Pethealth Releases Top Line and Aggregate Findings On Pet Specialty Purchasing Behavior among New Pet Adopters

Survey results illustrate post-adoption decisions regarding traditional and online retail pet specialty purchases

Oakville, ON – May 20, 2014. (TSX: PTZ) Pethealth Inc. ("Pethealth" or the "Company") is pleased to announce the publication of aggregate results for its latest survey of new cat and dog adopters - the Company's fifth such special research report and its third focusing on pet food and pet supplies purchasing behavior of new pet adopters.

The purpose of the survey was to: (a) gain insight into adopter purchasing behavior as it relates to pet food and pet supplies; (b) determine the difference in purchasing behavior between those who adopt a pet from an animal welfare organization (AWO) and those who adopt a pet from the same organizations satellite location within a pet specialty retailer; (c) determine if shelter pet food programs, which feature the distribution of free bags of food or coupons to new adopters, create loyalty among adopters for those brands; (d) whether AWOs or pet specialty retailers have a greater impact on that brand's loyalty; and (e) to determine the degree to which pet adopters purchase pet food and supplies online and if social media influences their purchasing behavior.

Surveys were received by over 216,000 new pet adopters across the United States, of which over 8,797 completed the survey. Survey respondents included new adopters of dogs and cats during the 13 month period between March 1, 2013 and March 31, 2014. The size and scope of the survey was made possible through the Company's position as the leading aggregator of pet adopter and animal welfare organization data. Data is aggregated through the Company's industry leading animal management application PetPoint, now licensed by over 2,000 AWOs in the United States and Canada. In 2013 alone, over 2,400,000 animal intakes and over 1,000,000 pet adoptions were completed by AWOs licensing PetPoint.

Survey respondents from the March 1, 2013 – March 31, 2014 period were segmented into eight data sets:

1) Those that adopted from a PetPoint licensed AWO that also conducts adoptions in a PetSmart® (exclusively) location(s) but where the adoption was completed in the shelter's own primary or secondary facility;
2) Those that adopted from the same AWO but where the adoption was completed in their satellite location inside a PetSmart store;
3) Those that adopted from a PetPoint licensed AWO that also conducts adoptions in Petco® (exclusively) location(s) but where the adoption was completed in the shelter's own primary or secondary facility;
4) Those that adopted from that same shelter but where the adoption was completed at the satellite location in a Petco store;
5) Those that adopted from a PetPoint licensed AWO that conducts adoptions in both Petco and PetSmart stores but where the adoption was completed in their own shelter or their own secondary facility;
6) Those that adopted from the same PetPoint licensed AWO but where the adoption was completed in a PetSmart store;
7) Those that adopted from the same PetPoint licensed AWO but where the adoption was completed in a Petco store;
8) Those that adopted from a PetPoint licensed AWO that does not conduct adoptions in a PetSmart or Petco location(s) but where the adoption was completed in the shelter's own primary or secondary location.

The demographic profile of respondents was; nearly 80% female; nearly 75% are between 18 and 54 years of age; over 50% have a post-secondary degree; nearly 42% have a household income greater than $60,000.

Key results from this year's survey include (with last year's results if applicable in brackets):

- Over 88% of animal adoptions took place in AWOs, up 6.8%. Adoptions in the two main sources of satellite locations for AWOs (PetSmart and Petco stores) were 11.2% (16.8%) of the total.
- At the point of adoption, 40% (33%) of adopters were provided with a bag of complimentary pet food.
- Of those receiving complimentary bags of pet food, Hill's® Science Diet® remained the leader at 44% (45%).
- Food most commonly purchased post adoption included Purina® Pro Plan® or Purina ONE® at 22.2% (16.7%); Hill's Science Diet was second at 10.9% (11.8%) and Blue Buffalo third at 9.4% (9.4%).
- Of those receiving complimentary bags of pet food, 5.1% (5.2%) were subsequently contacted by the pet food company.
- 69% (78%) of respondents indicate that they now purchase a brand of pet food different from what they were provided at point of adoption.
- PetSmart, at 49%, remains the most popular location for adopters to purchase pet supplies; Wal-Mart was second at 34.3% and Petco third at 31.4%, respondents could select more than one retailer.
- Almost half, 45.9%, say they would switch from purchasing their preferred brand of food at a pet specialty retailer if it was available at their local mass retail grocer. Of those seeking natural/organic food, 48.9% said they would also switch, with 22.4% indicating that they would continue to purchase at the pet specialty retailer (e.g. Petco, PetSmart, Pet Valu™).
- For online shopping, the most common responses for how an adopter learns about a pet supply website were internet search engine and word of mouth. When asked to compare online media advertising vs. TV advertising, about 30% of adopters say online advertising has a greater impact on their purchase behavior than TV.
- When asked which websites they have purchased pet food and pet supplies from, adopters of pet food or supplies chose all that applied. Amazon.com® ranked number one at 56.7% (39.6%), 1-800-PetMeds® second at 23.6% (20.7%), Petco third at 22.5% (22.5%), Drs. Foster & Smith® fourth at 21.0% (n/a), PetSmart.com fifth at 20.8% (25.0%) and ThePetangoStore.com sixth at 11.7% (13.3%).
- When asked which online retailer they <u>most</u> frequently purchased pet food and pet supplies from, responding adopters placed Amazon.com first with 37.8% (28.4%), Petco.com second with 8.5% (11.0%), 1-800-PetMeds third with 8.4% (9.9%), Drs. Foster & Smith fourth with 7.8% (n/a), and PetSmart fifth with 6.9% (13.0%).
- 12.5% of respondents indicated that they had difficulty locating their desired brand of food at PetSmart or Petco. For those adopters who had difficulty locating their desired brand, 27.5% purchased at a small pet specialty retail location while 10% purchased online.
- Shipping charges remain the major impediment to pet adopters purchasing online with 40.2% respondents selecting shipping costs as one of the main reasons they chose not to buy online.
- Of pet food purchases made online, Hill's Science Diet ranked number one at 13.1% (9.1%). Blue Buffalo ranked second with 11.3% (9.6%).

"While this year's report continued many of the trends seen in the last two year's, there were some surprises," said Mark Warren, President and CEO of Pethealth Inc. "Most notable were: nearly half of the respondents indicated that they would be inclined to purchase natural or organic pet food in their favorite mass retail grocer; Amazon's share of online pet retail purchasing increased significantly with PetSmart suffering the largest decline of the major retailers; and that Purina appears to be holding share amongst adopters while Hill's share continues to erode despite the fact that the provision of free food at the point of adoption increased from last year. Finally, we are encouraged by the 18% increase in respondents who indicated that they purchased pet food and pet supplies from their shelter at the time of adoption."

The aggregated results of the April 2014 New Adopter Survey on Pet Specialty Retail, together with previous survey results, are published free of charge and can be found at www.petpoint.com. **For those wishing to have survey results segmented by the seven surveyed groups (data sets), these can be purchased by contacting the Company at 1-877-738-4584, ext. 236**.

In addition to this survey and other published special reports, the Company issues the 'PetPoint Report', regarded as the definitive source for data and trends in animal welfare amongst investment firms and leading industry analysts, on the third Monday of each month.

About Pethealth Inc.

Pethealth is North America's second largest provider of medical insurance for dogs and cats to pet owners, operating in the United States, Canada and the United Kingdom. In addition, the Company is the leading provider of management software to North American animal welfare organizations through its cloud-based application and is the leading provider of pet related database management services to the North American companion animal industry. Pethealth offers a unique range of products and services for veterinarians, shelters and pet owners through a number of wholly owned subsidiaries using a range of brand names including PetCare, 24PetWatch, Pet Protect, Petpals Direct, PetPoint, Petango.com and ThePetangoStore.com.

To find out more about Pethealth, please visit us at www.pethealthinc.com.

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