REFINITIV

DELTA REPORT

10-Q

PETS - PETMED EXPRESS INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	869
CHANGES	198
DELETIONS	356
ADDITIONS	315

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2023 June 30, 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)	(I.R.S. Employer Identification No.)

420 South Congress Avenue, Delray Beach, Florida 33445
(Address of principal executive offices, including zip code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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 (§ 229.405 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, 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 is a shell company (defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 21,148,692 20,600,652 shares of Common Stock, $.001 par value per share, at April 15, 2024 August 7, 2024.

PART I - FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, certain information in this Quarterly Report on Form 10-Q 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"). All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position and our business outlook, business trends and other information, may be forward-looking statements. You can identify these forward-looking statements by the words "believes," "intends," "expects," "might," "may," "will," "should," "plans," "projects," "contemplates," "intends," "budgets," "potential," "predicts," "estimates," "anticipates," "future," "goal," and variations of such words 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, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates and projections will result or be achieved, and actual future results may differ materially from what is expressed in or indicated by the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A, under the heading "Risk Factors," 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 March 31, 2024 (the "2023 "2024 Form 10-K/A" 10-K") filed with the Securities and Exchange Commission ("SEC") on April 15, 2024 June 14, 2024, and under "Part II, Item 1A., Risk Factors" in this Quarterly Report on Form 10-Q. Such 10-Q, if and as such risk factors may be updated from time to time in our periodic filings with the SEC. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and a reader, whether investing in our common stock or not, should not place undue reliance on these forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct, or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this Quarterly Report on Form 10-Q apply only as of the date of this Quarterly Report on Form 10-Q or as of the date they were made or as otherwise specified herein. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Investors and others should note that we use our websites (https://petmeds.com, https://petcarerx.com and https://www.investors.petmeds.com), as well as social media, press releases, SEC filings, public conference calls and webcasts, as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings, public conference calls and webcasts. The contents of our websites and social media posts, however, are not incorporated by reference into this Quarterly Report on Form 10-Q. Further, our references to website URLs in this filing are intended to be inactive textual references only.

NOTE REGARDING COMPANY REFERENCES

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

ITEM 1. FINANCIAL STATEMENTS.

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

		December 31, 2023	**March 31, 2023**
		June 30, 2024	**March 31, 2024**
	(Unaudited)	**(Unaudited)**	(as restated)
ASSETS			
ASSETS			
ASSETS			

Current assets:
Current assets:
Current assets:
Cash and cash equivalents
Cash and cash equivalents
Cash and cash equivalents
Accounts receivable, less allowance for doubtful accounts of $39 and $35, respectively
Inventories - finished goods, net
Accounts receivable, less allowance for doubtful accounts of $109 and $273, respectively
Inventories
Prepaid expenses and other current assets
Prepaid income taxes
Total current assets
Noncurrent assets:
Noncurrent assets:
Noncurrent assets:
Property and equipment, net
Property and equipment, net
Property and equipment, net
Intangible and other assets, net
Goodwill
Operating lease right-of-use assets, net
Deferred tax assets, net
Total noncurrent assets
Total assets
Total assets
Total assets
LIABILITIES AND SHAREHOLDERS' EQUITY
LIABILITIES AND SHAREHOLDERS' EQUITY
LIABILITIES AND SHAREHOLDERS' EQUITY
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Sales tax payable
Accrued expenses and other current liabilities
Current lease liabilities
Current operating lease liabilities
Deferred revenue
Total current liabilities
Total current liabilities
Income taxes payable
Total current liabilities
Long-term lease liabilities
Long-term lease liabilities
Long-term lease liabilities
Long-term operating lease liabilities
Long-term operating lease liabilities
Long-term operating lease liabilities

Total liabilities
Total liabilities
Total liabilities
Commitments and contingencies (Note 9)
Commitments and contingencies (Note 9)
Commitments and contingencies (Note 9)
Shareholders' equity:
Shareholders' equity:
Shareholders' equity:
Preferred stock, $.001 par value, 5,000,000 shares authorized; 2,500 convertible shares issued and outstanding with a liquidation preference of $4 per share
Preferred stock, $.001 par value, 5,000,000 shares authorized; 2,500 convertible shares issued and outstanding with a liquidation preference of $4 per share
Preferred stock, $.001 par value, 5,000,000 shares authorized; 2,500 convertible shares issued and outstanding with a liquidation preference of $4 per share
Common stock, $.001 par value, 40,000,000 shares authorized; 21,160,739 and 21,084,302 shares issued and outstanding, respectively
Common stock, $.001 par value, 40,000,000 shares authorized; 20,600,652 and 21,148,692 shares issued and outstanding, respectively
Additional paid-in capital
Retained earnings
Total shareholders' equity
Total shareholders' equity
Total shareholders' equity
Total liabilities and shareholders' equity
Total liabilities and shareholders' equity
Total liabilities and shareholders' equity

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
				(as restated)

	Three Months Ended June 30,
	Three Months Ended June 30,
	Three Months Ended June 30,
	2024
	2024
	2024
Sales	
Sales	
Sales	
Cost of sales	
Cost of sales	

Cost of sales
Gross profit
Gross profit
Gross profit
Operating expenses:
Operating expenses:
Operating expenses:
General and administrative
General and administrative
General and administrative
General and administrative (including stock compensation of $(8,204) and $1,760, respectively)
General and administrative (including stock compensation of $(8,204) and $1,760, respectively)
General and administrative (including stock compensation of $(8,204) and $1,760, respectively)
Advertising
Advertising
Advertising
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Total operating expenses
Total operating expenses
Total operating expenses
(Loss) income from operations
(Loss) income from operations
(Loss) income from operations
Income (loss) from operations
Income (loss) from operations
Income (loss) from operations
Other income:
Other income:
Other income:
Interest income, net
Interest income, net
Interest income, net
Other, net
Other, net
Other, net
Total other income
Total other income
Total other income
(Loss) income before provision for income taxes
(Loss) income before provision for income taxes
(Loss) income before provision for income taxes
Income (loss) before provision for income taxes
(Benefit) provision for income taxes
(Benefit) provision for income taxes
(Benefit) provision for income taxes
Income (loss) before provision for income taxes
Net (loss) income

Net (loss) income					
Net (loss) income					
Income (loss) before provision for income taxes					
Net (loss) income per common share:					
Net (loss) income per common share:					
Net (loss) income per common share:					
Provision (benefit) for income taxes					
Provision (benefit) for income taxes					
Provision (benefit) for income taxes					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss) per common share:					
Net income (loss) per common share:					
Net income (loss) per common share:					
Basic					
Basic					
Basic					
Diluted					
Diluted					
Diluted					
Weighted average number of common shares outstanding:					
Weighted average number of common shares outstanding:					
Weighted average number of common shares outstanding:					
Basic					
Basic					
Basic		20,425,282	20,301,384	20,380,262	20,257,145
Diluted	Diluted	20,425,282	20,301,384	20,380,262	20,339,064
Diluted					
Diluted					
Cash dividends declared per common share					
Cash dividends declared per common share					
Cash dividends declared per common share					

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended December 31,			
	2023	**2022**		
			(as restated)	**Three Months Ended June 30,**
	2024	**2023**		
Cash flows from operating activities:				
Net (loss) income				
Net (loss) income				
Net (loss) income				
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Cash flows from operating activities:				
Cash flows from operating activities:				

Net income (loss)
Net income (loss)
Net income (loss)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Share based compensation
Deferred income taxes
Bad debt expense
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:
Accounts receivable
Accounts receivable
Accounts receivable
Inventories - finished goods
Prepaid income taxes
Prepaid expenses and other current assets
Operating lease right-of-use assets, net
Accounts payable
Sales tax payable
Accrued expenses and other current liabilities
Lease liabilities
Deferred revenue
Net cash (used in) provided by operating activities
Net cash (used in) provided by operating activities
Income taxes payable
Net cash (used in) provided by operating activities
Cash flows from investing activities:
Cash flows from investing activities:
Cash flows from investing activities:
Purchase of minority interest investment in Vetster
Purchase of minority interest investment in Vetster
Purchase of minority interest investment in Vetster
Acquisition of PetCareRx, net of cash acquired
Acquisition of PetCareRx, net of cash acquired
Acquisition of PetCareRx, net of cash acquired
Purchases of property and equipment
Net cash used in investing activities
Cash flows from financing activities:
Cash flows from financing activities:
Cash flows from financing activities:
Dividends paid
Dividends paid
Dividends paid
Net cash used in financing activities
Net decrease in cash and cash equivalents
Net decrease in cash and cash equivalents
Net decrease in cash and cash equivalents
Cash and cash equivalents, at beginning of period
Cash and cash equivalents, at end of period
Cash and cash equivalents, at end of period
Cash and cash equivalents, at end of period

Supplemental disclosure of cash flow information:
Supplemental disclosure of cash flow information:
Supplemental disclosure of cash flow information:
Cash paid for income taxes
Cash paid for income taxes
Cash paid for income taxes
Dividends payable in accrued expenses and other current liabilities
Dividends payable in accrued expenses and other current liabilities
Dividends payable in accrued expenses and other current liabilities

See accompanying notes to unaudited condensed consolidated financial statements.

PETMED EXPRESS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Restatement of Previously Issued Financial Statements

The unaudited condensed consolidated financial statements for the three and nine months ended December 31, 2022 (collectively, the "Affected Periods") have been restated to account for material misstatements related to the collection of sales taxes on sales of products and services to customers as further described below and the accounting treatment related to the deferred tax asset associated with the Company's acquisition of PetCareRx in April 2023 (collectively, the "Misstatements"). The Company also restated all amounts impacted within the notes to the financial statements. A description of the adjustments and their impacts on the previously issued financial statements for each of the Affected Periods are included below. As a result of the Misstatements, our previously issued condensed consolidated financial statements for the Affected Periods should no longer be relied upon.In addition, we have filed our 2023 Form 10-K/A and an Amendment No. 1 to our Quarterly Reports on Form 10-Q for the fiscal quarters ended June 30, 2023 and September 30, 2023, to reflect the correction of the Misstatements.

Description of restatement adjustments

In the third quarter of fiscal year 2024, the Company, reviewed the accounting treatment related to its previously reported sales tax accruals as well as the accounting treatment related to the valuation of the deferred tax asset associated with the Company's acquisition of PetCareRx in April 2023. As a result of this review, management determined that the Company incorrectly applied U.S. GAAP as it relates to the sales tax liability and improperly valued the deferred tax asset and goodwill included in its unaudited condensed consolidated financial statements for each of the Affected Periods.

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 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) the Company will not receive waivers of interest and penalties or other benefits under agreements it may obtain with jurisdictions from its outreach with voluntary disclosures. The Company expects to make adjustments to the sales tax liability in future periods as and if it obtains any waivers of interest and penalties or other benefits from its voluntary disclosures and as and if it obtains 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 (the "Acquisition") as of the end of each of the Affected Periods.In the accounting for the 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.

A summary of the impact of the adjustments described above relating to the Misstatements in each of the Affected Periods, is as follows:

	December 31, 2022			
	Three Months Ended		Nine Months Ended	
(in thousands)	As previously reported	As restated	As previously reported	As restated
Sales	$ 58,870	$ 58,870	$ 194,451	$ 194,172
Gross profit	$ 15,238	$ 15,238	$ 53,632	$ 53,353
(Loss) income from operations	$ (769)	$ (769)	$ 5,682	$ 6,263
Net (loss) income	$ (19)	$ (212)	$ 5,335	$ 5,356

	December 31, 2022			
	Three Months Ended		Nine Months Ended	
	As previously reported	As restated	As previously reported	As restated
Net (loss) income (numerator):				
Net (loss) income	$ (19)	$ (212)	$ 5,335	$ 5,356

Shares (denominator):				
Weighted average number of common shares outstanding used in basic computation	20,301,384	20,301,384	20,257,145	20,257,145
Common shares issuable upon vesting of restricted stock	—	—	71,794	71,794
Common shares issuable upon conversion of preferred shares	—	—	10,125	10,125
Shares used in diluted computation	20,301,384	20,301,384	20,339,064	20,339,064
Net (loss) income per common share:				
Basic	$ —	$ (0.01)	$ 0.26	$ 0.26
Diluted	$ —	$ (0.01)	$ 0.26	$ 0.26

The restated unaudited interim financial information for the relevant unaudited interim financial statements for the quarterly period ended December 31, 2022 is also included below and identified in the Restatement Reconciliation Tables in the column entitled "Reference".

The categories of restatement adjustments and their impacts on previously reported financial statements are described below:

a. Sales Tax – Sales tax on sales of services to customers who were subject to sales tax, inclusive of total potential penalties and interest, that was not previously accrued by the Company is corrected by an increase to sales tax liabilities on the consolidated balance sheets. The effect of the adjustments on the consolidated statements of operations were recorded as a reduction to sales for the amount of tax, an increase to general and administrative expenses for accrued penalties and interest is included in other interest(expense) on the consolidated statements of operations.

b. Tax provision / accrual – Tax provisions, deferred tax assets and liabilities were adjusted based on restated net income and restated deferred assets valuation in connection with the acquisition of PetCareRx.

c. Deferred tax asset adjustment - Deferred tax asset recognized in connection with the acquisition of PetCareRx on April 3, 2023.

Consolidated Financial Statements - Restatement Reconciliation Tables

In light of the foregoing, in accordance with ASC 250, Accounting Changes and Error Corrections, we are restating the previously issued unaudited consolidated financial statements as of, and for the three and nine months ended December 31, 2022, to reflect the effects of the restatement adjustments and to make certain corresponding disclosures. In the following tables, we have presented a reconciliation of our consolidated balance sheets, statements of operations, and cash flows as previously reported for these prior periods to the restated and revised amounts.

Summary of Restatement - Consolidated Balance Sheets

	December 31, 2022			
	As Previously Reported	**Restatement Adjustments**	**Reference**	**As Restated**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 102,428	$ —		$ 102,428
Accounts receivable, less allowance for doubtful accounts of $40	1,944	—		1,944
Inventories - finished goods	22,402	—		22,402
Prepaid expenses and other current assets	5,637	—		5,637
Prepaid income taxes	1,608	—		1,608
Total current assets	134,019	—		134,019
Noncurrent assets:				
Property and equipment, net	25,242	—		25,242
Intangible and other assets	5,860	—		5,860
Deferred tax assets	—	4,493	b, c	4,493
Total noncurrent assets	31,102	4,493		35,595
Total assets	$ 165,121	$ 4,493		$ 169,614
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 24,317	$ —		$ 24,317

Sales tax payable	—	26,448	a	26,448
Accrued expenses and other current liabilities	6,754	(2,775)	a	3,979
Total current liabilities	31,071	23,673		54,744
Deferred tax liabilities	465	(465)	c	—
Total liabilities	31,536	23,208		54,744
Commitments and contingencies	—	—		—
Shareholders' equity:				
Preferred stock, $0.001 par value, 5,000,000 shares authorized; 2,500 convertible shares issued and outstanding with a liquidation preference of $4 per share	9	—		9
Common stock, $0.001 par value, 40,000,000 shares authorized; 21,077,077 shares issued and outstanding	21	—		21
Additional paid-in capital	16,647	—		16,647
Retained earnings	116,908	(18,715)	a, b, c	98,193
Total shareholders' equity	133,585	(18,715)		114,870
Total liabilities and shareholders' equity	$ 165,121	$ 4,493		$ 169,614

Summary of Restatement - Consolidated Statements of Operations

	Three Months Ended December 31, 2022				Nine Months Ended December 31, 2022			
	As Previously Reported	Restatement Adjustments	Refer-ence	As Restated	As Previously Reported	Restatement Adjustments	Refer-ence	As Restated
Sales	$ 58,870	$ —		$ 58,870	$ 194,451	$ (279)	a	$ 194,172
Cost of sales	43,632	—		43,632	140,819	—		140,819
Gross profit	15,238	—		15,238	53,632	(279)		53,353
Operating expenses:								
General and administrative	10,425	—		10,425	30,529	(860)	a	29,669
Advertising	4,641	—		4,641	14,869	—		14,869
Depreciation	941	—		941	2,552	—		2,552
Total operating expenses	16,007	—		16,007	47,950	(860)		47,090
(Loss) income from operations	(769)	—		(769)	5,682	581		6,263
Other income:								
Interest income, net	708	(409)	a	299	1,213	(1,202)	a	11
Other, net	259	—		259	718	—		718
Total other income	967	(409)		558	1,931	(1,202)		729
Income (loss) before provision for income taxes	198	(409)		(211)	7,613	(621)		6,992
Provision for income taxes	217	(216)	b	1	2,278	(642)	b	1,636
Net (loss) income	$ (19)	$ (193)		$ (212)	$ 5,335	$ 21		$ 5,356
Net (loss) income per common share:								
Basic	$ —	$ (0.01)		$ (0.01)	$ 0.26	$ —		$ 0.26
Diluted	$ —	$ (0.01)		$ (0.01)	$ 0.26	$ —		$ 0.26
Weighted average number of common shares outstanding:								
Basic	20,301,384	—		20,301,384	20,257,145	—		20,257,145
Diluted	20,301,384	—		20,301,384	20,339,064	—		20,339,064
Cash dividends declared per common share	$ 0.30	$ —		$ 0.30	$ 0.90	$ —		$ 0.90

Summary of Restatement - Consolidated Cash Flow Statement

	Nine Months Ended December 31, 2022			
	As Previously Reported	Restatement Adjustments	Reference	As Restated
Cash flows from operating activities:				
Net income	$ 5,335	$ 21	a	$ 5,356
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,552	—		2,552
Share based compensation	4,987	—		4,987
Deferred income taxes	(471)	(643)	b	(1,114)
Bad debt expense	292	—		292
(Increase) decrease in operating assets and increase (decrease) in liabilities:				
Accounts receivable	(324)	—		(324)
Inventories - finished goods	10,053	—		10,053
Prepaid income taxes	(927)	—		(927)
Prepaid expenses and other current assets	(771)	—		(771)
Accounts payable	(3,183)	—		(3,183)
Sales tax payable	—	2,291	a	2,291
Accrued expenses and other current liabilities	536	(1,669)	a	(1,133)
Net cash provided by operating activities	18,079	—		18,079
Cash flows from investing activities:				
Purchase of minority interest investment in Vetster	(5,000)	—		(5,000)
Purchases of property and equipment	(3,329)	—		(3,329)
Net cash used in investing activities	(8,329)	—		(8,329)
Cash flows from financing activities:				
Dividends paid	(18,402)	—		(18,402)
Net cash used in financing activities	(18,402)	—		(18,402)
Net (decrease) increase in cash and cash equivalents	(8,652)	—		(8,652)
Cash and cash equivalents, at beginning of year	111,080	—		111,080
Cash and cash equivalents, at end of year	$ 102,428	$ —		$ 102,428
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	$ 3,870	$ —		$ 3,870
Dividends payable in accrued expenses	$ 1,079	$ —		$ 1,079

Note 2: 1: 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 number, numbers, and mobile applications. application. The Company offers consumers an attractive option alternative for obtaining pet medications, food, 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’s fiscal year end is March 31, and references herein to fiscal 2024 2025 or fiscal 2023 2024 refer to the Company's fiscal years ending March 31, 2024 March 31, 2025 and 2023, 2024, respectively.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company at December 31, 2023 June 30, 2024, the Statements of (Loss) Income Operations for the three and nine months ended December 31, 2023 June 30, 2024 and 2022, 2023, and Cash Flows for the nine three months ended December 31, 2023 June 30, 2024 and 2022. 2023. The results of operations for the three and nine months ended December 31, 2023 June 30, 2024 are not necessarily indicative of the operating results expected for the fiscal year ending March 31, 2024 March 31, 2025. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in our 2023 2024 Form 10-K/A. 10-K. The unaudited condensed consolidated financial statements include the accounts of PetMed Express, Inc. and its direct and indirect wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Business Combinations

The Company accounts for its business combinations using the acquisition method of 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 the Company's unaudited condensed consolidated financial statements from the date of acquisition.

Determining the fair value of 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.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP 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 unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

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.

Deferred Revenue

Deferred revenue is recorded when payments are received or due in advance of performing our service obligations and revenue is recognized over the service period. Deferred revenue represents prepayments of PetPlus memberships with PetCareRx, Inc. ("PetCareRx"). The total deferred revenue as of December 31, 2023 June 30, 2024 for these memberships was $3.1 2.1 million. Memberships provide discounted pricing, free standard shipping, veterinary telehealth services and local Caremark Pharmacy prescription pickup. The membership fee is an annual charge and automatically renews one year from the initial enrollment date. The Company generally recognizes the revenue ratably over the term of the membership.

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.

Intangible Assets

The Company acquired definite-lived intangible assets in the acquisition (see Note 3) that will be amortized based on their estimated useful lives in accordance with ASC Topic 350 ("*Goodwill and Other Intangible Assets*"). These definite-lived intangible assets are being amortized over periods ranging from three to seven years. Acquired trade name is not being amortized and is subject to an annual review for impairment consistent with the existing intangible assets in fiscal 2024. impairment.

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 reported as right-of-use ("ROU") assets, current lease liabilities and long-term lease liabilities on the 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. sheet, but rather are expensed as incurred. The Company's lease agreements do not contain any residual value guarantees.

Recent Accounting Pronouncements

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

Restatement of Previously Issued Financial Statements

The unaudited condensed consolidated financial statements for the three months ended June 30, 2023 (the "Affected Period") has been restated to account for material misstatements related to sales tax obligations as further described below and the accounting treatment related to the deferred tax asset associated with the Company's acquisition of PetCareRx in April 2023 (collectively, the "Misstatements").

Description of restatement adjustments

In the third quarter of fiscal year 2024, the Company, reviewed the accounting treatment related to its previously reported sales tax accruals as well as the accounting treatment related to the valuation of the deferred tax asset associated with the Company's acquisition of PetCareRx in April 2023. As a result of this review, management determined that the Company incorrectly applied U.S. GAAP as it relates to the sales tax liability and improperly valued the deferred tax asset and goodwill included in its unaudited condensed consolidated financial statements for the Affected Period.

We corrected the Misstatements relating to sales tax accruals by recording sales tax accruals as of the end of the Affected Period using a legal liability approach under Accounting Standards Codification Topic 405, Liabilities.Amounts reported in our Statement of Operations for the three months ended June 30, 2024 reflect additional accrued interest on the previously-recorded sales tax liability.

In addition, we have corrected the Misstatements relating to the deferred tax asset we recognized in connection with our acquisition of PetCareRx on April 3, 2023 (the "Acquisition") as of the end of the Affected Period.In the accounting for the 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.

Note 3: 2: 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 websites 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.

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 $1.8 million and $5.3 million $1.5 million of previously deferred annual membership fees in the three and nine months ended December 31, 2023 June 30, 2024, respectively, and had $3.1 million $2.1 million of deferred revenue as of the quarter ended December 31, 2023 (amounts in millions) June 30, 2024.

	2023(amounts in millions)
Deferred revenue, March 31, March 31, 2024	$ – 2.6
Deferred revenue acquired with PetCareRx	—
Deferred memberships fees and others received	1.1
Deferred membership fee revenue and others recognized	(1.5)
Deferred revenue, June 30,	3.2
Deferred memberships fees received June 30, 2024	2.1
	(1.7)
Deferred revenue, September 30,	3.6
Deferred memberships fees received	1.3
Deferred membership fee revenue recognized	(1.8)
Deferred revenue, December 31,	$ 3.1

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 three and nine months ended December 31, 2023 June 30, 2024 and June 30, 2023, membership fees earned under the partner program were $0.7 million $0.9 million and $2.0 million $0.6 million, respectively.

The Company has no material contract asset or liability balances at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, respectively.

The Company disaggregates sales in the following categories: reorder sales vs new order sales vs membership fees. The following table illustrates sales in those categories:

	Three Months Ended December 31,				Increase (Decrease)	
Revenue (in thousands)	2023	%	2022	%	$	%
Reorder sales	$ 57,682	88.3 %	$ 53,316	90.6 %	$ 4,366	8.2 %
New order sales	5,189	7.9 %	5,554	9.4 %	(365)	-6.6 %
Membership fees	2,446	3.7 %	–	– %	2,446	– %
Total net sales	$ 65,317	100.0 %	$ 58,870	100.0 %	$ 6,447	11.0 %

		Nine Months Ended December 31,						Increase (Decrease)							
		Three Months Ended June 30,						Increase (Decrease)							
Revenue (in thousands)	Revenue (in thousands)	2023		% (as restated)	2022		%	$		%	Revenue (in thousands)	2024		%	2023
Reorder sales															
Reorder sales															
Reorder sales		$188,123	87.7	87.7 %	$176,131	90.7	90.7 %	$ 11,992	6.8	6.8 %		$60,025	88.3	88.3 %	$ 68,(
New order sales	New order sales	19,181	8.9	8.9 %	18,041	9.3	9.3 %	1,140	6.3	6.3 %	New order sales	5,603	8.2	8.2 %	
Membership fees	Membership fees	7,256	3.4	3.4 %	–	–	– %	7,256	–	– %	Membership fees	2,324	3.4	3.4 %	
Total net sales															
Total net sales															
Total net sales		$214,560	100.0	100.0 %	$194,172	100.0	100.0 %	$ 20,388	10.5	10.5 %		$67,952	100.0	100.0 %	$ 78,(

Note 4: 3: 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. 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 11 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
Lease liabilities		2,220
Total liabilities		11,315
Total purchase consideration	$	36,079

The Company incurred a total of $1.8 million $1.7 million in acquisition related costs that were expensed as incurred and recorded in general and administrative expenses in the Company's unaudited Condensed Consolidated Statements of (Loss) Income, Operations, of which $0.5 million was recorded in fiscal year 2023, and $1.3 million $1.2 million was recorded for the nine months ended December 31, 2023 in fiscal year 2024. These costs include included 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, 2022 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 nine three months ended December 31, 2022 June 30, 2023 is as follows (in thousands):

		Nine Three Months Ended December 31, 2022 June 30, 2023
		(unaudited)
Revenue	$	226,713 78,244
Net income loss		407 (1,136)

Note 5: 4: Net Income (Loss) Income Per Share

In accordance with the provisions of ASC Topic 260 ("*Earnings Per Share*") basic net 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 income per common share includes the dilutive effect of potential restricted and performance stock and the effects of the potential conversion of preferred shares, calculated using the treasury stock method. Unvested restricted stock and convertible preferred shares issued by the Company represent the only dilutive effect reflected in the diluted weighted average shares outstanding.

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

		Three Months Ended December 31,		Nine Months Ended December 31,	
		2023	2022	2023	2022
		Three Months Ended June 30,			
		Three Months Ended June 30,			
		Three Months Ended June 30,			
	2024				
	2024				
	2024				
					(as restated)
Net (loss) income (numerator):					
Net (loss) income					
Net (loss) income					
Net (loss) income					
		(as restated)			
		(as restated)			
Net income (loss) (numerator):					
Net income (loss) (numerator):					
Net income (loss) (numerator):					
Net income (loss)					
Net income (loss)					
Net income (loss)					
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					
Common shares issuable upon vesting of restricted stock					
Common shares issuable upon vesting of restricted stock					
Common shares issuable upon vesting of restricted stock					
Common shares issuable upon conversion of preferred shares					

Common shares issuable upon conversion of preferred shares
Common shares issuable upon conversion of preferred shares
Shares used in diluted computation
Shares used in diluted computation
Shares used in diluted computation
Net (loss) income per common share:
Net (loss) income per common share:
Net (loss) income per common share:
Net income (loss) per common share:
Net income (loss) per common share:
Net income (loss) per common share:
Basic
Basic
Basic
Diluted
Diluted
Diluted

For the three months ended December 31, 2023 June 30, 2024 and 2022, 825,825 2023, zero and 243,604 862,519 shares issuable upon vesting of restricted stock and 10,125 zero and zero 10,125 shares issuable upon conversion of preferred shares, respectively, were excluded from the computation of diluted net income (loss) income per common share, as their inclusion would have had an anti-dilutive effect on diluted net (loss) income per common share. For the nine months ended December 31, 2023 and 2022, 837,084 and 243,604 shares issuable upon vesting of restricted stock and 10,125 and zero shares issuable upon conversion of preferred shares, respectively, were excluded from the computation of diluted net (loss) income per common share, as their inclusion would have had an anti-dilutive effect on diluted net (loss) income per common share.

Note 6: 5: Stock-Based Compensation

The Company records compensation expense associated with restricted stock in accordance with ASC Topic 718 ("*Compensation - Stock Compensation*"). The Company had 961,973 428,137 common shares issued under the 2016 Employee Equity Compensation Restricted Stock Plan (the "2016 Employee Plan") (which 2016 Employee Plan was succeeded by the 2022 Employee Plan in April 2023, and no further awards will be granted under the 2016 Employee Plan), 89,742 59,074 common shares issued under the 2022 Employee Equity Compensation Plan (as amended) (the "2022 Employee Plan"), and 225,251 256,624 common shares issued under the 2015 Outside Director Equity Compensation Plan (as amended) (the "2015 Director Plan"). At December 31, 2023 June 30, 2024, all shares were issued with service-based vesting conditions with the exception of 2,000 performance stock units which vest subject to the employee's continued employment with the Company or the director's continued directorship with the Company through the applicable vesting date. The Company records stock-based compensation expense for these awards on a straight-line basis over the requisite service period. The Company reverses stock-based compensation expense previously recorded upon forfeiture of unvested awards except for the performance restricted shares with a market condition issued to the former Chief Executive Officer ("CEO") and performance stock units ("PSUs") with a market condition issued to the Chief

Financial Officer ("CFO") as described in the following paragraphs. Stock-based compensation expense previously recorded for these awards will not be reversed if the awards are forfeited.

In June 2023, the Board of Directors amended and restated the 2015 Director Plan and the 2022 Employee Plan (collectively, the "Plans") to include the ability to grant restricted stock units ("RSUs") and performance stock units

("PSUs") under the Plans. The amendments and restatement of the Plans did not increase the maximum number of shares of common stock that may be awarded under the Plans. At December 31, 2023 June 30, 2024, the Company had 55,380 664,889 RSUs outstanding and 12,000 2,000 PSUs granted outstanding under the 2022 Employee Plan and 30,000 31,373 RSUs granted outstanding under the 2015 Director Plan.

In August 2021, the Company issued 90,000 shares of restricted shares stock and 510,000 performance restricted shares with a market condition to the Company's former CEO, in accordance with the former CEO's employment agreement, under the 2016 Employee Plan. The In April 2024, the Company and former CEO entered into a Transition and Separation Agreement pursuant to which the Company cancelled the 510,000 performance restricted shares with a market condition vest based and accelerated vesting on achieving absolute stock hurdles within 30,000 remaining unvested restricted shares which otherwise would not have vested. Cancellation of the three-year period 510,000 shares resulted in an $8.8 million reduction of compensation expense, offset by $0.1 million of compensation expense from the accelerated vesting of the 30,000 shares in the three months ended June 30, 2024.

On April 29, 2024, the new CEO received a grant date. If of 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 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 three anniversaries of the date of grant so long as the CEO 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.

In August 2022, the Company issued 13,000 restricted shares meet and 3,000 performance restricted shares to the absolute stock price hurdle, they will only Company's CFO, in accordance with the CFO's employment agreement, under the 2016 Employee Plan. One-third of the restricted shares were scheduled to vest on each of the third anniversary first three anniversaries of the date of grant, subject to the CEO's CFO's continued employment with the Company through such date. As of December 31, 2023, none the applicable vesting date, with any unvested RSUs being forfeited upon the CFO ceasing to be an employee of the Company. The performance stock hurdles restricted shares were met. based on the attainment of performance criteria equally weighted between adjusted EBITDA and revenue, and on June 8, 2023 the Company determined that the performance criteria was not attained over the applicable performance period and the performance restricted shares were cancelled.

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 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

On May 16, 2024, the Company granted the CFO 74,850 RSUs of which 14,970 would vest on June 30, 2024, 22,455 would vest August 31, 2024 and 37,425 would vest on August 31, 2025. On May 31, 2024, the Company and CFO entered into a Transition and Separation Agreement pursuant to which the CFO will earn shares leave the Company following a transition period. Upon the completion of our common stock pursuant to the PSUs based transition period and contingent on the Company's total shareholder return ("TSR") relative to CFO's complying with the S&P 600 Specialty Retail Index ("Index") over an overall three-year performance period consisting terms of the 2024 through 2026 fiscal years, as follows:

- 100% Agreement, the Company will accelerate the vesting of all unvested restricted shares and RSUs that were originally scheduled to vest on or before August 3, 2025. Under the Agreement, PSUs with a market condition were cancelled. Acceleration and cancellation of the target number CFO's restricted shares, RSUs and PSUs resulted in net additional compensation expense of shares, which is 8,000 shares, will be earned if $0.2 million in 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.

The Company issued 14,000 shares of restricted stock to employees under the 2022 Employee Plan during the three months ended December 31, 2023 June 30, 2024. The Company issued zero shares of restricted stock and zero RSUs to board members under the 2015 Director Plan during the quarter ended December 31, 2023. For the quarters ended December 31, 2023 and 2022, the Company recognized $1.7 million and $1.8 million, respectively, of compensation expense related to the 2016 Employee Plan, 2022 Employee Plan, and 2015 Director Plan. For the nine months ended December 31, 2023 and 2022, the Company recognized $5.2 million and $5.0 million, respectively, of compensation expense related to the 2016 Employee Plan, 2022 Employee Plan, and 2015 Director Plan. At December 31, 2023 and 2022 there was $6.1 million and $10.6 million of unrecognized compensation cost related to the non-vested restricted stock awards, respectively, which is expected to be recognized over the next one to three years.

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 unaudited Condensed Consolidated Statements of (Loss) Income, Operations, and the offset is included in the additional paid-in capital line item of the Company's unaudited Condensed Consolidated Balance Sheets. As of December 31, 2023 and March 31, 2023, there were 728,446 and 752,829 non-vested restricted shares issued and outstanding, respectively.

Restricted Stock Awards

The fair value assigned to restricted stock awards is the market price of the Company's stock at the grant date. The vesting period range from one to three years. Restricted stock award activity under the 2016 Employee Plan, 2022 Employee Plan, and 2015 Director Plan was as follows:

	2015 Director Plan	2015 Director Plan	2016 Employee Plan	2022 Employee Plan	Total	Weighted-Average Grant Date Fair Value	2015 Director Plan	2016 Employee Plan	2022 Employee Plan	Total	Weighted-Average Grant Date Fair Value
Non-vested restricted stock outstanding at March 31, 2023											
Non-vested restricted stock outstanding at March 31, 2024											
Granted and issued											
Vested											
Forfeited											
Balance at December 31, 2023											
Balance at June 30, 2024											

At June 30, 2024 and 2023, there were 68,261 and 837,269 restricted stock awards subject to restriction and forfeiture outstanding, respectively. During the three months ended June 30, 2024 and 2023, 552,457 restricted shares were forfeited and 86,025 restricted shares were issued, net of forfeitures, respectively. For the three months ended June 30, 2024 and 2023, the Company recorded stock-based compensation related to restricted stock awards of $(8.5) million and $1.6 million, 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 quarter ended June 30, 2024, RSU activity under the Plans was as follows:

	RSUs	RSUs	Weighted-Average Grant Date Fair Value Per RSU	RSUs	Weighted-Average Grant Date Fair Value Per RSU
Balance at March 31, 2023					
Balance at March 31, 2024					
Granted					
Vested and issued					
Forfeited					
Balance at December 31, 2023					
Balance at June 30, 2024					

The total grant-date fair value of RSUs granted during the three months endedDecember 31, June 30, 2024 and 2023 was $2.8 million and 2022 was zero for both periods. The total grant-date fair value of RSUs granted during the nine months ended December 31, 2023 and 2022 was $1.1 million and zero, $0.2 million, respectively.

For the three months ended December 31, 2023 June 30, 2024 and 2022, 2023, the Company recorded stock-based compensation expense related to RSUs of $0.1 million $0.4 million and zero, $5 thousand, respectively. For the nine months ended December 31, 2023 and 2022, the Company recorded stock-based compensation related to RSUs of $0.2 million and zero, respectively.

Performance Stock Units

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. PSUs with a performance condition generally vest over one year. PSUs with a market condition generally vest over three years. Stock-based compensation costs expense 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 or individual at the end of the performance period compared to the performance targets and generally ranges from 0% to 200% of the initial PSU grant. targets.

PSU activity under the Plans was as follows:

	PSUs	PSUs	Weighted-Average Grant Date Fair Value Per PSU	PSUs	Weighted-Average Grant Date Fair Value Per PSU
Balance at March 31, 2023					
Balance at March 31, 2024					
Granted					
Vested and issued					
Forfeited					
Performance adjustment					
Balance at December 31, 2023					
Balance at June 30, 2024					

In the three months ended June 30, 2024, 10,000 PSUs were forfeited. The total grant-date fair value of PSUs granted during the three months ended December 31, 2023 June 30, 2024 and 2022 2023 was zero for both periods. The total grant-date fair value of PSUs granted during the nine months ended December 31, 2023 and 2022 was $0.1 million and zero, $0.1 million, respectively.

For the three months ended December 31, 2023 June 30, 2024 and 2022, 2023, the Company recorded stock-based compensation (reversal) expense, net of forfeitures, related to PSUs of zero for both periods. For the nine months ended December 31, 2023 $(36) thousandand 2022, the Company recorded stock-based compensation related to PSUs of zero for both periods. $5 thousand, respectively.

Note 7: 6: Fair Value

The Company carries cash and cash equivalents at fair value in the unaudited Condensed 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 Measurement*") 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 December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, the Company had invested the majority of its $49.4 46.0 million and $104.1 million $55.3 million cash and cash equivalents balance in money market funds which are classified within Level 1.

Note 8: 7: Intangible and Other Assets, Net

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

		Useful Life	Useful Life	Gross Value		Accumulated Amortization	Net Carrying Value		Weighted Average Remaining Useful Life (Years)		Useful Life
December 31, 2023											
June 30, 2024											
Intangible Assets											
Intangible Assets											
Intangible Assets											
Toll-free telephone number											
Toll-free telephone number											
Toll-free telephone number		Indefinite	$ 375	$	$ –	$	$ 375	Indefinite	Indefinite	Indefinite	$
Internet domain names	Internet domain names	Indefinite	485	–	–	485	485	Indefinite	Indefinite	Internet domain names	Indefinite
Trade Names - PetCareRx	Trade Names - PetCareRx	Indefinite	2,600	–	–	2,600	2,600	Indefinite	Indefinite	Trade Names - PetCareRx	Indefinite
Customer Relationships -PetCareRx	Customer Relationships -PetCareRx	7 years	6,700	(718)	(718)	5,982	5,982	6.25	6.25	Customer Relationships - PetCareRx	7 years
Developed Technology - PetCareRx	Developed Technology - PetCareRx	3 years	3,000	(750)	(750)	2,250	2,250	2.25	2.25	Developed Technology - PetCareRx	3 years
		– $									
Other Assets											
Other Assets											
Other Assets											
Initial minority interest investment in Vetster											
Initial minority interest investment in Vetster											
Initial minority interest investment in Vetster		N/A	5,300	–	–	5,300	5,300	N/A	N/A	N/A	
Balance December 31, 2023											
Balance December 31, 2023											
Balance December 31, 2023											
Balance June 30, 2024											
Balance June 30, 2024											

Balance June 30, 2024

March 31, 2023

March 31, 2024

March 31, 2023

March 31, 2024

March 31, 2023

March 31, 2024

Intangible Assets

Intangible Assets

Intangible Assets

Toll-free telephone number

Toll-free telephone number

Toll-free telephone number		Indefinite	$ 375	$	$ –	$	$ 375		Indefinite	Indefinite	Indefinite		$
Internet domain names	Internet domain names	Indefinite	485	–	–		485	485	Indefinite	Indefinite		Internet domain names	Indefinite
Trade Names - PetCareRx		Indefinite	2,600					2,600		Indefinite			
Customer Relationships - PetCareRx		7 years	6,700		(957)		$5,743			6 years			
Developed Technology - PetCareRx		3 years	3,000		(1,000)		$2,000			2 years			
		– $											

Other Assets

Other Assets

Other Assets

Initial minority interest investment in Vetster

Initial minority interest investment in Vetster

Initial minority interest investment in Vetster	N/A	5,000	–	–	5,000	5,000	N/A	N/A	N/A

Balance March 31, 2023

Balance March 31, 2023

Balance March 31, 2023

Balance March 31, 2024

Balance March 31, 2024

Balance March 31, 2024

Amortization expense for intangible assets was $0.5 million and zero $0.5 million for the three months ended December 31, 2023 June 30, 2024 and 2022, respectively. Amortization expense for intangible assets was $1.5 million and zero for the nine months ended December 31, 2023 and 2022, 2023, 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*”).

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 increases the minority interest investment disclosed in Note 7 to $5.3 million. Following this round, the Company’s minority ownership changed to approximately 4.8% of Vetster’s outstanding shares.

Note 9: 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 One of the initial lease terms have has already matured and the remaining leases have lease has a maturity dates ranging from date in 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

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 unaudited Condensed Consolidated Balance Sheets.

Discount Rate and Lease Term

As of December 31, 2023 June 30, 2024, the weighted average remaining lease term and discount rate for the Company's operating leases were 3.1 2.8 years and 3.8% 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 three and nine months ended are as follows (in thousands):

Lease cost	Three months ended December 31, 2023	Nine Months Ended December 31, 2023
Operating lease cost - fixed	$ 215	$ 646
Operating lease costs - variable	15	43
Total lease cost	$ 230	$ 689

Lease cost	Three months ended June 30, 2024
Operating lease cost - fixed	$ 148
Operating lease costs - variable	14
Total lease cost	$ 162

Supplemental cash flow information for the three and nine months ended are as follows (in thousands):

	Three months ended December 31, 2023	Nine Months Ended December 31, 2023
Cash paid for the amounts included in the measurement of operating lease liabilities	$ 211	$ 630
Right-of-use assets obtained in exchange for new operating lease liabilities as a result of acquisition	$ 2,220	$ 2,220

	Three months ended June 30, 2024
Cash paid for the amounts included in the measurement of operating lease liabilities	$ 145
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 unaudited Condensed Consolidated Balance Sheet as of December 31, 2023 June 30, 2024 were as follows (in thousands):

	December 31, 2023	June 30, 2024
Three months ending March 31, 2024		
2025		
2026		

2027	
2028	
Total lease payments	
Less: Imputed Interest	
Present value of lease liabilities	

Note 10: 9: Commitments and Contingencies

Legal Matters and Routine Proceedings

On April 18, 2024, Plaintiff Timothy Fitchett ("Plaintiff") filed an action against the Company 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, which the Company opposed. Plaintiff's motion to remand is now fully briefed and awaiting the Court's ruling. 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.

The Company may from time to time be involved in various other 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. 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.

Note 11: 10: Changes in Shareholders' Equity (As Restated):

Changes in Shareholders' Equity for the nine three months ended December 31, 2023 June 30, 2024 is summarized below (in thousands):

	Common Stock	Additional Paid-In Capital	Retained Earnings
Beginning balance at March 31, 2023 (as restated):	$ 21	$ 18,277	$ 91,659
Share based compensation	—	1,760	—
Dividends declared	—	—	(6,346)
Net loss	—	—	(1,136)
Ending balance at June 30, 2023 (as restated):	$ 21	$ 20,037	$ 84,177
Share based compensation	—	1,728	—
Dividends declared	—	—	(6,308)
Net loss	—	—	715
Ending balance at September 30, 2023 (as restated):	$ 21	$ 21,765	$ 78,584
Share based compensation	—	1,708	—
Net loss	—	—	(2,027)
Ending balance at December 31, 2023:	$ 21	$ 23,473	$ 76,557

	Common Stock	Additional Paid-In Capital	Retained Earnings
Beginning balance at March 31, 2024:	$ 21	$ 25,146	$ 71,555

	Common Stock	Additional Paid-In Capital	Retained Earnings
Share based compensation (reversal) expense	—	(8,204)	—
Dividends forfeited	—	—	1,250
Net income	—	—	3,754
Ending balance at June 30, 2024:	$ 21	$ 16,942	$ 76,559

Changes in Shareholders' Equity for the nine three months ended December 31, 2022 June 30, 2023 is summarized below (in thousands):

	Common Stock	Additional Paid-In Capital	Retained Earnings
Beginning balance at March 31, 2022 (as restated):	$ 21	$ 11,660	$ 111,760
Share based compensation	—	1,536	—
Dividends declared	—	—	(6,297)
Net income	—	—	2,687
Ending balance at June 30, 2022 (as restated):	$ 21	$ 13,196	$ 108,150
Share based compensation	—	1,681	—
Dividends declared	—	—	(6,307)
Net income	—	—	2,881
Ending balance at September 30, 2022 (as restated):	$ 21	$ 14,877	$ 104,724
Share based compensation	—	1,770	—
Dividends declared	—	—	(6,319)
Net loss	—	—	(212)
Ending balance at December 31, 2022 (as restated):	$ 21	$ 16,647	$ 98,193

	Common Stock	Additional Paid-In Capital	Retained Earnings
Beginning balance at March 31, 2023 (as restated):	$ 21	$ 18,277	$ 91,659
Share based compensation expense	—	1,760	—
Dividends declared	—	—	(6,346)
Net loss	—	—	(1,136)
Ending balance at June 30, 2023 (as restated):	$ 21	$ 20,037	$ 84,177

There were no shares of common stock that were purchased or retired in the nine three months ended December 31, 2023 June 30, 2024 or 2022. At December 31, 2023, the Company had approximately $28.7 million remaining under the Company's share repurchase plan. 2023.

Note 12: 11: Income Taxes (As Restated)

For the three months ended December 31, 2023 June 30, 2024 and 2022, 2023, the Company recorded an income tax benefit of approximately $0.6 million and an income tax provision of approximately $1.0 thousand, respectively, $1.0 million and for the nine months ended December 31, 2023 and 2022 the Company recorded an income tax benefit of approximately $0.3 million and an income tax provision of approximately $1.6 million, respectively. The decrease increase in the income tax provision for the three and nine months ended December 31, 2023 June 30, 2024 is related to the gain on settlement cancellation of sales tax liability cases. the former CEO's performance stock units resulting in additional $8.7 million of increased income during the quarter. The effective tax rate for the three months ended December 31, 2023 June 30, 2024 was approximately 23.4% 20.3%, compared to approximately (0.5)% 20.4% for the three months ended December 31, 2022, and the June 30, 2023. The projected full-year effective tax rate used for purposes of the nine months ended December 31, 2023 was approximately 12.4% compared to approximately 23.4% for the nine months ended December 31, 2022. The decrease in the effective income tax rate provision for the three month ended June 30, 2024 reflects the $1.8 million impact of a favorable permanent difference associated with the cancellation of the former CEO's performance restricted shares. No tax benefit was recorded for the original compensation expense due to expected limitation under Sec. 162 (m) and nine months ended December 31,2023 therefore, there is related no tax benefit to reverse upon cancellation of the deduction stock. The impact of this favorable permanent differences from difference is partially offset by the gain on settlement tax impacts of sales tax liability cases. stock compensation shortfalls.

Under Internal Revenue Code Section 382, if a corporation undergoes an "ownership change", the corporation's ability to use its pre-change net operating loss and tax credit carryforwards to offset its post-change income and tax liabilities may be limited. Generally, an ownership change occurs when the equity ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation's stock increases its ownership by more than 50 percentage points over their lowest ownership percentage in a testing period (typically three years). On April 3, 2023, 100% of the issued and outstanding stock of PetCareRx was acquired by the Company. The merger triggered an ownership change of PetCareRx within the meaning of Section 382.

As a result of the acquisition, the Company performed a Section 382 analysis to determine if the net operating losses carried forward will would have a utilization limitation. Any limitation may could result in the expiration of a portion of the federal net operating loss carryforward before utilization, which would reduce the Company's gross deferred tax assets. As of April 3, 2023, and prior to the acquisition, PetCareRx had approximately $96.0 million of net operating losses and $1.9 million of disallowed interest expense. The results of the preliminary Section 382 analysis determined the net operating losses and disallowed interest expense in total, would be limited and reduced to approximately $14.5 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2023 June 30, 2024, and our 2023 2024 Form 10-K/A. 10-K.

Certain information in this Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You can identify these forward-looking statements by the words "believes," "intends," "expects," "may," "will," "should," "plans," "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 our 2023 2024 Form 10-K/A 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 this Quarterly Report on Form 10-Q. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

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

Executive Summary

PetMed Express, Inc. and subsidiaries, d/b/a PetMeds®, 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. We offer consumers an attractive option alternative for obtaining pet medications, foods, and supplies in terms of convenience, price, speed of delivery, and valued customer service.

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

Presently, our product line includes approximately 15,000 of the most popular pet medications, health products, food and supplies for dogs, cats, and horses. Approximately 9,000 of these items were part of the April 2023 acquisition of PetCareRx.

We market our products through national advertising campaigns and social media which aim to increase the recognition of the "PetMeds®" brand name, and "PetCareRx" brand name, increase traffic on our websites at www.petmeds.com and www.petcarerx.com, acquire new customers, and maximize repeat purchases. Our sales consist of products sold mainly to retail consumers. The average purchase was approximately $93 $97 for the quarter quarters ended December 31, 2023 June 30, 2024, approximately $90 for the quarter ended December 31, 2022, approximately $95 for the nine months ended December 31, 2023 and approximately $93 for the nine months ended December 31, 2022 June 30, 2023.

Restatement

As described in the Note 1 of "Notes to Condensed Consolidated Financial Statements," we have restated our consolidated financial statements and Item 2. Management's Discussion of Financial Condition and Results of Operations for the three and nine months ended December 31, 2022 June 30, 2023.

Critical Accounting Policies

Our discussion and analysis of our financial condition and the results of our operations contained herein are based upon our condensed consolidated financial statements and the data used to prepare them. Our condensed 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.

Revenue recognition

We account for revenue under Accounting Standards Codification ("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 our website websites 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. 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 the accounts receivable balances relative to sales.

Membership fees represent the amounts recognized periodically from the PetPlus memberships provided through PetCareRx. In addition to annual membership fees earned under the PetPlus program, we also earns membership fees on a month-to-month basis as earned under our monthly partner program. Memberships provide wholesale pricing, free standard shipping, veterinary telehealth services and local Caremark Pharmacy prescription pickup. The PetPlus membership fee is an annual charge and automatically renews one year from the initial enrollment date. We recognize the revenue ratably over the term of the membership which is generally one year.

We maintain an allowance for doubtful accounts for 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 uncollectibility of accounts receivable by analyzing historical and current bad debts and economic trends in compliance with the provisions of ASC Topic 326 ("*Financial Instruments - Credit Losses"*). The allowance for doubtful accounts was approximately $39 $109 thousand at December 31, 2023 June 30, 2024, compared to $35 $273 thousand at March 31, 2023 March 31, 2024.

Business Combinations

We account for our business combinations using the acquisition method of accounting in accordance with 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.

Determining the fair value of 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, 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.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP 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 attached unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Acquisition

On April 3, 2023, we acquired 100% of the issued and outstanding equity interests of PetCareRx, Inc. ("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 us, 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 our 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 our cash on hand.

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.

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 condensed 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 a result of the acquisition, we performed an Internal Revenue Code Section 382 analysis to determine if the net operating losses carried forward will have a utilization limitation. Any limitation may result in the expiration of a portion of the federal net operating loss carryforward before utilization, which would reduce our gross deferred tax assets. As of April 3, 2023, and prior to the acquisition, PetCareRx had approximately $96.0 million of net operating losses and $1.9 million of disallowed interest expense. The results of the Section 382 analysis determined the net operating loss and disallowed interest expense in total, would be limited and reduced to $14.5 million.

Economic Conditions, Challenges, and Risks

Macroeconomic factors, including inflation, increased interest rates, significant capital market and supply chain volatility, and global economic and geopolitical developments, have direct and indirect impacts on our results of operations that are difficult to isolate and quantify. In addition, rising fuel, utility, and food costs, rising interest rates, and recessionary fears may impact customer demand and our ability to forecast consumer spending patterns. We also expect the current macroeconomic environment and enterprise customer cost optimization efforts to impact our revenue growth rates. We expect some or all of these factors to continue to impact our operations for the remainder of fiscal 2024. 2025.

Results of Operations

The following should be read in conjunction with our unaudited Condensed 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 unaudited Condensed Consolidated Statements of Income (Loss) Income: :

		Three Months Ended December 31,		Nine Months Ended December 31,	
		2023	2022	2023	2022
					(as restated)
		Three Months Ended June 30, Three Months Ended June 30, Three Months Ended June 30,			
		2024 2024 2024			
Sales	Sales	100.0 %	100.0 %	100.0 %	100.0 %
Sales					
Sales					
Cost of sales					
Cost of sales					
Cost of sales					
Gross profit					
Gross profit					
Gross profit					
Operating expenses:					
Operating expenses:					
Operating expenses:					
General and administrative					
General and administrative					
General and administrative					
Advertising					
Advertising					
Advertising					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization					
Total operating expenses					
Total operating expenses					
Total operating expenses					
(Loss) income from operations					
(Loss) income from operations					
(Loss) income from operations					
Income (loss) from operations					
Income (loss) from operations					
Income (loss) from operations					
Total other income					
Total other income					

Total other income				
Income (loss) before provision for income taxes				
Income (loss) before provision for income taxes				
Income (loss) before provision for income taxes				
(Benefit) provision for income taxes				
(Benefit) provision for income taxes				
(Benefit) provision for income taxes				
Income (loss) before provision for income taxes				
Net (loss) income				
Net (loss) income				
Net (loss) income	(3.1) %	(0.4) %	(1.1) %	2.8 %
Provision (benefit) for income taxes				
Provision (benefit) for income taxes				
Provision (benefit) for income taxes				
Net income (loss)				
Net income (loss)				
Net income (loss)				

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 and amortization, income tax provision, interest income (expense), and other non-operational expenses. We have provided reconciliations below of net income to adjusted EBITDA, 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 net share-based compensation expense, depreciation and amortization 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 non-operational expenses, including the investment banking fee related to the Vetster partnership,

acquisition costs related to PetCareRx, employee severance and

estimated 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 and amortization are non-cash charges, the assets being depreciated and amortized 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 net 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 sales tax expense (income) relating to recording a liability for sales tax we did not collect from our customers.
- 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 tables present a reconciliation of net income (loss), the most directly comparable GAAP measure, to adjusted EBITDA for each of the periods indicated:

		Three Months Ended				Three Months Ended			Increase (Decrease)			
($ in thousands, except percentages)	($ in thousands, except percentages)	December 31, 2023		December 31, 2022		$		%	($ in thousands, except percentages)		June 30, 2024	
			(as restated)									
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 loss												
Net loss												
Net loss		$ (2,027)		$ (212)		$(1,815)		856 %				
Consolidated Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA:												
Consolidated Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA:												
Consolidated Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA:												
Net income (loss)												
Net income (loss)												
Net income (loss)		$ 3,754		$ (1,136)		$ 4,890		(430) %				
Add (subtract):												
Add (subtract):												
Add (subtract):												
Share-based Compensation												
Share-based Compensation												
Share-based Compensation		1,707		1,770		(63)		(4) %				
Share-based Compensation (1)												
Share-based Compensation (1)												
Share-based Compensation (1)		(8,204)		1,760		(9,964)		(566) %				
Income Taxes	Income Taxes	(618)	1	1	(619)		(619)	n/m		n/m	Income Taxes	
Depreciation and Amortization	Depreciation and Amortization	1,770	941	941	829		829	88	88	%	Depreciation and Amortization	1
Interest (Income) Expense, Net (1)		(136)		(299)		163		(55) %				
Interest Income, Net (2)		(95)		(194)		99		(51) %				
Acquisition/Partnership Transactions and Other Items	Acquisition/Partnership Transactions and Other Items	–	539	539	(539)		(539)	(100)	(100)	%	Acquisition/Partnership Transactions and Other Items	
Employee Severance		149		393		(244)		(62) %				
Sales Tax Expense (Income)												
Sales Tax Expense (Income)												
Sales Tax Expense (Income)		228		–		228		n/m				
Adjusted EBITDA												
Adjusted EBITDA												
Adjusted EBITDA		$ 924	$	$ 2,740	$	$(1,816)	(66)	(66)	% $ (1,537)			$

(1) In April 2024, the Company and its former CEO entered into a Transition and Separation Agreement pursuant to which the Company cancelled the 510,000 restricted shares with a market condition and accelerated vesting on the 30,000 remaining unvested time-restricted shares which otherwise would not have vested. Cancellation and acceleration of these shares resulted in an $8.7 million reduction of compensation expense in the three months ended June 30, 2024.

(1) (2) Included in interest (income) expense income, net is $423 $410 thousand of interest expense related to the sales tax liability and $559 $505 thousand of interest income for the three months ended December 31, 2023 and $409 June 30, 2024. This compares to $426 thousand of interest expense related to the sales tax liability and $708 $620 thousand of interest income for the three months ended December 31, 2022.

($ in thousands, except percentages)	Nine Months Ended				Increase (Decrease)	
	December 31, 2023		December 31, 2022		$	%
			(as restated)			
Consolidated Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA:						
Net (loss) income	$	(2,448)	$	5,356	$ (7,804)	(146)%
Add (subtract):						
Share-based Compensation		5,196		4,987	209	4 %
Income Taxes		(345)		1,636	(1,981)	(121)%
Depreciation and Amortization		5,161		2,552	2,609	102 %
Interest (Income) Expense, Net (1)		(481)		(11)	(470)	4273 %
Acquisition/Partnership Transactions and Other Items		1,294		894	400	45 %
Employee Severance		408		364	44	12 %
Sales Tax Expense (Income)		(1,088)		344	(1,432)	(416)%
Adjusted EBITDA	$	7,697	$	16,122	$ (8,425)	(52)%

(1) Included in interest (income) expense is $1,268 thousand of interest expense related to the sales tax liability and $1,749 thousand of interest income for the nine months ended December 31, 2023 and $1,202 thousand of interest expense related to the sales tax liability and $1,213 thousand of interest income for the nine months ended December 31, 2022 June 30, 2023.

Three Months Ended December 31, 2023 June 30, 2024 Compared With Three Months Ended December 31, 2022 and Nine Months Ended December 31, 2023 Compared With Nine Months Ended December 31, 2022 June 30, 2023

Sales (As Restated)

Sales increased decreased by approximately $6.4 10.3 million, or 11.0% 13.2%, to approximately $65.3 million $68.0 million for the quarter ended December 31, 2023 June 30, 2024, compared to approximately $58.9 78.2 million for the quarter ended December 31, 2022 June 30, 2023. The increase decrease in sales for the quarter ended December 31, 2023 was June 30, 2024 reflects both broader macroeconomic factors, higher consumer promotional usage and specific internal challenges.

Reorder sales decreased by approximately $8.0 million, or 11.8%, to approximately $60.0 million for the three months ended June 30, 2024, compared to approximately $68.0 million for the three months ended June 30, 2023. The decrease in reorder sales is primarily due to incremental sales and membership fees from the integration of PetCareRx, partially offset by declines a decline in PetMeds new customer and reorder prescription medication sales.

New order sales decreased by approximately $0.4 $2.2 million or 6.6% 28.4%, to approximately $5.2 million for the quarter ended December 31, 2023, compared to $5.6 million for the quarter ended December 31, 2022 June 30, 2024, compared to $7.8 million for the quarter ended June 30, 2023. The decrease in new order sales is primarily due to one time promotions the combination of lower gross media spend resulting in the same quarter last year that we did not repeat, partially offset by incremental a decrease in new order sales from the integration of PetCareRx. customers acquired.

Sales increased by approximately $20.4 million, or 10.5%, to approximately $214.6 million for the nine months ended December 31, 2023, compared to approximately $194.2 million for the nine months ended December 31, 2022. The

increase in sales for the nine months ended December 31, 2023 was due to incremental sales and membership fees from the integration of PetCareRx, partially offset by declines in PetMeds reorder sales.

We acquired approximately 67,000 75,000 new customers for the quarter ended December 31, 2023 June 30, 2024 compared to approximately 72,000 86,000 new customers for the quarter ended December 31, 2022. We acquired approximately 229,000 new customers for the nine months ended December 31, 2023 compared to approximately 202,000 new customers for the nine months ended December 31, 2022 June 30, 2023. The following tables illustrates sales by various sales classifications:

Revenue (In thousands)	Three Months Ended December 31,						Increase (Decrease)	
	2023		%	2022		%	$	%
Reorder sales	$	57,682	88.3 %	$	53,316	90.6 %	$ 4,366	8.2 %
New order sales		5,189	7.9 %		5,554	9.4 %	(365)	(6.6)%
Membership fees		2,446	3.7 %		–	– %	2,446	– %
Total net sales	$	65,317	100.0 %	$	58,870	100.0 %	$ 6,447	11.0 %

		Nine Months Ended December 31,						Increase (Decrease)								
		Three Months Ended June 30,						Increase (Decrease)								
Revenue (In thousands)	Revenue (In thousands)	2023		%	2022	%		$			%	Revenue (In thousands)	2024	%		2023
				(as restated)												
Reorder sales																
Reorder sales																
Reorder sales		$188,123	87.7	87.7 %	$176,131	90.7	90.7 %	$	11,992	6.8	6.8 %		$ 60,025	88.3	88.3 %	$ 68,038
New order sales	New order sales	19,181	8.9	8.9 %	18,041	9.3	%	1,140		6.3	6.3 %	New order sales	5,603	8.2	8.2 %	7,820
Membership fees	Membership fees	7,256	3.4	3.4 %	–	–	%	7,256		–	– %	Membership fees	2,324	3.4	3.4 %	2,386
Total net sales																
Total net sales																
Total net sales		$214,560	100.0	100.0 %	$194,172	100.0	100.0 %	$	20,388	10.5	10.5 %		$ 67,952	100.0	100.0 %	$ 78,244

We remain encouraged by the adoption AutoShip & Save subscription sales as a percentage of our AutoShip program and have seen an increasingly positive trend since we launched this program. For example, our quarterly AutoShip percentage total sales was 52.2% 52.5% of net sales for the most recent quarter ended December 31, 2023 June 30, 2024, up from 42.3% 48.7% of net sales for the same period last year and up down from 51.0% 53.5% of net sales sequentially in the prior quarter.

Going forward, sales may be adversely affected due to increased competition and consumers giving more consideration to price. The changes in consumer behavior due to macroeconomic factors makes future sales somewhat challenging to predict. No guarantees can be made that sales will grow in the future.

Cost of sales (As Restated)

Cost of sales increased decreased by approximately $3.8 5.7 million, or 8.7% 10.3%, to approximately $47.4 million $50.0 million for the quarter ended December 31, 2023 June 30, 2024, from approximately $43.6 million $55.7 million for the quarter ended December 31, 2022 June 30, 2023. Cost of sales, as a percentage of sales, was 72.6% 73.6% for the quarter ended December 31, 2023 June 30, 2024, compared to 74.1% 71.2% for the quarter ended December 31, 2022 June 30, 2023. Cost of sales increased by approximately $13.3 million, or 9.4%, to approximately $154.1 million for the nine months ended December 31, 2023, from approximately $140.8 million for the nine months ended December 31, 2022. Cost of sales, as a percentage of sales, was 71.8% for the nine months ended December 31, 2023, and 72.5% for the the nine months ended December 31, 2022. The cost of sales increased for the three and nine months ended December 31, 2023 compared to the three and nine months ended December 31, 2022 was primarily due to higher sales over the same period. The cost of sales, as a percentage of sales, decreased increased for the three and nine months ended December 31, 2023 June 30, 2024 compared to the three and nine months ended December 31, 2022 June 30, 2023 primarily due to lower promotional an increase in discount activity in the most recent period and higher profit margins obtained by PetCareRx driven by membership fees. period.

Gross profit (As Restated)

Gross profit increased decreased by approximately $2.6 million $4.6 million, or 17.4% 20.2%, to approximately $17.9 million $18.0 million for the quarter ended December 31, 2023 June 30, 2024, from approximately $15.2 million $22.5 million for the quarter ended December 31, 2022. For the nine months ended December 31, 2023, gross profit increased by approximately $7.1 million, or 13.3%, to approximately $60.5 million, from approximately $53.4 million for the nine months ended December 31, 2022 June 30, 2023. The gross profit increases decreases for the quarter

and nine months ended December 31, 2023 June 30, 2024 compared to the quarter and nine months ended December 31, 2022 June 30, 2023 was were primarily due to higher lower sales and higher profit margins obtained by PetCareRx driven by membership fees. a lower gross margin over the same period due to an increase in discount activity in the most recent quarter.

General and administrative expenses (As Restated)

General and administrative expenses increased decreased by approximately $3.0 million $10.8 million, or 28.8% 69.0%, to approximately $13.4 million $4.9 million for the quarter ended December 31, 2023 June 30, 2024, from approximately $10.4 million $15.7 million for the quarter ended December 31, 2022 June 30, 2023. The increase decrease to general and administrative expenses for the quarter ended December 31, 2023 June 30, 2024 was primarily due to a $10.0 million decrease in stock compensation expense, of which $8.7 million was from the stock compensation reversal associated with an executive departure, a $0.2 million decrease in payroll expenses of which $0.2 million was due to a $2.0 million increase higher severance in payroll expenses, a the previous year, $0.2 million increase lower professional fees of software and systems expense, which $0.9 million was from higher acquisition/ partnership transaction on other items in the previous year, and a $1.0 million increase $0.5 million decrease of variable and other overhead expenses. The expense increases were partially attributed to the integration of PetCareRx. These increases were offset by $0.4 million lower professional fees, as the quarter ended December 31, 2022 had $0.5 million of acquisition related costs.

For the nine months ended December 31, 2023 general and administrative expenses increased by approximately $11.4 million, or 38.5%, to approximately $41.1 million, from approximately $29.7 million for the nine months ended December 31, 2022. The increase to general and administrative expenses for the nine months ended December 31, 2023 was due to a $6.6 million increase in payroll expenses, of which $0.2 million is from increased stock compensation, a $1.4 million increase of professional fees, of which $0.4 million were acquisition related costs, a $1.1 million increase of software and systems expense, and a $3.7 million increase of variable and other overhead expenses. The expense increases were partially attributed to the combination of PetCareRx. These increases were offset by $1.3 million related to sales tax settlements with states.

Advertising expenses

Advertising expenses increased decreased by approximately $1.1 million $0.3 million, or 24.2% 3.8%, to approximately $5.8 million $7.0 million for the quarter ended December 31, 2023 June 30, 2024, from approximately $4.6 million $7.3 million for the quarter ended December 31, 2022 June 30, 2023. The increase decrease for the quarter can be mainly attributed to lower gross media spend related to PetCareRx. partially offset by lower marketing funded by manufacturers. The advertising advertising costs of acquiring a new customer, defined as total advertising costs divided by new customers acquired, was $86 $93 for the quarter ended December 31, 2023 and includes PetCareRx June 30, 2024 compared to $64 $84 for the quarter ended December 31, 2022 June 30, 2023. The increase to customer acquisition costs for the quarter ended December 31, 2023 June 30, 2024, was due to a less efficient variable marketing spend. 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 8.8% 10.3% and 7.9% 9.3% for the quarters ended December 31, 2023 June 30, 2024 and 2022, 2023, respectively. The advertising percentage may fluctuate quarter to quarter due to seasonality and advertising availability.

For the nine months ended December 31, 2023 advertising expenses increased by approximately $3.7 million, or 24.7%, to approximately $18.5 million, from approximately $14.9 million for the nine months ended December 31, 2022. The increase was due to media spend related to PetCareRx compared to the same period in the prior year. The advertising costs of acquiring a new customer was $81 for the nine months ended December 31, 2023 and includes PetCareRx compared to $74 for the nine months ended December 31, 2023, respectively. As a percentage of sales, advertising expense was 8.6% and 7.7% for the nine months ended December 31, 2023 and 2022, respectively.

Depreciation and amortization

Depreciation and amortization expense was $1.8 million $1.7 million and $0.9 million $1.7 million for the quarters ended December 31, 2023 June 30, 2024 and December 31, 2022 June 30, 2023, respectively. Depreciation and amortization expense was $5.2 million and $2.6 million for the nine months ended December 31, 2023 and 2022, respectively. This increase to depreciation and amortization expense for the quarter and the nine months ended December 31, 2023 can be attributed to new property and equipment additions, as well as the intangibles acquired from PetCareRx.

Other income (As Restated)

Other income decreased to approximately $0.4 million $0.3 million for the quarter ended December 31, 2023 compared to approximately $0.6 million for the quarter ended December 31, 2022. Other income increased to approximately $1.5 million for the nine months ended December 31, 2023 June 30, 2024 compared to approximately $0.7 million for the nine months quarter ended December 31, 2022 June 30, 2023. The decrease to other income for the quarter was due to slightly lower invested balances. The increase to other income for the nine months was primarily related to additional interest income as balances, and a result of higher interest rates, as well as increased rental income from PetCareRx. one time payment received in prior year. Interest income may decrease in the future based on several factors,

including utilization of our cash balances on future investments or partnerships, or on our operating activities, towards quarterly dividend payments, or on our share repurchase plan, which has approximately $28.7 million remaining as of December 31, 2023. activities. Additionally, interest income could increase or decrease if the current interest rate environment changes.

Provision for income taxes (As Restated)

For the quarters ended December 31, 2023 June 30, 2024 and 2022, 2023, the Company recorded an income tax benefit provision of approximately $0.6 $1.0 million and a tax provision of approximately $1.0 thousand, respectively, and for the nine months ended December 31, 2023 and 2022, the Company recorded an income tax benefit of approximately $0.3 million and a tax provision of approximately $1.6 million, $0.3 million, respectively. The decrease increase in the tax provision for the three and nine months ended December 31, 2023 June 30, 2024 is related to the gain on settlement cancellation of sales tax liability cases. the former CEO's performance stock units resulting in additional $8.7 million of income during the quarter. The effective tax rate for the quarter ended December 31, 2023 June 30, 2024 was approximately 23.4% 20.3%, compared to approximately (0.5)% 20.4% for the quarter ended December 31, 2022, and the effective tax rate for the nine months ended December 31, 2023 was approximately 12.4% compared to approximately 23.4% for the nine months ended December 31, 2022 June 30, 2023. The decrease in the effective tax rate for the three and nine months ended December 31, 2023 is related to the deduction of permanent differences from the gain on settlement of sales tax liability cases.

Liquidity and Capital Resources

Our working capital at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024 was $23.1 million $19.3 million and $72.9 million $21.5 million, respectively. The $49.8 million $2.2 million decrease in working capital was primarily attributable to a the $13.8 million decrease in current liabilities, primarily accounts payable, offset by the $16.0 million decrease in current assets, primarily cash used to fund the $36.1 million PetCareRx acquisition, and a $12.4 million increase in inventory in part related to the acquisition of PetCareRx. inventory. Net cash used in operating activities was $2.8 million $8.5 million for the nine three months ended December 31, 2023 June 30, 2024, compared to cash provided by operating activities of $18.1 million $0.6 million for the nine three months ended December 31, 2022 June 30, 2023. This change The $9.1 million decrease in cash provided by operating activities is primarily

due to decreases the $4.9 million increase in net income reduced by $9.2 million of non-cash operating adjustments and accounts payable and an offset by the $4.8 million increase in inventory in the nine months ended December 31, 2023 compared to the same period in the prior year. current liabilities net of current assets excluding cash. Net cash used in investing activities was $39.4 million $0.7 million for the nine three months ended December 31, 2023 June 30, 2024, compared to $8.3 million $37.0 million used in investing activities for the nine three months ended December 31, 2022 June 30, 2023. The change in net cash used in investing activities is primarily related to the PetCareRx acquisition and an additional investment in Vetster and increased property and equipment acquired during in the nine months ended December 31, 2023. prior year. Net cash used in financing activities was $12.4 million $0.1 million and $18.4 million $6.1 million for the nine three months ended December 31, 2023 June 30, 2024 and the nine three months ended December 31, 2022 June 30, 2023, respectively, due to the payment of an aggregate $0.60 $0.00 per share dividend for the nine three months ended December 31, 2023 June 30, 2024, and an aggregate $0.90 $0.30 per share dividend for the nine three months ended December 31, 2022 June 30, 2023.

As of December 31, 2023, we had approximately $28.7 million remaining under our share repurchase plan. On February 1, 2024 October 26, 2023, 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 reviews and discusses the capital allocation needs of the Company on a quarterly basis and as part of that review, has determined to suspend the dividend indefinitely.The declaration and payment of future dividends is discretionary and will be subject to a determination by the Board of Directors.

As of December 31, 2023 June 30, 2024, we had $1.6 million $1.3 million in outstanding lease commitments assumed in the PetCarerRx acquisition for the leases on two buildings. Other than the foregoing leases, we are not currently bound by any material long-term or short-term commitments for the purchase or lease of capital expenditures. Any material amounts expended for capital expenditures 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 alternative sources of working capital and have no commitments.

ITEM 3. 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 December 31, 2023 June 30, 2024, we had $49.4 million $46.0 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 maturities of three months or less. We do not hold any derivative financial instruments that could expose us to significant market risk. At December 31, 2023 June 30, 2024, we had no debt obligations.

ITEM 4. 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 December 31, 2023 June 30, 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 December 31, 2023 June 30, 2024, due to material 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.

Per the 2023 As identified in our 2024 Form 10-K/A 10-K, we identified a the following material weakness due to a lack of segregation of duties over the preparation, approval and posting of certain journal entries. weaknesses:

1. Subsequent to our original evaluation, we identified a new A material weakness in the design of our controls relating to over the review of the appropriate application of GAAP relating to our sales tax liability as well as an additional tax error relating the misapplication of Internal Revenue Code 162(m) which limits the deductibility of executive compensation in our consolidated financial statements.This material weakness resulted in the restatement of our financial statements as of and for the years ended March 31, 2023, 2022 and 2021, the unaudited condensed consolidated quarterly financial information for the quarterly periods in the fiscal years ended March 31, 2023 and 2022, and the 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.Subsequent to our original evaluation, we 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 .

2. A material weakness in April 2023.internal controls relating to our information technology general controls ("ITGCs") in the areas of user access, change management 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 upon these ITGCs. We believe these control deficiencies have been influenced by insufficient documentation to support 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 restatement of our unaudited condensed consolidated financial statements included or any change in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2023 and September 30, 2023.previously released financial results.

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 December 31, 2023. Management is taking steps to remediate these material weaknesses (see "Remediation of Material Weaknesses" for details).

Remediation of Material Weaknesses

In response to the material weakness due to a lack of segregation of duties over the preparation, approval and posting of certain journal entries, we increased resources and modified processes to eliminate the lack of segregation of duties over the preparation, approval and posting of journal entries.

In response to the material weakness due to the tax calculations, we have developed and are 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 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.

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 controls relating to our information technology general controls (“ITGCs”) may evolve and expand, management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated 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.

The material weaknesses will not be remediated until addressed once our remediation plan has been is fully developed and implemented, implemented. We will need to allow the applicable updated controls to operate for a sufficient an adequate period of time, after which we will conduct thorough testing to ensure the new and we have concluded, through testing, that the newly implemented and enhanced improved controls are operating effectively.We are continuing to work actively working on the implementation of implementing our remediation plan, following which plan. Once this is in place, we will continue to test and monitor the new and enhanced improved controls until management has concluded that to ensure they are designed and operating effectively. We as intended. It's possible that we may conclude that find additional measures, steps, including adding more resources, are necessary needed to remediate fully address the material weaknesses in our internal control over financial reporting, which may necessitate additional reporting. This could require more time for evaluation and implementation time. We may also modify certain of implementation. Additionally, we might make adjustments to the remediation efforts described above.

as we proceed.

Changes in Internal Control Over Financial Reporting

Other than as described above, there were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design 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 and procedures relative to the their cost.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None. For a description of our legal proceedings, see “Note 9: Commitments and Contingencies — Legal Matters and Routine Proceedings” to our condensed consolidated financial statements, which is incorporated by reference.

ITEM 1A. RISK FACTORS.

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations, and trading price of our common stock. Please refer to our 2023 2024 Form 10-K/A 10-K for additional information concerning these and other uncertainties that could negatively impact the Company. There have been no material changes to the risk factors disclosed in our 2023 2024 Form 10-K/A. 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

During the three months ended December 31, 2023June 30, 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 6. EXHIBITS.

31.1* Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

31.2* Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

32.1** Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PETMED EXPRESS, INC.

Date: April 15, 2024August 7, 2024

By: /s/ Mathew N. HulettSandra Y. Campos

Mathew N. HulettSandra Y. Campos

Chief Executive Officer and President

(Principal Executive Officer)

By: /s/ Christine Chambers

Christine Chambers

Chief Financial Officer, Treasurer, and Secretary

(Principal Financial and Accounting Officer)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PETMED EXPRESS, INC

FORM 10-Q

FOR THE QUARTER ENDED:

DECEMBER 31, 2023 JUNE 30, 2024

EXHIBITS

Exhibit 31.1

CERTIFICATION OF PRINCIPAL 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 report on Form 10-Q for the quarter ended December 31, 2023 June 30, 2024 of PetMed Express, Inc.;

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 officers 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 officers 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.

April 15, August 7, 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 PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christine Chambers, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended December 31, 2023 June 30, 2024 of PetMed Express, Inc.;

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 officers 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 officers 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.

April 15, August 7, 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 report on Form 10-Q for the quarter ended December 31, 2023 June 30, 2024 (the "Report") of 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: April 15, 2024 August 7, 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

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