10.9+	2015 Outside Director Equity Compensation Plan (as amended and restated)(incorporated by reference to Exhibit 10.5 to our Form 8-K filed June 20, 2023).
10.9.1+	Form of Restricted Stock Unit Agreement under 2015 Outside Director Equity Compensation Plan(incorporated by reference to Exhibit 10.7 to our Form 8-K filed June 20, 2023).
10.9.2+	Form of Restricted Stock Agreement under the 2015 Outside Director Equity Compensation Plan (incorporated by reference to Exhibit 10.10.1 to our Form 10-K for the year ended March 31, 2017 filed May 23, 2017).
10.9.3+	Transition and Separation Agreement, dated April 29, 2024, between the Company and Mathew Hulett(incorporated by reference to Exhibit 10.1 to our Form 8-K filed on April 29, 2024).
10.9.4+	Executive Employment Agreement, dated April 29, 2024, between the Company and Sandra Campos(incorporated by reference to Exhibit 10.2 to our Form 8-K filed on April 29,2024).
10.9.5+	Transition and Separation Agreement, dated May 31, 2024, between the Company and Christine Chambers.

(19) Insider trading policies and procedures

19.1 Statement of Policy Regarding Insider Trading*

(21) Subsidiaries of Registrant

21.1 Subsidiaries of Registrant*

(23) Consents of Experts and Counsel

23.1 Consent of RSM US LLP*

(31) Certifications

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)*

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)*

(32) Certifications

32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 1350**

(97) Policy Relating to Recovery of Erroneously Awarded Compensation

97.1 Executive Compensation Recovery Policy*

101.INS*	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition LInkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith
**Furnished herewith
+ Indicates a management contract or compensatory plan or arrangement

ITEM 16. FORM 10–K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 23, 2023 June 14, 2024

PETMED EXPRESS, INC.
(the "registrant")

By: /s/ Mathew N. Hulett Sandra Y. Campos

Sandra Y. Campos Mathew N. Hulett
Chief Executive Officer and President
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on May 23, 2023 June 14, 2024.

SIGNATURE	TITLE
/s/ Mathew N. HulettSandra Y. Campos Mathew N. HulettSandra Y. Campos	Chief Executive Officer, President and Director (principal executive officer)
/s/ Gian M. Fulgoni Gian M. Fulgoni	Chairman of the Board and Director
/s/ Christine Chambers Christine Chambers	Chief Financial Officer and Treasurer (principal financial and accounting officer)
/s/ Leslie C.G. Campbell Leslie C.G. Campbell	Chair of the Board and Director
/s/ Jodi Watson Gian M. Fulgoni Jodi Watson Gian M. Fulgoni	Director
/s/ Peter S. Cobb Peter S. Cobb	Director
/s/ Diana Garvis Purcel Diana Garvis Purcel	Director
/s/ Justin Mennen Justin Mennen	Director

Exhibit 19.1

Statement of Policy Regarding Insider Trading
(Amended and Restated Effective July 28, 2022)

To: All directors, officers and employees of and consultants to PetMed Express, Inc. and its subsidiaries (collectively, the "Company")

Introduction

The purpose of this memorandum is to remind you of your obligation as a director, officer or employee of, or consultant to, the Company to treat and keep material non-public information about the Company as confidential, and to not purchase or sell securities of PetMed Express, Inc. while you have knowledge of such material non-public information.

It is the policy of the Company to prohibit all employees, officers, and members of the board of directors ("Directors") from purchasing or selling Company securities (e.g., stocks, bonds, options, etc.) based upon material non-public information about the Company. In addition, all employees, officers, directors, and consultants to the Company are prohibited from disclosing material non-public information about the Company to another person who may in turn trade in the Company's securities. It is also the policy of the Company to prohibit purchases or sales of the securities of any publicly-traded company based on material non-public information about such company that was obtained in the course of service with the Company.

Restrictions on Trading Securities Based on Insider Information

Your Relationship With the Company

In the course of your employment with, or consultancy to, the Company or because of your relationship as a director, officer or employee, you may come into possession of confidential information concerning the Company. Much of this information has a potential for affecting the market price of shares of PetMed Express, Inc. Under some circumstances, federal securities law would impose potentially onerous civil and criminal penalties on persons who improperly obtain or use material non-public information about the Company in connection with a purchase or sale of its securities.

Liability of the Company for Insider Trading Violations

In addition to creating criminal and civil penalties for employees, officers, directors and consultants who purchase or sell PetMed Express, Inc. securities based upon material, non-public information, federal law empowers the Securities and Exchange Commission ("SEC") to seek substantial civil penalties from any person who, at the time of an insider trading violation, “directly or indirectly controlled the person who committed such violation” i.e., the Company. Thus, the Company may also be subject to civil penalties for insider trading violations committed by employees, officers or directors.

Application of the Law; Material Non-Public Information

The federal and state securities laws prohibit insider trading. Insider trading is the buying or selling of PetMed Express, Inc. securities (i.e., stocks, bonds, options, etc.) based upon “material non-public information” about the Company. These laws also prohibit you from “tipping” or disclosing such information to others, such as a friend or relative, who may then trade in Company securities on the basis of that information. These rules also apply to buying or selling securities of any other public company based on important information that is not known to the public and that was obtained in the course of service at the Company. To be clear, **any** violation of these laws could subject you, the Company, and the Company’s management to civil and criminal liability and penalties, including imprisonment. There is no exception for “minor” trades--state and federal law enforcement have successfully prosecuted insider

trading involving only a small number of shares, modest profits or even where the insider trading avoided losses.

“Non-public” information consists of information that is not generally known or available to the public. Information is generally not considered to be known or generally available to the public until it has been released broadly to the marketplace (such as by a press release or a SEC filing), and enough time has elapsed to permit the investment market to absorb and evaluate the information. Once information is broadly released to the public, it will normally be regarded as absorbed and evaluated within two business days after the information has been broadly released.

“Material” information is information that a reasonable investor would consider important in deciding to buy, sell, hold, or short, PetMed Express, Inc. securities. Information may be important for this purpose even if it would not alone determine an investor’s decision. Material information can be favorable or unfavorable. Examples that could be considered material include (but are not limited to) unannounced or unexpected results of operations; news of a significant pending transaction such as a proposed merger, acquisition, tender offer, exchange offer, major sales, or other commercial agreement; establishment of new line of business; an intended or actual sale of significant assets or the disposition of all or substantially all of a subsidiary; changes in dividend policies, the declaration of a stock split or the offering of additional securities; changes in management; significant joint ventures; introductions of significant new products or services; impending bankruptcy or financial liquidity problems; or the gain or loss of a substantial customer or supplier. Of course, there are numerous other examples of material information and the determination will necessarily depend on the circumstances existing at the time including but not limited to unusually high or low sales of a certain product, overall sales data, financial results, forecasts, changes in senior management, strategic decisions, new contracts or transactions with other companies, and actual or threatened litigation.

“Material non-public information” is information that is both material and non-public. It is also sometimes referred to as “Inside Information” or “Insider Information.”

Statement of Company Policy

Outright Restriction Against Trading When in Possession of Material Non-Public Information

All employees, officers, directors, and consultants to the Company are prohibited from purchasing or selling PetMed Express, Inc. securities (e.g., stocks, bonds, options, etc.) based on material non-public information about the Company.

No Tipping

Employees, officers, directors, and consultants to the Company are prohibited from (i) “tipping” or disclosing material non-public information about PetMed Express, Inc. to another person so that they or others can buy or sell PetMed Express, Inc. securities, and (ii) recommending trading in PetMed Express, Inc. securities to another person based upon material non-public information.

Employees, officers, directors, and consultants to the Company are also prohibited from (i) “tipping” or disclosing material non-public informationabout any other publicly-traded company with whom PetMed Express, Inc. has a business relationship to another person so that they or others can buy or sell securities of such company, and (ii) recommending the trading in such company’s securities to another person based on material non-public informationthat you know about such company that was obtained in the course of your service with PetMed Express, Inc.

Blackout Period

All Employees, officers and directors are prohibited from buying and selling the Company's securities except during the specified trading "window" period for each quarter.

The trading window will open on the second business day after the public release by the Company of any financial or other material information. Trading windows open due to the public release of financial information shall close on the 15th calendar day of the last month of the fiscal current quarter. The Company can announce a new blackout period at any time.

Two exceptions are hereby created to the requirements of the blackout period:

(1) to allow for the selling of the Company's securities only to independent institutional investors and only with the express authorization of the following individuals: either the Chairman of the Board or Chief Executive Officer of the Company (depending on the identity of the seller), and two (2) independent board members. Additionally, either of the two (2) independent board members may require that legal counsel be contacted in order to discuss the propriety of the sale.

(2) to allow for the selling of the Company's securities pursuant to a previously filed 10b5-1 plan.

Hedging of Company Stock; Short Sales

Employees, directors, officers, and consultants to the Company are prohibited from entering into any transaction designed to hedge, or having the effect of hedging, the economic risk of owning the Company's stock. Examples of transactions that fall within this prohibition include trading in options, puts, calls and other similar instruments related to Company stock. In addition, employees, directors, officers and consultants to the Company are prohibited from engaging in short sales (i.e. selling securities you do not own) of PetMed Express, Inc. securities. Regardless of any other provision of this Policy, the prohibitions set forth in this section are not eligible for the granting of an exception.

Margin Accounts and Pledges

Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or be foreclosed upon by the lender if you default on the loan. A margin or foreclosure sale that occurs when you are aware of material non-public informationmay result in unlawful insider trading. As a result, directors, officers, and employees are prohibited from holding PetMed Express, Inc. securities in a margin account that can be sold without your consent and from pledging PetMed Express, Inc. securities as collateral for a loan.

Family Members

No director, officer, employee or consultant may permit any member of his or her immediate family or anyone on his or her behalf ("Related Persons"), or anyone to whom he or she has disclosed material, non-public information, to purchase or sell such securities in violation of the insider trading laws or the policies of the Company. It must be stressed that it is the personal responsibility of each such person to ensure his or her compliance with the laws and regulations applicable to his or her sales and purchases of securities, and that the Company has no obligation to any such person to ensure such compliance.

Other Companies

Due to the acquisition nature of our business, you may become privy to material non-public information of other companies, such as companies with which we may be negotiating transactions. All employees, officers, directors, and consultants to the Company are also prohibited from purchasing or selling the securities of any other publicly-traded company with whom PetMed Express, Inc. has a business relationship based on material non-public information about such company that was obtained in the course of your service with PetMed Express, Inc. or the related company.

Additional Restrictions for Directors, Officers, and Members of the Management Committee

Exhibit 19.1

Standing Orders/10b5-1 Plans. A standing order placed with a broker to purchase or sell PetMed Express, Inc. securities at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material non-public informationmay result in unlawful insider trading even if you were not aware of the material non-public informationwhen you placed the order. As a result, directors, officers, and members of the management committee are prohibited from placing standing orders that are longer than one day for PetMed Express, Inc.

An exception to this prohibition are plans created consistent with Rule 10b5-1 of the Securities Exchange Act of 1934, which provides a “safe harbor” (i.e. an affirmative defense) from insider trading liability under the federal securities laws for trading plans that meet certain requirements. The Company requires that all 10b5-1 plans in PetMed Express, Inc. securities for directors and officers be approved in advance by Chief Financial Officer. Trades in PetMed Express, Inc. securities that are executed pursuant to an approved 10b5-1 plan are not subject to the prohibitions on trading contained in this policy.

Short Swing Transactions. Directors and those senior officers who are subject to Section 16 of the Securities Exchange Act of 1934 (“Reporting Persons”) must refrain from engaging in "short swing" transactions in PetMed Express, Inc. securities prohibited under Section 16. As a general rule, this requirement means that a Reporting Person may not purchase any PetMed Express, Inc. securities if the Reporting Person sold similar securities within the prior six (6) months; and a Reporting Person may not sell any PetMed Express, Inc. securities if the Reporting Person purchased similar securities within the last six (6) months. However, the exercise of a stock option or sale of stock previously granted under PetMed Express, Inc.’s Board-approved equity plans shall not be treated as either a “purchase” or “sale” for purposes of the short swing transaction restrictions nor would the granting or purchase of stock under any Board-approved Company equity plan or stock purchase plan, respectively, be considered a "purchase" for purposes of short swing transaction restrictions.

Reporting Requirements

Section 16 Reports. Reporting Persons must file certain reports with the SEC when they engage in transactions involving PetMed Express, Inc. securities.

Rule 144 Reports. If required, directors, officers and employees must notify the SEC of their intention to sell PetMed Express, Inc. securities in the open market by filing a SEC Form 144in accordance with the existing rules regarding Form 144 filings. This form is generally prepared and filed by your broker and is in addition to any required Section 16 reports.

Corrective Action

Any violation of this Company policy may serve as grounds for immediate termination of employment for cause of the person violating the policy, and may result in the Company seeking reimbursement from such person for any consequential damages or other injury suffered by the Company.

Further Assistance

Any person who has a question concerning the propriety of a proposed transaction or about the Company’s policy may obtain additional guidance from the Company’s Chief Financial Officer.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT (1)
PETMED EXPRESS, INC.
(as of March 31, 2024)

Subsidiaries Wholly-Owned by PetMed Express, Inc.

Entity Name	**State of Incorporation or Organization**
Southeastern Veterinary Exports, Inc.	Florida
Global Veterinary Supply, Inc.	Florida
420 South Congress Avenue, LLC	Florida
PetCareRx, Inc.	New York
PetMeds Insurance Services, LLC	Florida

Indirectly Owned Subsidiaries

Entity Name	**State of Incorporation or Organization**
Congress Park South Owners Association, Inc. (2)	Florida

(1) Each of the named subsidiaries is not necessarily a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X.
(2) A not-for-profit corporation; 420 South Congress Avenue, LLC holds a majority of the voting power.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in these Registration Statements (No. 333-269661 and No. 333-218917) on Form S-8 and related Reoffer Prospectus of PetMed Express, Inc. of our reports dated June 13, 2024, relating to the consolidated financial statements of PetMed Express, Inc. and the effectiveness of internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of material weaknesses) of PetMed Express, Inc., appearing in this Annual Report on Form 10-K of PetMed Express, Inc. for the year ended March 31, 2024.

We also consent to the reference to our firm under the heading "Experts" in such Reoffer Prospectus.

/s/ RSM US LLP
West Palm Beach, Florida
June 14, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sandra Y. Campos, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 14, 2024

By: /s/ Sandra Y. Campos
Sandra Y. Campos
Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christine Chambers, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 14, 2024

By: /s/ Christine Chambers
Christine Chambers
Chief Financial Officer, Treasurer and Secretary

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sandra Y. Campos, and I, Christine Chambers, each certify to the best of our knowledge, based upon a review of the Annual Report on Form 10-K for the year ended March 31, 2024 (the "Report") of PetMed Express, Inc. (the "Registrant"), that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: June 14, 2024

(*)
/s/ Sandra Y. Campos

By: Director

Sandra Y. Campos
Chief Executive Officer and President

By: /s/ Christine Chambers
Christine Chambers
Chief Financial Officer, Treasurer and Secretary

(*) Appointed to the PetMed Express, Inc. Board of Directors on May 17, 2023.

Exhibit 4.2

DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a brief description of the common stock, $0.001 par value per share (the “Common Stock”), of PetMed Express, Inc., a Florida corporation (the “Company”), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Description of Common Stock

General

The following descriptions of our Common Stock and of certain provisions of Florida law do not purport to be complete and are subject to and qualified in their entirety by reference to our amended and restated articles of incorporation, our amended and restated bylaws and the Florida Business Corporation Act, as amended (the “Florida Act”). The Company has authorized 40,000,000 shares of Common Stock of which as of May 23, 2023 June 14, 2024, 21,170,977 20,606,692 shares of Common Stock are issued and outstanding. All of our outstanding shares of Common Stock are fully paid and non-assessable. Our Common Stock is listed on the NASDAQ Global Select Market under the symbol “PETS.”

Common Stock

Holders of the Common Stock have no pre-emptive, redemption, subscription or conversion rights. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of the Company's shareholders. Subject to the dividend rights of the holders of any outstanding preferred stock, each share of Common Stock is entitled to participate equally with respect to dividends as may be declared by the board of directors out of funds legally available therefor. In the case of voluntary or involuntary liquidation, distribution or sale of assets, dissolution, or winding up of the Company, holders of our Common Stock are entitled to receive a pro rata share of the amount distributed after provisions for payment of all debts, other liabilities and any liquidation preferences of outstanding preferred stock. The Florida Act also may affect the terms of these securities.

Limitations on Rights of Holders of Common Stock – Preferred Stock

The rights of holders of Common Stock may be materially limited or qualified by the rights of holders of preferred stock that we may issue in the future. Set forth below is a description of the Company’s authority to issue preferred stock and the possible terms of that stock.

Our amended and restated articles of incorporation authorizes our board of directors, without further shareholder action, to provide for the issuance of up to 5,000,000 shares of preferred stock, with a par value of $0.001 per share, in one or more series, and to fix the designations, preferences, conversion rights, cumulative, relative, participating, optional or other rights, including voting rights, qualifications, limitations or restrictions, redemption and liquidation preferences of each of these series. Of the preferred stock, 250,000 shares have been designated Convertible Preferred Stock of which as of May 23, 2023 June 14, 2024, 2,500 shares of Convertible Preferred Stock are issued and outstanding. We may amend from time to time our amended and restated articles of incorporation to increase the number of authorized shares of preferred stock. Any such amendment would require the approval of the holders of a majority of our shares of Common Stock entitled to vote.

Shareholder Action by Written Consent and Special Meeting

Our amended and restated bylaws provide for action by our shareholders without a meeting with the written consent of shareholders holding the number of shares necessary to approve such action if it were taken at a meeting at which all shares entitled to vote thereon were present. Our amended and restated bylaws also provide that shareholder action can be taken at an annual meeting of the shareholders or at a special meeting which may be called, for any purpose or purposes, by the board of directors or the person or persons authorized to do so by the board of directors and must be called by the Secretary if the holders of not less than ten percent of all votes entitled to be cast on any issue proposed to be considered at such special meeting sign, date and deliver to the Secretary one or more written demands for a special meeting, describing the purpose or purposes for which it is to be held.

0001040130-24-000046image_0.jpg

Authorized but Unissued Shares

Our authorized but unissued shares of Common Stock and preferred stock are available for future issuance without shareholder approval, subject to the requirements of applicable law or regulation, including any listing requirement of the principal stock exchange on which our Common Stock is then listed. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of Common Stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our Common Stock by means of a proxy contest, tender offer, merger or otherwise.

Board Authority to Amend Bylaws

Under our amended and restated bylaws, our board of directors has the authority to adopt, amend or repeal the bylaws without the approval of our shareholders unless the Florida Act reserves the power to amend a particular bylaw provision exclusively to the shareholders.

Certain Anti-Takeover provisions of Florida Law and our Bylaws

Florida Business Corporation Act

We are subject to certain anti-takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607.0901 of the Florida Act, a publicly held Florida corporation may not engage in a broad range of business combinations or other extraordinary corporate transactions with an “interested shareholder” without the approval of the holders of two-thirds of the voting shares of such corporation (excluding shares held by the interested shareholder), unless:

- the transaction is approved by a majority of disinterested directors before the shareholder becomes an interested shareholder;
- the interested shareholder has owned at least 80% of the corporation’s outstanding voting shares for at least five years preceding the announcement date of any such business combination;
- the interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or
- the consideration paid to the holders of the corporation’s voting stock is at least equal to certain fair price criteria.

An “interested shareholder” is defined as a person who together with affiliates and associates beneficially owns more than 10% of a corporation’s outstanding voting shares. We have not made an election in our amended and restated articles of incorporation to opt out of Section 607.0901.

In addition, we are subject to Section 607.0902 of the Florida Act which prohibits the voting of shares in a publicly held Florida corporation that are acquired in a “control share acquisition” unless (i) our board of directors approved such acquisition prior to its consummation or (ii) after such acquisition, in lieu of prior approval by our board of directors, the holders of a majority of the corporation’s voting shares, exclusive of shares owned by officers of the corporation, employee directors or the acquiring party, approve the granting of voting rights as to the shares acquired in the control share acquisition. A “control share acquisition” is defined as an acquisition that immediately thereafter entitles the acquiring party to 20% or more of the total voting power in an election of directors.

These statutory provisions may prevent takeover attempts that might result in a premium over the market price for shares of our common stock.

0001040130-24-000046image_0.jpg

Advance Notice of Shareholder Proposals or Nominations CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Our amended and restated bylaws provide that shareholders at an annual meeting may only consider proposals or nominations (i) specified in the notice of meeting given by or at the direction of the Board, (ii) properly brought before the meeting by or at the direction of the Board or (iii) otherwise properly brought before the meeting by a shareholder of the Company who was a shareholder of record on (a) the date of the giving of timely notice to our Corporate Secretary and (b) the record date for the meeting, who is entitled to vote at the meeting and who has given our Corporate Secretary timely written notice, in proper form. In addition to certain other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder generally must have given notice thereof in proper written form to our Corporate Secretary not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. Our amended and restated bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us.

Proxy Access

Our By-Laws permit a shareholder (or a group of up to 20 shareholders) owning three percent (3%) or more of our common stock continuously for at least three years to nominate and include in our proxy statement candidates for up to the greater of 2 of 20% of our Board. To be timely, a notice of a nomination under our proxy access bylaw provisions must be delivered to or mailed and received at the principal executive offices of the Company not less than one-hundred twenty (120) days nor more than one-hundred fifty (150) days prior to the anniversary of the date that the Company first distributed its proxy statement to shareholders for the immediately preceding annual meeting of shareholders. The notice must contain certain information specified in our amended and restated bylaws.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is Continental Stock Transfer & Trust Company.

Exhibit 10.7.1

RESTRICTED STOCK AGREEMENT PURSUANT TO
PETMED EXPRESS, INC. 2022 EMPLOYEE EQUITY COMPENSATION
RESTRICTED STOCK PLAN

THIS RESTRICTED STOCK AGREEMENT ("Agreement") is made this ___ day of ____, 202_ by and between _______________ (the "Participant") and PetMed Express, Inc., a Florida corporation, on behalf of itself, its subsidiaries and affiliates (collectively, the "Company") pursuant to the Company's 2022 Employee Equity Compensation Restricted Stock Plan (the "2022 Plan").

WHEREAS, the Company desires to award the Participant shares of common stock of the Company, subject to certain restrictions as hereinafter provided, in accordance with the provisions of the 2022 Plan, the terms of which are incorporated by reference herein, and a copy of the 2022 Plan is being provided to the Participant herewith.

NOW THEREFORE, in consideration of the foregoing and the mutual undertakings herein contained, the parties hereto agree as follows:

1. Grant of Stock. In accordance with the terms of the 2022 Plan and subject to the further terms, conditions and restrictions contained in this Agreement, the Company hereby grants to the Participant _______ shares (the "Shares") of the Company's common stock, par value $.001 per share (the "Common Stock"). As long as the Shares are subject to the Restrictions set forth in Section 4 of this Agreement, such shares shall be deemed to be, and are referred to in this Agreement as, the "Restricted Stock."

2. Certificates or book entries for Shares. Certificates or book entries in electronic form with the Company's stock transfer agent evidencing Restricted Stock shall be deposited with the Company or maintained by the Company's stock transfer agent to be held in escrow until such Shares are released to the Participant or forfeited in accordance with this Agreement. The Participant shall, simultaneously with the delivery of this Agreement, deliver to the Company a stock power, in blank, executed by the Participant. If any Restricted Stock is forfeited, the Company shall direct the Company's stock transfer agent to make the appropriate entries in its records showing the cancellation of the Restricted Stock and to return the Shares represented thereby to the Company's treasury.

3. Adjustments in Restricted Stock. In the event of any change in the outstanding Common Stock by reason of a stock dividend or distribution, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the Committee shall make equitable adjustments in the Restricted Stock corresponding to adjustments made by the Committee in the number and class of shares of Common Stock which may be issued under the 2022 Plan. Any new, additional or different securities to which the Participant shall be entitled in respect of Restricted Stock by reason of such adjustment shall be deemed to be Restricted Stock and shall be subject to the same terms, conditions, and restrictions as the Restricted Stock so adjusted.

4. Restrictions. During applicable periods of restriction determined in accordance with Section 6 of this Agreement, Restricted Stock and all rights with respect to such Shares, may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered or disposed of and shall be subject to the risk of forfeiture contained in Section 5 of this Agreement (such limitations on transferability and risk of forfeiture being herein referred to as "Restrictions"), but the Participant shall have all other rights of a stockholder, including, but not limited to, the right to vote and receive dividends on Restricted Stock, subject to any dividend to be held in escrow pursuant to the terms of the 2022 Plan.

5. Forfeiture of Restricted Stock. In the event that the Participant terminates employment with the Company for any reason other than his or her death or permanent disability, such event shall constitute an "Event of Forfeiture" and all Shares which at that time are Restricted Stock shall thereupon be forfeited by the Participant to the Company without payment of any consideration by the Company, and neither the Participant nor any successor, heir, assign or personal representative of the Participant shall have any right, title or interest in or to such Restricted Stock.

6. Lapse of Restrictions. (a) Except as provided in subsection (b) below, the Restrictions on the Restricted Stock granted under this Agreement shall lapse ratably on each of the anniversaries of the date of this Agreement in accordance with the following schedule:

Restricted Stock	Anniversary Dates

(b) In the event that a Participant's employment with the Company terminates as a result of his or her death or permanent disability, the Restrictions shall lapse on the Restricted Stock (if not already lapsed pursuant to subsection (a) above) on the date of such event.

Upon lapse of the Restrictions in accordance with this Section, the Company shall, as soon as practicable thereafter, deliver to the Participant, or to the Participant's personal representative, the unrestricted Shares in certificate or electronic form with respect to which such Restrictions have lapsed.

7. Withholding Requirements. The Company shall have the right to withhold from sums due to the Participant, or to require the Participant to remit to the Company, an amount sufficient to satisfy any Federal, state or local withholding tax requirements prior to making such payments or delivering, in certificate or electronic form, such Shares.In addition, upon the Participant’s request and subject to approval by the Committee, and compliance with any applicable legal conditions or restrictions, the Committee may determine in its sole discretion that Participant may satisfy Participant’s personal income tax obligation (at a percentage rate greater than the tax withholding obligation of the Company) by electing to have the Company withhold from the Shares to be released to Participant upon release of the restrictions on the Restricted Stock or pay the tax obligation of Participant from the sales proceeds pursuant to a broker-assisted exercise “same day sale”, or “sell to cover” transaction, for that number of Shares having a fair market value equal to the amount Participant elects to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date"). All elections by Participant to have Shares withheld to satisfy Participant’s personal income tax withholding obligations shall be made in writing in a form acceptable to the Committee and shall be subject to the following restrictions: (a) the election must be made on or prior to the applicable Tax Date; (b) once made, the election shall be irrevocable as to the particular Shares of the Restricted Stock as to which the election is made; and (c) all elections shall be subject to the consent or disapproval of the Committee.

8. Effect of Employment. Nothing contained in this Agreement shall confer upon the Participant the right to continue in the employment of the Company or affect any right which the Company may have to terminate the employment of the Participant.

9. Amendment. This Agreement may not be amended except with the consent of the Committee and by a written instrument duly executed by the Participant and the Company.

10. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, personal representatives, successors and assigns. Participant acknowledges receipt of a copy of the 2022 Plan, which is annexed hereto, represents that he or she is familiar with the terms and provisions thereof and accepts the award of Shares hereunder subject to all of the terms and conditions thereof and of this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee upon any questions arising under the 2022 Plan or this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and the Participant have each executed and delivered this Agreement as of the date first above written.

COMPANY:

_______________[name and title]

PARTICIPANT:

____
_______________[name]

Exhibit 21.1

SUBSIDIARIES SECTION 302 OF THE REGISTRANT (1)SARBANES-OXLEY ACT OF 2002

PETMED EXPRESS, INC.

(as of March 31, 2023)

Subsidiaries Wholly-Owned by PetMed Express, Inc. ("Company")

Entity Name	**State of Incorporation or Organization**
Southeastern Veterinary Exports, Inc.	Florida
Global Veterinary Supply, Inc.	Florida
420 South Congress Avenue, LLC	Florida
Harry Merger Sub, Inc.	New York
PetMeds Insurance Services, LLC	Florida

Indirectly Owned Subsidiaries

Entity Name	**State of Incorporation or Organization**
Congress Park South Owners Association, Inc. (2)	Florida

(1) Each of the named subsidiaries is not necessarily a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X. On April 3, 2023, in connection with our acquisition PetCareRx, Inc. ("PetCareRx"), PetCareRx, a New York corporation, became a wholly-owned subsidiary of the Company, and Harry Merger Sub, Inc. ceased to exist.
(2) A not-for-profit corporation; 420 South Congress Avenue, LLC holds a majority of the voting power.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

I, Sandra Y. Campos, certify that:

We consent to the incorporation by reference in these Registration Statements (No. 333-269661, 1. No. 333-218917, No. 333-145180) on Form S-8 and related Reoffer Prospectus of PetMed Express, Inc. of our reports dated May 23, 2023, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness) of PetMed Express, Inc., appearing in the I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2023. March 31, 2024;

We also consent2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the reference period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our firm supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the heading “Experts” reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such Reoffer Prospectus. evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

/s/ RSM US LLP 5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

West Palm Beach, Florida a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

May 23, 2023 b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

June 14, 2024

By: /s/ Sandra Y. Campos
Sandra Y. Campos
Chief Executive Officer and President

Exhibit 31.1 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christine Chambers, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 14, 2024

By: /s/ Christine Chambers
Christine Chambers
Chief Financial Officer, Treasurer and Secretary

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sandra Y. Campos, and I, Christine Chambers, each certify to the best of our knowledge, based upon a review of the Annual Report on Form 10-K for the year ended March 31, 2024 (the "Report") of PetMed Express, Inc. (the "Registrant"), that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: June 14, 2024

By: /s/ Sandra Y. Campos
Sandra Y. Campos
Chief Executive Officer and President

By: /s/ Christine Chambers
Christine Chambers
Chief Financial Officer, Treasurer and Secretary

Exhibit 4.2

DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a brief description of the common stock, $0.001 par value per share (the "Common Stock"), of PetMed Express, Inc., a Florida corporation (the "Company"), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Description of Common Stock

General

The following descriptions of our Common Stock and of certain provisions of Florida law do not purport to be complete and are subject to and qualified in their entirety by reference to our amended and restated articles of incorporation, our amended and restated bylaws and the Florida Business Corporation Act, as amended (the "Florida Act"). The Company has authorized 40,000,000 shares of Common Stock of which as of June 14, 2024, 20,606,692 shares of Common Stock are issued and outstanding. All of our outstanding shares of Common Stock are fully paid and non-assessable. Our Common Stock is listed on the NASDAQ Global Select Market under the symbol "PETS."

Common Stock

Holders of the Common Stock have no pre-emptive, redemption, subscription or conversion rights. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of the Company's shareholders. Subject to the dividend rights of the holders of any outstanding preferred stock, each share of Common Stock is entitled to participate equally with respect to dividends as may be declared by the board of directors out of funds legally available therefor. In the case of voluntary or involuntary liquidation, distribution or sale of assets, dissolution, or winding up of the Company, holders of our Common Stock are entitled to receive a pro rata share of the amount distributed after provisions for payment of all debts, other liabilities and any liquidation preferences of outstanding preferred stock. The Florida Act also may affect the terms of these securities.

Limitations on Rights of Holders of Common Stock – Preferred Stock

The rights of holders of Common Stock may be materially limited or qualified by the rights of holders of preferred stock that we may issue in the future. Set forth below is a description of the Company's authority to issue preferred stock and the possible terms of that stock.

Our amended and restated articles of incorporation authorizes our board of directors, without further shareholder action, to provide for the issuance of up to 5,000,000 shares of preferred stock, with a par value of $0.001 per share, in one or more series, and to fix the designations, preferences, conversion rights, cumulative, relative, participating, optional or other rights, including voting rights, qualifications, limitations or restrictions, redemption and liquidation preferences of each of these series. Of the preferred stock, 250,000 shares have been designated Convertible Preferred Stock of which as of June 14, 2024, 2,500 shares of Convertible Preferred Stock are issued and outstanding. We may amend from time to time our amended and restated articles of incorporation to increase the number of authorized shares of preferred stock. Any such amendment would require the approval of the holders of a majority of our shares of Common Stock entitled to vote.

Shareholder Action by Written Consent and Special Meeting

Our amended and restated bylaws provide for action by our shareholders without a meeting with the written consent of shareholders holding the number of shares necessary to approve such action if it were taken at a meeting at which all shares entitled to vote thereon were present. Our amended and restated bylaws also provide that shareholder action can be taken at an annual meeting of the shareholders or at a special meeting which may be called, for any purpose or purposes, by the board of directors or the person or persons authorized to do so by the board of directors and must be called by the Secretary if the holders of not less than ten percent of all votes entitled to be cast on any issue proposed to be considered at such special meeting sign, date and deliver to the Secretary one or more written demands for a special meeting, describing the purpose or purposes for which it is to be held.

0001040130-24-000046image_0.jpg

Authorized but Unissued Shares

Our authorized but unissued shares of Common Stock and preferred stock are available for future issuance without shareholder approval, subject to the requirements of applicable law or regulation, including any listing requirement of the principal stock exchange on which our Common Stock is then listed. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of Common Stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our Common Stock by means of a proxy contest, tender offer, merger or otherwise.

Board Authority to Amend Bylaws

Under our amended and restated bylaws, our board of directors has the authority to adopt, amend or repeal the bylaws without the approval of our shareholders unless the Florida Act reserves the power to amend a particular bylaw provision exclusively to the shareholders.

Certain Anti-Takeover provisions of Florida Law and our Bylaws

Florida Business Corporation Act

We are subject to certain anti-takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607.0901 of the Florida Act, a publicly held Florida corporation may not engage in a broad range of business combinations or other extraordinary corporate transactions with an "interested shareholder" without the approval of the holders of two-thirds of the voting shares of such corporation (excluding shares held by the interested shareholder), unless:

- the transaction is approved by a majority of disinterested directors before the shareholder becomes an interested shareholder;
- the interested shareholder has owned at least 80% of the corporation's outstanding voting shares for at least five years preceding the announcement date of any such business combination;

- the interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or

- the consideration paid to the holders of the corporation's voting stock is at least equal to certain fair price criteria.

An "interested shareholder" is defined as a person who together with affiliates and associates beneficially owns more than 10% of a corporation's outstanding voting shares. We have not made an election in our amended and restated articles of incorporation to opt out of Section 607.0901.

In addition, we are subject to Section 607.0902 of the Florida Act which prohibits the voting of shares in a publicly held Florida corporation that are acquired in a "control share acquisition" unless (i) our board of directors approved such acquisition prior to its consummation or (ii) after such acquisition, in lieu of prior approval by our board of directors, the holders of a majority of the corporation's voting shares, exclusive of shares owned by officers of the corporation, employee directors or the acquiring party, approve the granting of voting rights as to the shares acquired in the control share acquisition. A "control share acquisition" is defined as an acquisition that immediately thereafter entitles the acquiring party to 20% or more of the total voting power in an election of directors.

These statutory provisions may prevent takeover attempts that might result in a premium over the market price for shares of our common stock.

0001040130-24-000046image_0.jpg

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mathew N. Hulett, Sandra Y. Campos, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 23, 2023 June 14, 2024

By: /s/ Mathew N. Hulett Sandra Y. Campos

Mathew N. Hulett Sandra Y. Campos

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christine Chambers, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetMed Express, Inc. for the fiscal year ended March 31, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 23, 2023 June 14, 2024

By: /s/ Christine Chambers

Christine Chambers

Chief Financial Officer, Treasurer and Treasurer Secretary

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mathew N. Hulett, Sandra Y. Campos, and I, Christine Chambers, each certify to the best of our knowledge, based upon a review of the Annual Report on Form 10-K for the year ended March 31, 2023 March 31, 2024 (the “Report”) of PetMed Express, Inc. (the “Registrant”), that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 23, 2023 June 14, 2024

By: /s/ Mathew N. Hulett Sandra Y. Campos

Mathew N. Hulett Sandra Y. Campos

Chief Executive Officer and President

By: /s/ Christine Chambers

Christine Chambers

Chief Financial Officer, Treasurer and Treasurer Secretary

Exhibit 4.2

DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a brief description of the common stock, $0.001 par value per share (the “Common Stock”), of PetMed Express, Inc., a Florida corporation (the “Company”), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Description of Common Stock

General

The following descriptions of our Common Stock and of certain provisions of Florida law do not purport to be complete and are subject to and qualified in their entirety by reference to our amended and restated articles of incorporation, our amended and restated bylaws and the Florida Business Corporation Act, as amended (the “Florida Act”). The Company has authorized 40,000,000 shares of Common Stock of which as of June 14, 2024, 20,606,692 shares of Common Stock are issued and outstanding. All of our outstanding shares of Common Stock are fully paid and non-assessable. Our Common Stock is listed on the NASDAQ Global Select Market under the symbol “PETS.”

Common Stock

Holders of the Common Stock have no pre-emptive, redemption, subscription or conversion rights. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of the Company's shareholders. Subject to the dividend rights of the holders of any outstanding preferred stock, each share of Common Stock is entitled to participate equally with respect to dividends as may be declared by the board of directors out of funds legally available therefor. In the case of voluntary or involuntary liquidation, distribution or sale of assets, dissolution, or winding up of the Company, holders of our Common Stock are entitled to receive a pro rata share of the amount distributed after provisions for payment of all debts, other liabilities and any liquidation preferences of outstanding preferred stock. The Florida Act also may affect the terms of these securities.

Limitations on Rights of Holders of Common Stock – Preferred Stock

The rights of holders of Common Stock may be materially limited or qualified by the rights of holders of preferred stock that we may issue in the future. Set forth below is a description of the Company's authority to issue preferred stock and the possible terms of that stock.

Our amended and restated articles of incorporation authorizes our board of directors, without further shareholder action, to provide for the issuance of up to 5,000,000 shares of preferred stock, with a par value of $0.001 per share, in one or more series, and to fix the designations, preferences, conversion rights, cumulative, relative, participating, optional or other rights, including voting rights, qualifications, limitations or restrictions, redemption and liquidation preferences of each of these series. Of the preferred stock, 250,000 shares have been designated Convertible Preferred Stock of which as of June 14, 2024, 2,500 shares of Convertible Preferred Stock are issued and outstanding. We may amend from time to time our amended and restated articles of incorporation to increase the number of authorized shares of preferred stock. Any such amendment would require the approval of the holders of a majority of our shares of Common Stock entitled to vote.

Shareholder Action by Written Consent and Special Meeting

Our amended and restated bylaws provide for action by our shareholders without a meeting with the written consent of shareholders holding the number of shares necessary to approve such action if it were taken at a meeting at which all shares entitled to vote thereon were present. Our amended and restated bylaws also provide that shareholder action can be taken at an annual meeting of the shareholders or at a special meeting which may be called, for any purpose or purposes, by the board of directors or the person or persons authorized to do so by the board of directors and must be called by the Secretary if the holders of not less than ten percent of all votes entitled to be cast on any issue proposed to be considered at such special meeting sign, date and deliver to the Secretary one or more written demands for a special meeting, describing the purpose or purposes for which it is to be held.

0001040130-24-000046image_0.jpg

Authorized but Unissued Shares

Our authorized but unissued shares of Common Stock and preferred stock are available for future issuance without shareholder approval, subject to the requirements of applicable law or regulation, including any listing requirement of the principal stock exchange on which our Common Stock is then listed. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of Common Stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our Common Stock by means of a proxy contest, tender offer, merger or otherwise.

Board Authority to Amend Bylaws

Under our amended and restated bylaws, our board of directors has the authority to adopt, amend or repeal the bylaws without the approval of our shareholders unless the Florida Act reserves the power to amend a particular bylaw provision exclusively to the shareholders.

Certain Anti-Takeover provisions of Florida Law and our Bylaws

Florida Business Corporation Act

We are subject to certain anti-takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607.0901 of the Florida Act, a publicly held Florida corporation may not engage in a broad range of business combinations or other extraordinary corporate transactions with an “interested shareholder” without the approval of the holders of two-thirds of the voting shares of such corporation (excluding shares held by the interested shareholder), unless:

- the transaction is approved by a majority of disinterested directors before the shareholder becomes an interested shareholder;
- the interested shareholder has owned at least 80% of the corporation’s outstanding voting shares for at least five years preceding the announcement date of any such business combination;
- the interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or
- the consideration paid to the holders of the corporation’s voting stock is at least equal to certain fair price criteria.

An “interested shareholder” is defined as a person who together with affiliates and associates beneficially owns more than 10% of a corporation’s outstanding voting shares. We have not made an election in our amended and restated articles of incorporation to opt out of Section 607.0901.

In addition, we are subject to Section 607.0902 of the Florida Act which prohibits the voting of shares in a publicly held Florida corporation that are acquired in a “control share acquisition” unless (i) our board of directors approved such acquisition prior to its consummation or (ii) after such acquisition, in lieu of prior approval by our board of directors, the holders of a majority of the corporation’s voting shares, exclusive of shares owned by officers of the corporation, employee directors or the acquiring party, approve the granting of voting rights as to the shares acquired in the control share acquisition. A “control share acquisition” is defined as an acquisition that immediately thereafter entitles the acquiring party to 20% or more of the total voting power in an election of directors.

These statutory provisions may prevent takeover attempts that might result in a premium over the market price for shares of our common stock.

![0001040130-24-000046image_0.jpg]

Advance Notice of Shareholder Proposals or Nominations

Our amended and restated bylaws provide that shareholders at an annual meeting may only consider proposals or nominations (i) specified in the notice of meeting given by or at the direction of the Board, (ii) properly brought before the meeting by or at the direction of the Board or (iii) otherwise properly brought before the meeting by a shareholder of the Company who was a shareholder of record on (a) the date of the giving of timely notice to our Corporate Secretary and (b) the record date for the meeting, who is entitled to vote at the meeting and who has given our Corporate Secretary timely written notice, in proper form. In addition to certain other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder generally must have given notice thereof in proper written form to our Corporate Secretary not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. Our amended and restated bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us.

Proxy Access

Our By-Laws permit a shareholder (or a group of up to 20 shareholders) owning three percent (3%) or more of our common stock continuously for at least three years to nominate and include in our proxy statement candidates for up to the greater of 2 of 20% of our Board. To be timely, a notice of a nomination under our proxy access bylaw provisions must be delivered to or mailed and received at the principal executive offices of the Company not less than one-hundred twenty (120) days nor more than one-hundred fifty (150) days prior to the anniversary of the date that the Company first distributed its proxy statement to shareholders for the immediately preceding annual meeting of shareholders. The notice must contain certain information specified in our amended and restated bylaws.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is Continental Stock Transfer & Trust Company.

Exhibit 97.1

PetMed Express, Inc.
EXECUTIVE COMPENSATION RECOVERY POLICY
(Effective October 25, 2023)

This Executive Compensation Recovery Policy ("Policy") covers Covered Officers of PetMed Express, Inc. (collectively with its subsidiaries, "PetMeds") and explains when PetMeds will be required or authorized, as applicable, to seek recovery of Incentive Compensation awarded or paid to Covered Officers. Please refer to Exhibit A attached hereto (the "Definitions Exhibit") for the definitions of capitalized terms used throughout this Policy. Included in this Policy is Annex A "Attestation and Acknowledgement of Executive Compensation Recovery Policy."

1. **Miscalculation of Financial Performance Measure Results.** In the event of a Restatement, PetMeds will seek to recover, reasonably promptly, all Recoverable Incentive Compensation from a Covered Officer during the Applicable Period. Such recovery, in the case of a Restatement, will be made without regard to any individual knowledge or responsibility related to the Restatement or the Recoverable Incentive Compensation. Notwithstanding the foregoing, if PetMeds is required to undertake a Restatement, PetMeds will not be required to recover the Recoverable Incentive Compensation if the Compensation Committee determines it Impracticable to do so, after exercising a normal due process review of all the relevant facts and circumstances.

   PetMeds will seek to recover all Recoverable Incentive Compensation that was awarded or paid in accordance with the definition of "Recoverable Incentive Compensation" set forth on the Definitions Exhibit. If such Recoverable Incentive Compensation was not awarded or paid on a formulaic basis, PetMeds will seek to recover the amount that the Compensation Committee determines in good faith should be recouped.

2. **Legal and Compliance Violations**. Compliance with the law and PetMeds' Code of Business Conduct and Ethics and other corporate policies is a pre-condition to earning Incentive Compensation. If PetMeds in its sole discretion concludes that a Covered Officer (1) committed a significant legal or compliance violation in connection with the Covered Officer's employment, including a violation of PetMeds' corporate policies or PetMeds' Code of Business Conduct and Ethics (each, "Misconduct"), or (2) was aware of or willfully blind to Misconduct that occurred in an area over which the Covered Officer had supervisory authority, PetMeds may, at the direction of the Compensation Committee, seek recovery of all or a portion of the Recoverable Incentive Compensation awarded or paid to the Covered Officer for the Applicable Period in which the violation occurred. In addition, PetMeds may, at the direction of the Compensation Committee, conclude that any unpaid or unvested Incentive Compensation has not been earned and must be forfeited.

   In the event of Misconduct, PetMeds may seek recovery of Recoverable Incentive Compensation even if the Misconduct did not result in an award or payment greater than would have been awarded or paid absent the Misconduct.

   In the event of Misconduct, in determining whether to seek recovery and the amount, if any, by which the payment or award should be reduced, the Compensation Committee may consider— among other things— the seriousness of the Misconduct, whether the Covered Officer was unjustly enriched, whether seeking the recovery would prejudice PetMeds' interests in any way, including in a proceeding or investigation, and any other factors it deems relevant to the determination.

3. **Other Actions**. The Compensation Committee may, subject to applicable law, seek recovery in the manner it chooses, including by seeking reimbursement from the Covered Officer of all or part of the compensation awarded or paid, by electing to withhold unpaid compensation, by set-off, or by rescinding or canceling unvested equity and restricted stock awards.

In the reasonable exercise of its business judgment under this Policy, the Compensation Committee may in its sole discretion determine whether and to what extent additional action is appropriate to address the circumstances surrounding a Restatement or Misconduct to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

4. **No Indemnification or Reimbursement**. Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will PetMeds or any of its affiliates indemnify or reimburse a Covered Officer for any loss under this Policy and in no event will PetMeds or any of its affiliates pay premiums on any insurance policy that would cover a Covered Officer's potential obligations with respect to Recoverable Incentive Compensation under this Policy.

5. **Administration of Policy**. The Compensation Committee will have full authority to administer this Policy. Actions of the Compensation Committee pursuant to this Policy will be taken by the vote of a majority of its members. The Compensation Committee will, subject to the provisions of this Policy and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and PetMeds' applicable exchange listing standards, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Compensation Committee will be final, binding and conclusive.

6. **Other Claims and Rights**. The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims PetMeds or any of its affiliates may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities. Further, the exercise by the Compensation Committee of any rights pursuant to this Policy will not impact any other rights that PetMeds or any of its affiliates may have with respect to any Covered Officer subject to this Policy.

7. **Condition to Eligibility for Incentive Compensation**. All Incentive Compensation will be subject to this Policy, even if already paid, until the Policy ceases to apply to such Incentive Compensation and any other vesting conditions applicable to such Incentive Compensation are satisfied.

8. **Amendment; Termination**. The Board or the Compensation Committee may amend or terminate this Policy at any time.

9. **Effectiveness**. Except as otherwise determined in writing by the Compensation Committee, this Policy will apply to any Incentive Compensation that (a) in the case of any Restatement, is Received by Covered Officers prior to, on or following the Effective Date, and (b) in the case of Misconduct, is awarded or paid to a Covered Officer on or after the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Officer's employment with PetMeds and its affiliates.

10. **Successors**. This Policy shall be binding and enforceable against all Covered Officers and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

11. **Governing Law**. To the extent not preempted by U.S. federal law, this Policy will be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws.

12. **Disclosure Requirements**. PetMeds shall file all disclosures with respect to this Policy required by applicable Securities and Exchange Commission filings and rules.

EXHIBIT A

DEFINITIONS

"Applicable Period" means (a) in the case of any Restatement, the three completed fiscal years of PetMeds immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of PetMeds authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs PetMeds to undertake a Restatement, and (b) in the case of any Misconduct, such period as the Compensation Committee or Board determines to be appropriate in light of the scope and nature of the Misconduct. The "Applicable Period" also includes any transition period (that results from a change in PetMeds' fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

"Board" means the Board of Directors of PetMeds.

"Compensation Committee" means PetMeds' committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Board.

"Covered Officer" means (a) in the case of any Restatement, any person who is, or was at any time, during the Applicable Period, an Executive Officer of PetMeds or an SLT Member, and (b) in the case of any Misconduct, any person who was an Executive Officer or an SLT Member at the time of the Misconduct. For the avoidance of doubt, a Covered Officer may include a former Executive Officer or SLT Member that left PetMeds, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

"Effective Date" means October 25, 2023.

"Executive Officer" means PetMeds' president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including an officer of PetMeds' parent(s) or subsidiaries) who performs similar policy-making functions for PetMeds.

"Financial Performance Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing PetMeds' financial statements (including "non-GAAP" financial measures, such as those appearing in PetMeds' earnings releases or Management Discussion and Analysis), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (and any measures derived wholly or in part therefrom) shall be considered Financial Performance Measures.

"Impracticable." The Compensation Committee may determine in good faith that recovery of Recoverable Incentive Compensation is "Impracticable" (a) in the case of any Restatement, if: (i) pursuing such recovery would violate home country law of the jurisdiction of incorporation of PetMeds where that law was adopted prior to November 28, 2022 and PetMeds provides an opinion of counsel to that effect acceptable to PetMeds' listing exchange; (ii) the direct expense paid to a third party to assist in enforcing this Policy would exceed the Recoverable Incentive Compensation and PetMeds has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover to PetMeds' applicable listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of PetMeds, to fail to meet the requirements of the Internal Revenue Code of 1986, as amended, and (b) in the case of any Misconduct, in its sole discretion, in light of the scope and nature of the Misconduct.

"Incentive Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Performance Measure. Incentive Compensation does not include any base salaries (except with respect to any salary increases earned wholly or in part based on the attainment of a Financial Performance Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or

Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Performance Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period; nonequity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and equity awards that vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures. Notwithstanding the foregoing, in the case of any Misconduct, Incentive Compensation will include all forms of cash and equity incentive compensation, including, without limitation, cash bonuses and equity awards that are received or vest solely based on the passage of time and/or attaining one or more non-Financial Performance Measures.

"Received." Incentive Compensation is deemed "Received" in PetMeds' fiscal period during which the Financial Performance Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

"Recoverable Incentive Compensation" means (a) in the case of any Restatement, the amount of any Incentive Compensation (calculated on a pre-tax basis) Received by a Covered Officer during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement, and (b) in the case of any Misconduct, the amount of any Incentive Compensation (calculated on a pre-tax basis) awarded or paid to a Covered Officer during the Applicable Period that the

Compensation Committee determines, in its sole discretion, to be appropriate in light of the scope and nature of the Misconduct. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation does not include any Incentive Compensation Received by a person (i) before such person began service as a Covered Officer and (ii) who did not serve as a Covered Officer at any time during the performance period for that Incentive Compensation. For the avoidance of doubt, in the case of any Restatement, Recoverable Incentive Compensation may include Incentive Compensation Received by a person while serving as an employee if such person previously served as a Covered Officer and then transitioned to an employee role. For Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount will be determined by the Compensation Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received (in which case, PetMeds will maintain documentation of such determination of that reasonable estimate and provide such documentation to PetMeds' applicable listing exchange).

"Restatement" means an accounting restatement of any of PetMeds' financial statements filed with the Securities and Exchange Commission under the Exchange Act, or the Securities Act of 1933, as amended, due to PetMeds' material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether PetMeds or Covered Officer misconduct was the cause for such restatement. Restatement includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).

"SLT Member" means any person who has been designated as a member of PetMeds' Senior Leadership Team, other than an Executive Officer.

ANNEX A

ATTESTATION AND ACKNOWLEDGEMENT OF EXECUTIVE COMPENSATION RECOVERY POLICY

By my signature below, I acknowledge and agree that:

- I have received and read the attached PetMed Express, Inc. ("PetMeds") Executive Compensation Recovery Policy (the "Policy").
- I hereby agree to abide by all of the terms of the Policy both during and after my employment with PetMeds, including, without limitation, by promptly repaying or returning any Incentive Compensation (as defined in the Policy) to PetMeds as determined recoverable in accordance with the Policy.

Signature: ________________________________

Printed Name: ______________________________

Date: ____________________________________

DISCLAIMER