

U.S. Pet Food Market Perspective and Prospects, 2010-2011

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Today's Agenda

- Consider U.S. pet food market in context of overall pet industry and societal trends.
- Evaluate pet food market in short-term historical context (economy!).
- Identify trends and opportunities.

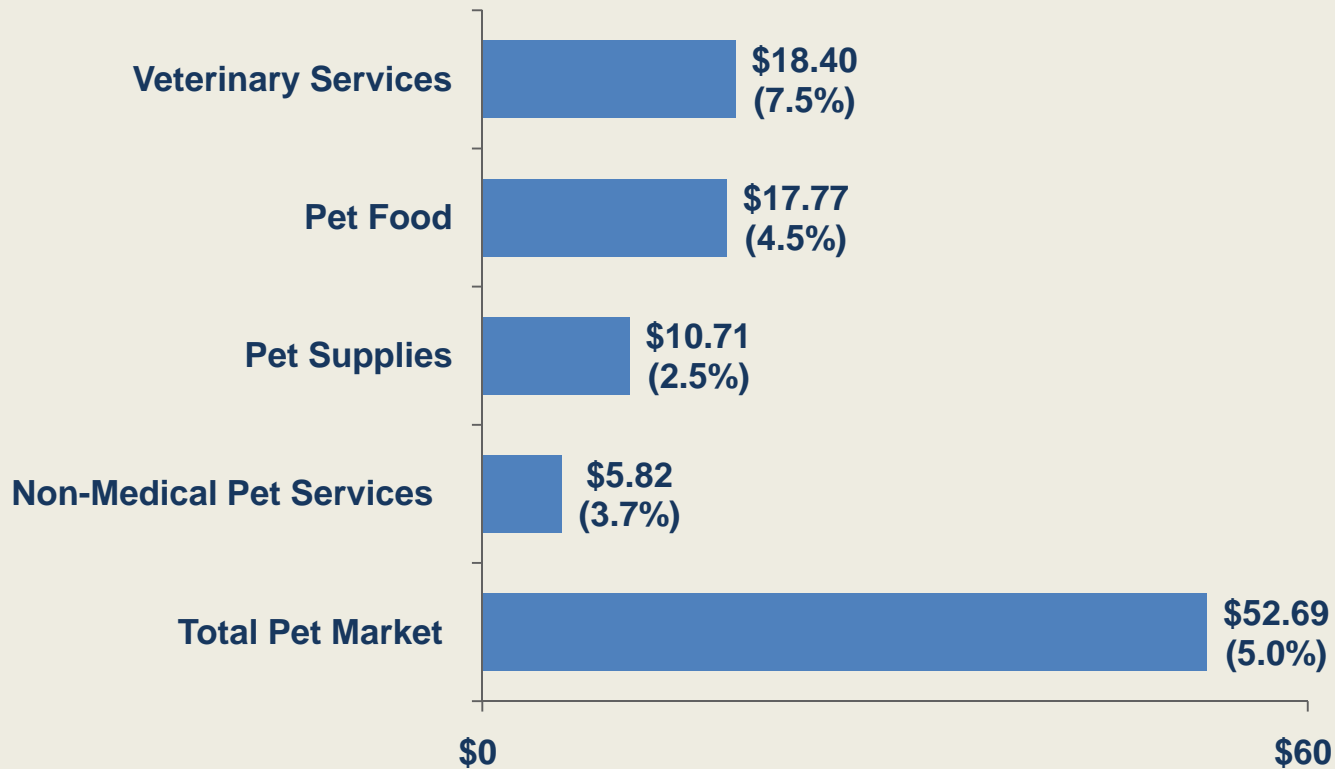
Electrolux TV Spot— “Birthday Party”



Kenmore Washer TV Commercial



U.S. Pet Market Retail Sales by Category: 2009 vs. Year Ago (in billions)

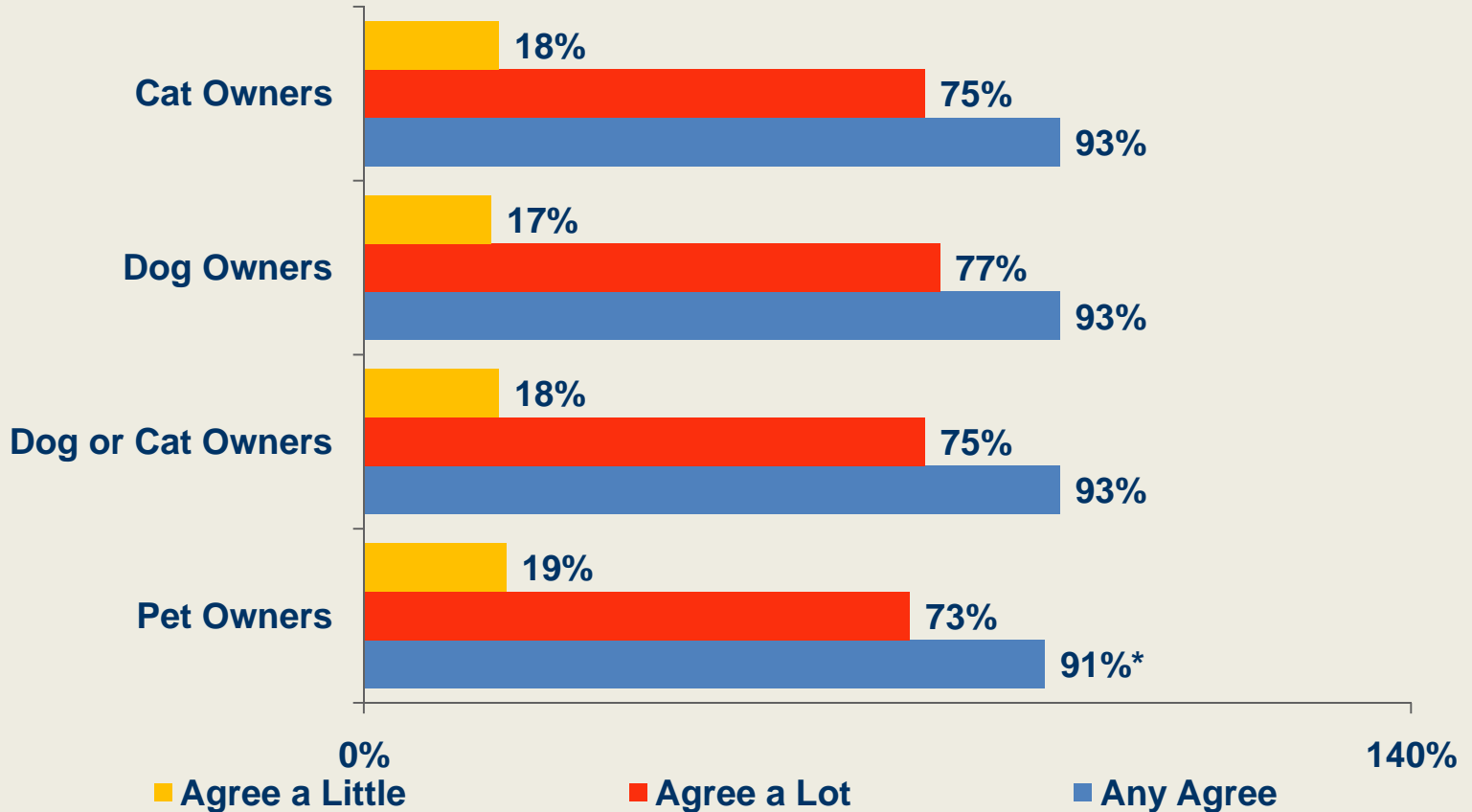


Source: Packaged Facts *Pet Market Outlook 2010-2011*

Pets as Family

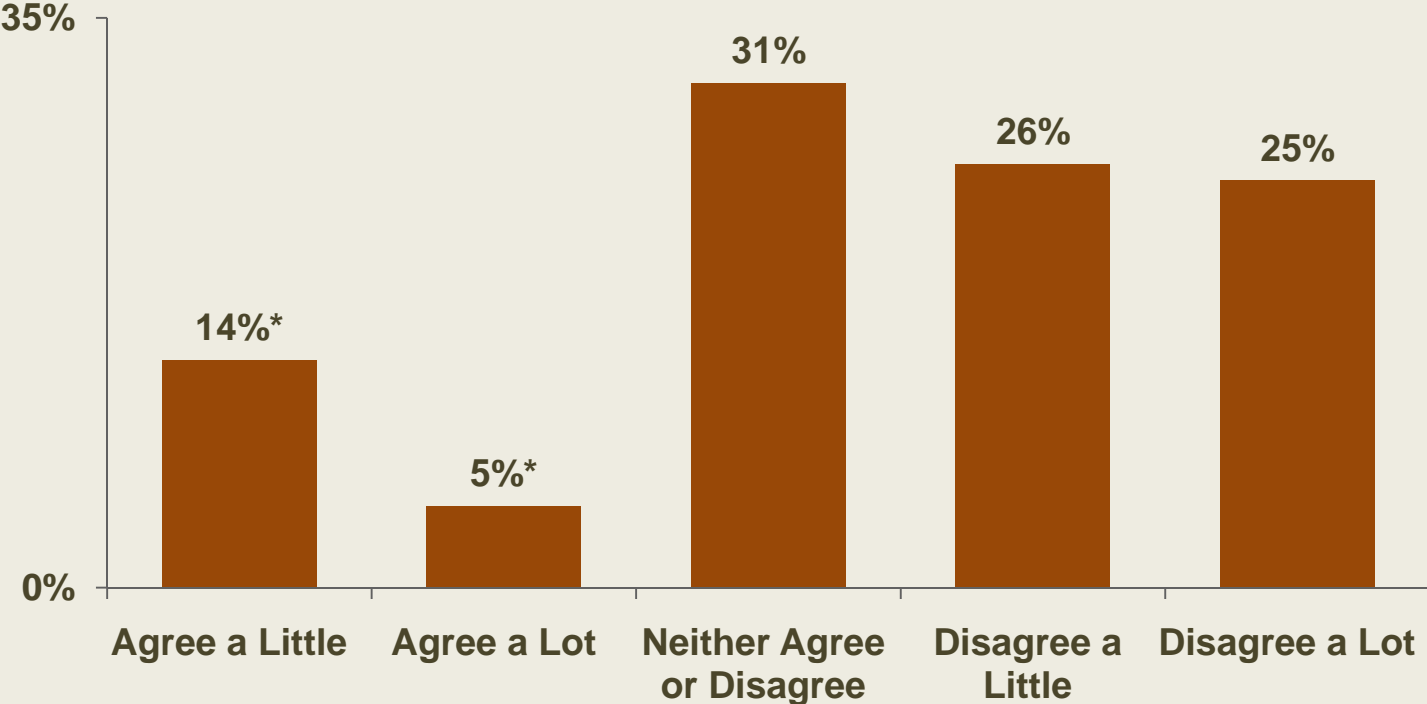
- Human/animal bond never stronger...
- Why?
 - Marketing
 - Non-traditional family units
 - Digital age
 - Even stronger with recession
- Shifting societal mores...

“Consider My Pet(s) Part of the Family”: By Percent of Pet, Dog/Cat, Dog and Cat Owners, February 2009



Source: Packaged Facts online poll, February 2009 (2,600 U.S. adult respondents, including 1,668 pet owners).

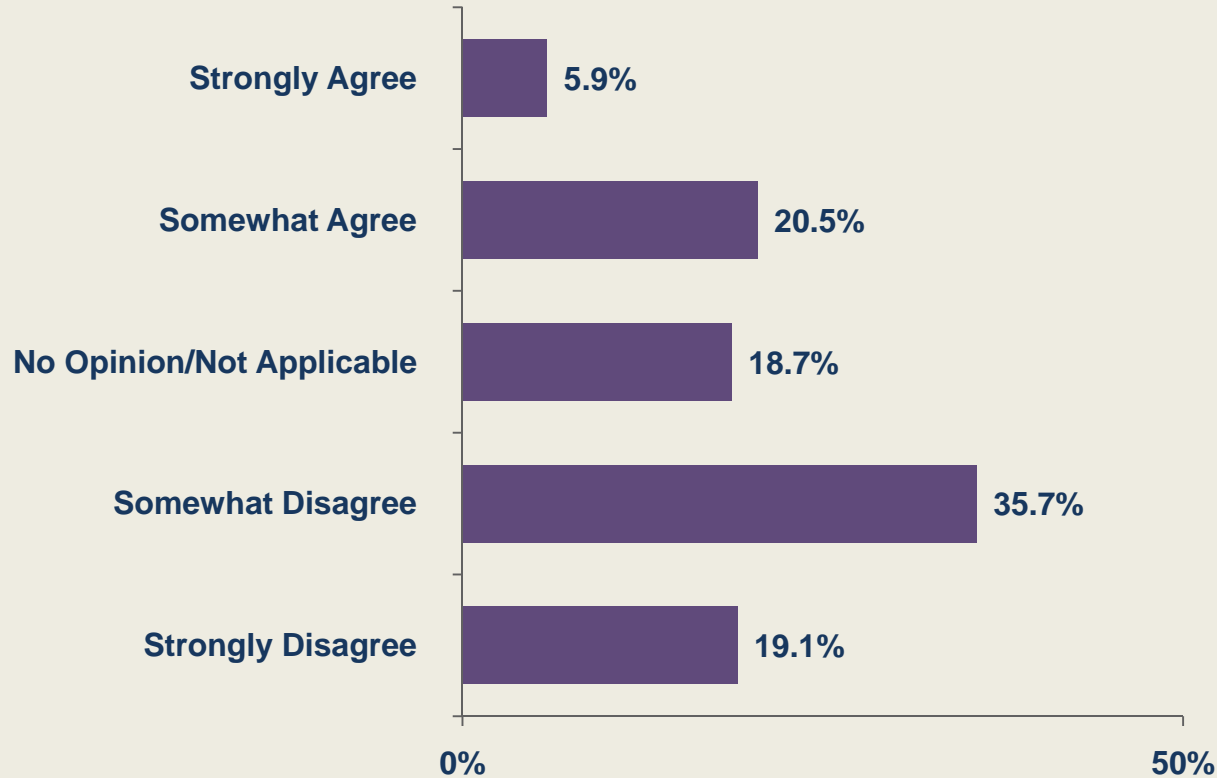
Percent of Pet Owners Who Anticipate Spending Less on Pet Food/Supplies in Next 12 Months: February 2009



Source: Packaged Facts online poll, February 2009 (2,600 U.S. adult respondents, including 1,668 pet owners).

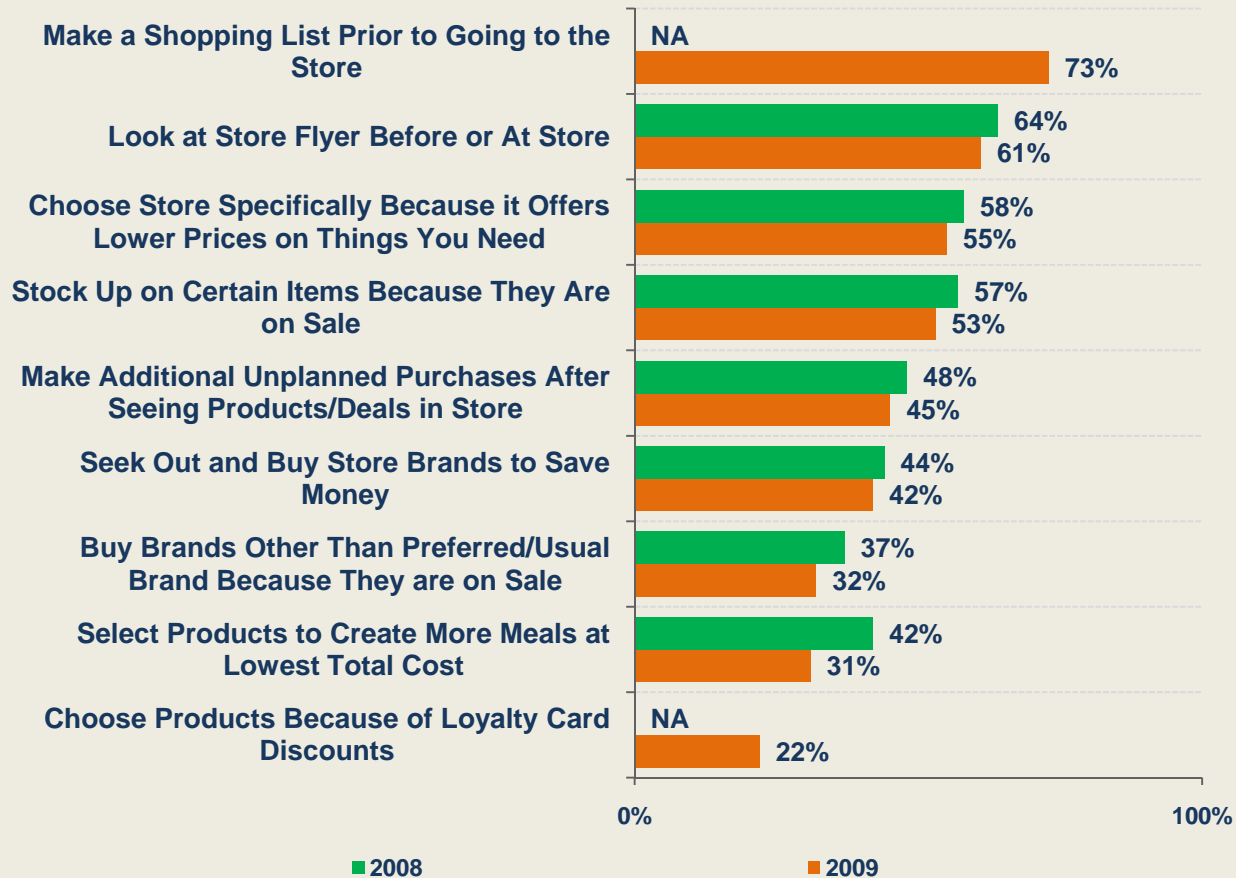


Level of Pet Owner Agreement with Statement: “I Am Spending Less on Pet Products Because of the Economy” (February 2010)



Source: Packaged Facts online pet owner poll, February 2010

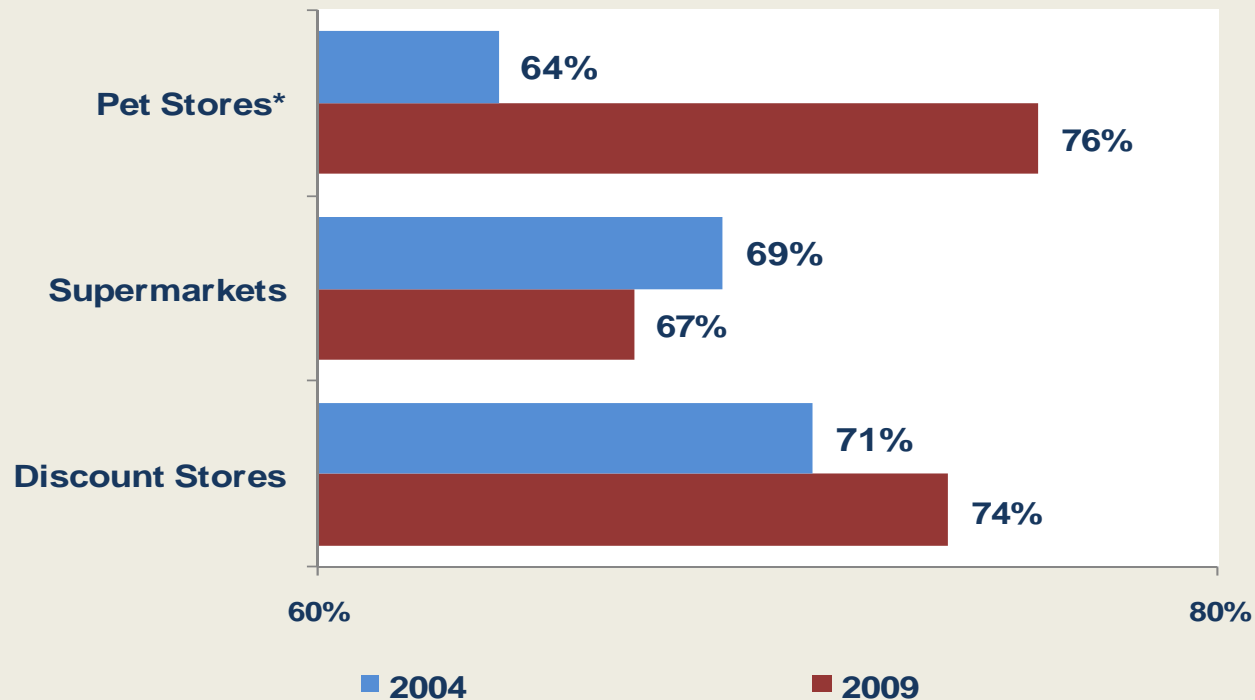
Deal-Seeking Behavior: Percentage of Shoppers Participating in Activity, 2008 vs. 2009



Source: IRI January 2010 *Times & Trends: Price, Promotion & Merchandising: Balancing the Call Between Value and Price Relief*



Percent of Pet Product Customers Who Shop Across Channels: By Major Retail Sector, 2004 vs. 2009 (U.S. dog- or cat-owning households)



Source: Compiled by Packaged Facts based on data from Experian Simmons National Consumer Study, Fall 2004 and Summer 2009. This material is used with permission. Packaged Facts' *Pet Market Outlook, 2010-2011*

Cross-Channel Warfare



TV Spot for Walmart's Pet Specialty Brands



Exact same brands.

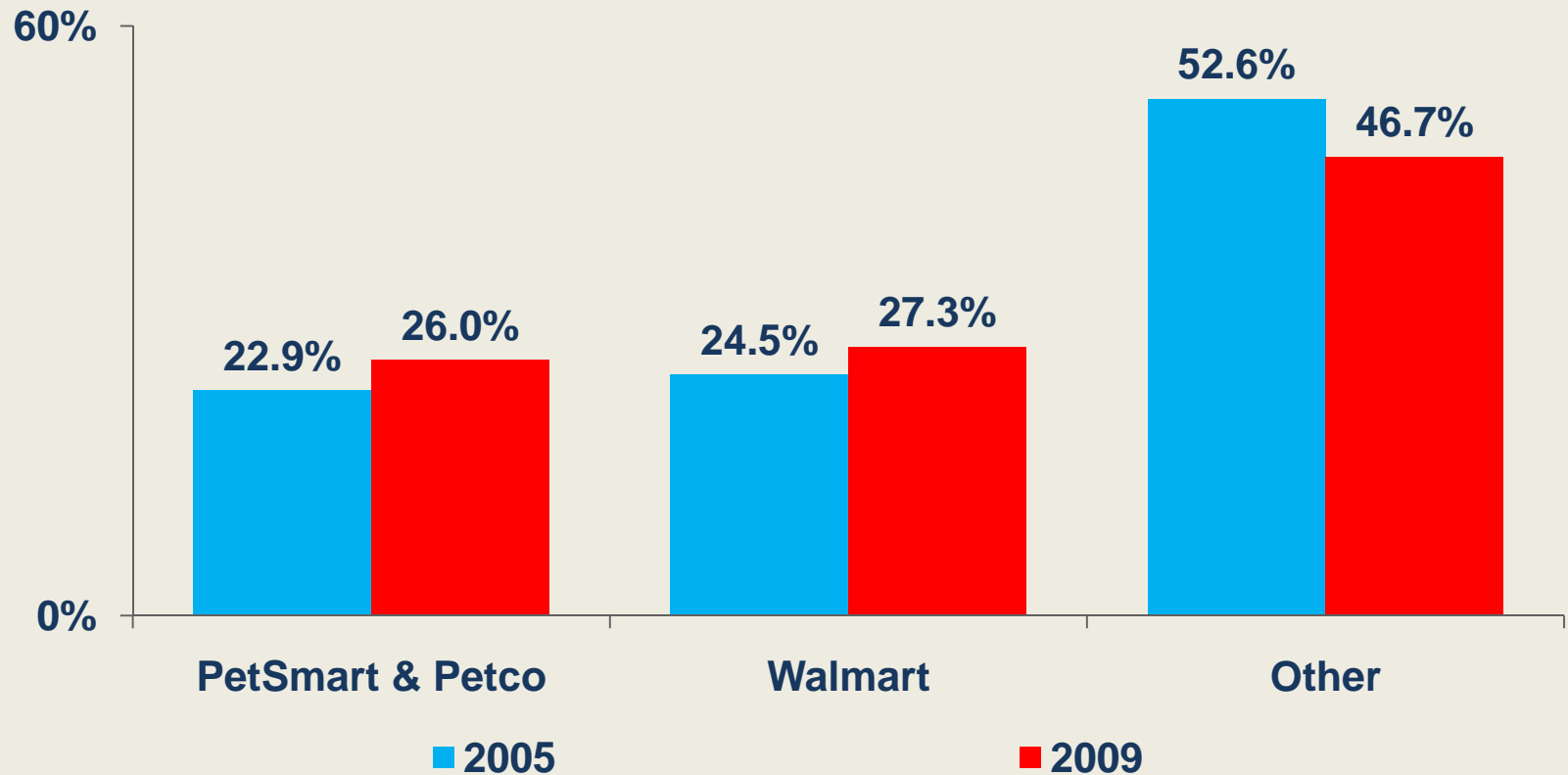
Our stores will match the price of any local competitor's printed ad for an identical product. Not applicable to Walmart.com. Restrictions apply. See store for details.

TV Spot for PetSmart's 20% Off Sale



The advertisement features a central red circular graphic with the text "save up to 20% on hundreds of items" and a small "with card" icon. The background is a blue gradient filled with various pet food products, including bags of Beneful, Friskies, and Jams, and cans of Purina One and Purina Dog Chow. At the bottom, a white banner contains the text: "On select varieties with PetSmart® PetPerks® Card. While supplies last. Offer ends 2/22. Visit PetSmart.com for more in-store specials."

Walmart vs. Pet Superstores



Packaged Facts' *Pet Market Outlook, 2010-2011*

PETCO HAS CREATED THE FOLLOWING TIPS TO HELP PET PARENTS EVALUATE PET FOOD LABELS:

BASIC PET FOOD LABEL

GUARANTEED ANALYSIS:	
CRUDE PROTEIN..... (MIN) 18.0%	CRUDE FIBER..... (MAX) 3.0%
CRUDE FAT..... (MIN) 5.0%	MOISTURE..... (MAX) 32.0%
CRUDE FAT..... (MAX) 8.0%	SALT (MAX)..... (MAX) 0.5%

INGREDIENTS:
Wheat flour, soybean grits, soybean flour, high fructose corn syrup, brewers condensed solids, beef, water, liver, calcium carbonate, phosphoric acid, salt, sorbic acid (added to prevent spoilage), calcium propionate (added to prevent spoilage), DL-Methionine, choline chloride, zinc oxide, vitamin supplements E, B-12, A, D-3, inositol sulfate, ethoxyquin (a preservative), acetic acid (3%), fish oil, stevia, riboflavin supplement, calcium pantothenate, manganese sulfate, lecithin, thiamine mononitrate, folic acid, copper sulfate, manganous sodium tetrakis complex, pyridoxine hydrochloride, calcium iodate.

START WITH THE GUARANTEED ANALYSIS

Much like human food, the guaranteed analysis on any package or can of pet food will tell you the overall fat, protein, fiber and moisture content of the food. Look for a healthy balance of nutrients and moisture.

LOOK FOR A BALANCE OF PROTEINS, FATS, CARBOHYDRATES, AND OTHER NUTRIENT SOURCES THAT IS RIGHT FOR YOUR PET AND HIS/HER LIFE STAGE

For example, puppies require more protein than adult dogs for healthy growth, while senior dogs need more fiber and moisture to help with digestion and joint health. See your local PETCO nutrition expert to learn more about your pet's specific needs.

PREMIUM PET FOOD LABEL

GUARANTEED ANALYSIS:	
CRUDE PROTEIN..... 20.0% MIN.	
CRUDE FAT..... 13.0% MIN.	
CRUDE FIBER..... 3.0% MAX.	
MOISTURE..... 31.0% MAX.	
OMEGA 3 FATTY ACIDS..... 0.5% MIN.	
OMEGA 6 FATTY ACIDS..... 3.0% MIN.	

INGREDIENTS:
Chicken, Brown Rice, Lentil Meal, Oatmeal, Barley, Duck Meal, Potatoes, Carrots, Chicken Fat (preserved with natural mixed tocopherols), Tomato Pomace, Natural Flavors, Canola Oil, Brewers Yeast, Salmon Meal, Salmon Oil, Whole Ground Flaxseed, Potassium Chloride, Choline Chloride, Taurine, Spinach, Parsley Flakes, Oxalates, L-Lysine, L-Carnitine, Yucca Schottigera Extract, Dried Kelp, Vitamin E Supplement, Iron Proteinate, Zinc Proteinate, Copper Proteinate, Ferrous Sulfate, Zinc Sulfate, Copper Sulfate, Potassium Iodide, Thiamine Mononitrate (Vitamin B-1), Manganese Proteinate, Manganese Oxide, Ascorbic Acid, Vitamin A Supplement, Biotin, Calcium Pantothenate, Manganous Sulfate, Sodium Selenite, Pyridoxine Hydrochloride (Vitamin B-6), Vitamin B-12 Supplement, Riboflavin (Vitamin B-2), Vitamin B-3 Supplement, Folic Acid.

THE COMBINATION OF INGREDIENTS IS MORE IMPORTANT THAN ANY SINGLE INGREDIENT.

Food can contain more than one form of the same ingredient, so read the entire label for a healthy balance of protein, fat and carbohydrate sources with natural names you recognize.

DON'T ASSUME WHAT'S GOOD FOR YOU IS GOOD FOR YOUR PET.

While we're trained to eat a low-fat diet, dogs and cats get most of their energy from fat and need fat, which should account for at least 20 percent of their overall diet.

DETERMINE THE PRIMARY INGREDIENTS AND PROTEIN SOURCES.

Ingredients on pet food labels are listed by weight, but whole meats contain a lot of water so they weigh more than other ingredients. For that reason, it's important to look beyond the first two or three ingredients listed. Look at the first five to eight ingredients and ensure there is a healthy combination of high-quality protein sources.

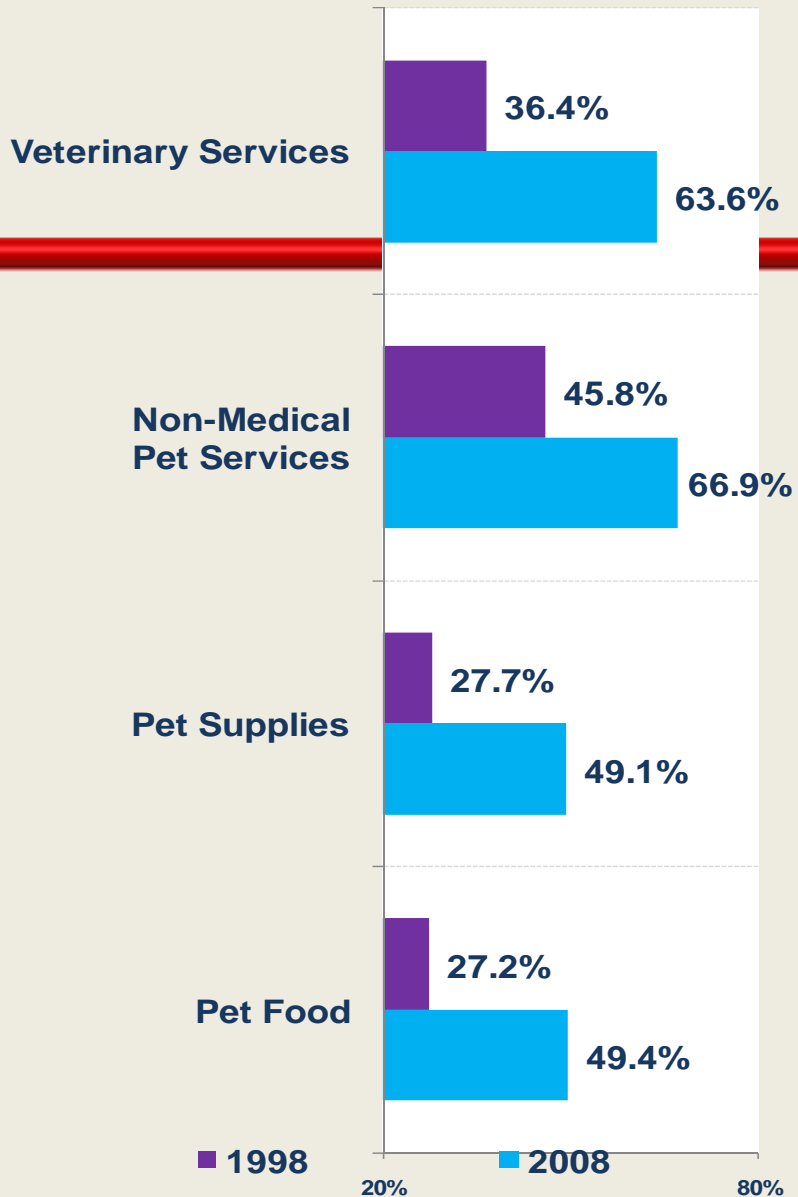
DON'T GUESS THE QUALITY BY THE PACKAGE.

Just because a package is covered with wholesome-looking ingredients, doesn't mean the food is nutritious. Read the small print on the ingredients list and nutrition label instead of depending on illustrations or advertising on the package.

For more information about the PETCO nutrition pledge, to find the best premium food for your pet, or for other details on pet nutrition, visit PETCO.com, or ask a nutrition expert at a PETCO near you.

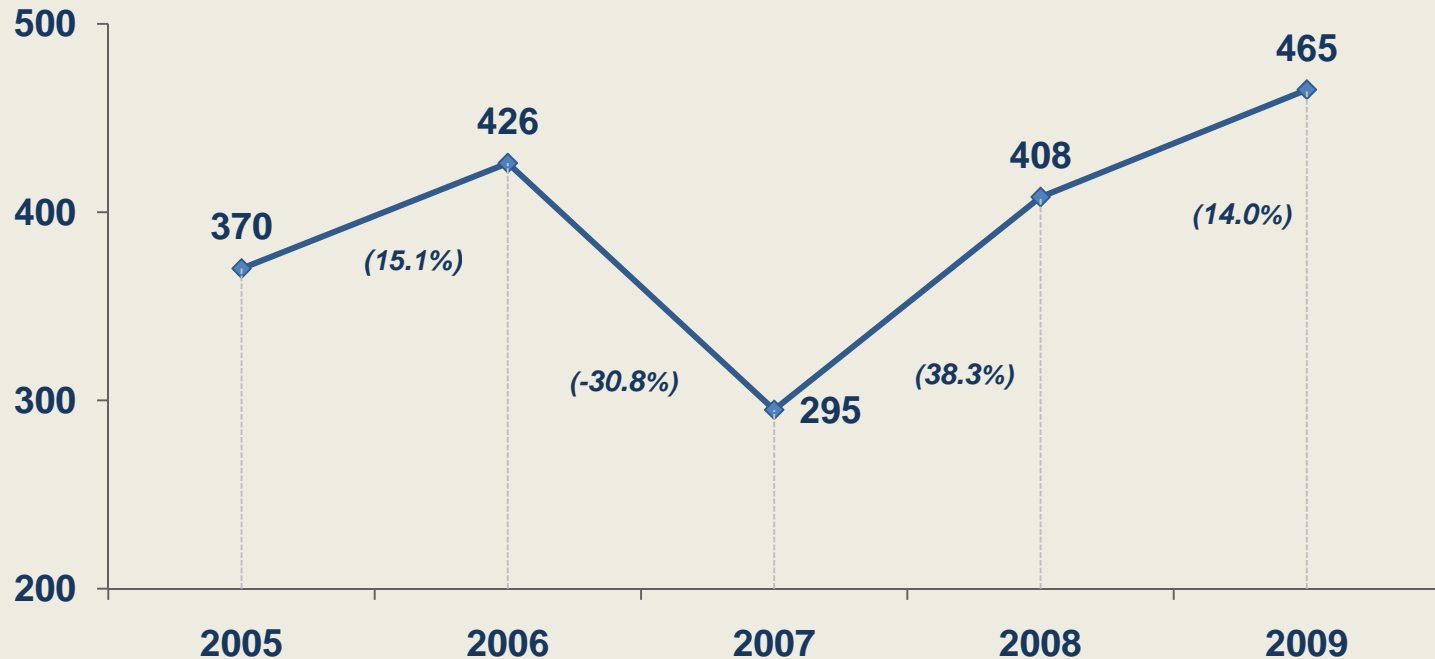
Petco Launches “Unleashed” Store Format, Staff Training, Consumer Ed Programs

Premiumization



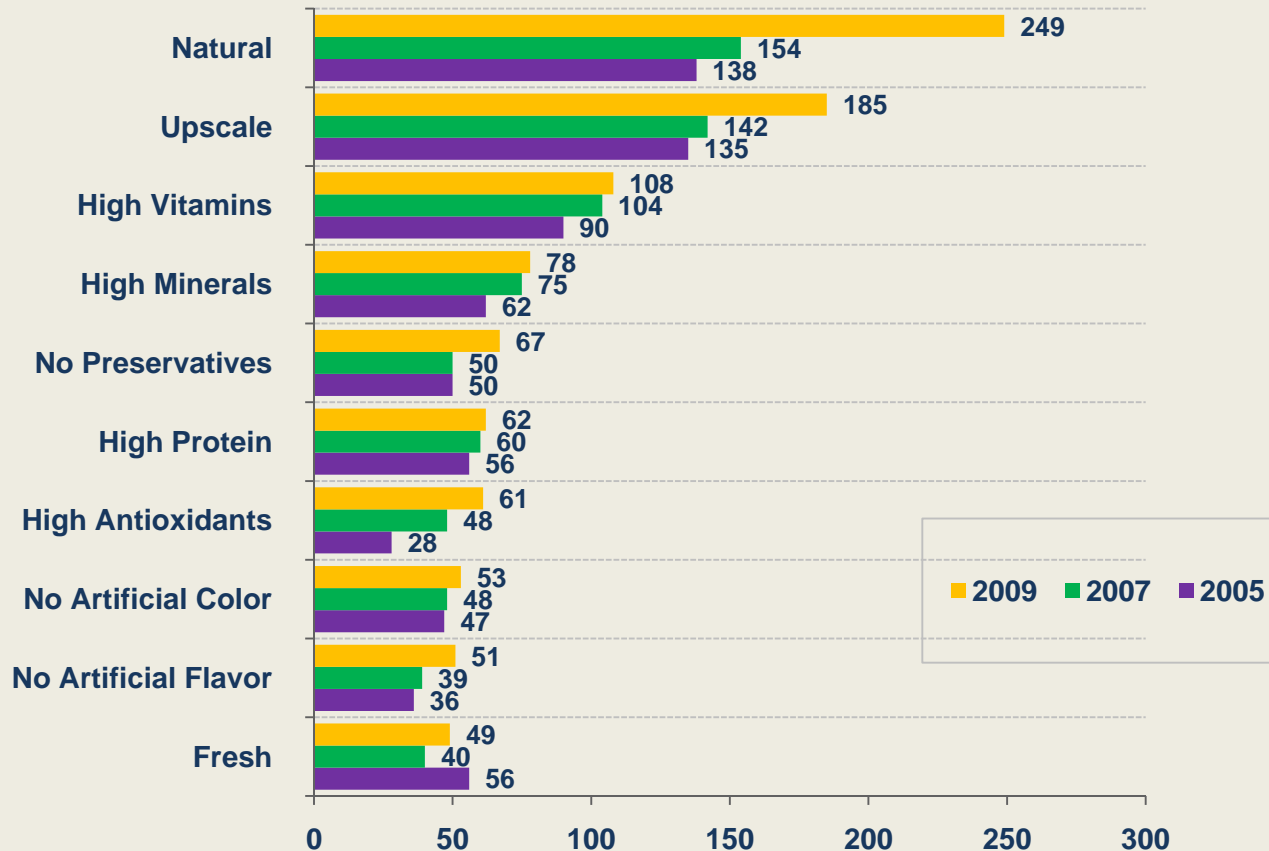
\$70K+
Household Share
of U.S. Pet
Market
Expenditures:
By
Category, 1998
vs. 2008
(percent)

Number of New Pet Product Introductions, 2005-2009 (percent)



Source: Compiled by Packaged Facts based on data from Product Launch Analytics, a Datamonitor service. Reproduction, resale or other distribution of this content is expressly prohibited without the written permission of the publisher. Packaged Facts *Pet Market Outlook 2010-2011*

Top Marketing Claims by Number of New Pet Product Reports, 2005, 2007 and 2009



Source: Packaged Facts *Pet Market Outlook 2010-2011*

"I love riding in cars. But I have a tough time jumping into them."

-Lucy



New PEDIGREE+ Healthy Joints

From hopping onto couches to climbing into dogs are happier when they're moving, jumping and playing. But older dogs have degenerative joint problems that keep them from being as active as they used to be. This delicious new recipe, made with real and real, real, real natural glucosamine to help provide healthy joints and happier dogs.



As they age, their joints become stiffer.



It's harder to jump, climb stairs, get in and out of the car.

It's harder to play, run, and jump.

The tasty stuff dogs love + the healthy stuff they need.



Special recipes for special dogs.

From Healthy Joints to Healthy Heart, all of our recipes are mixed to help target your dog's specific needs. It's really good food for dogs. Learn more at Ogarden.com.



Pedigree+

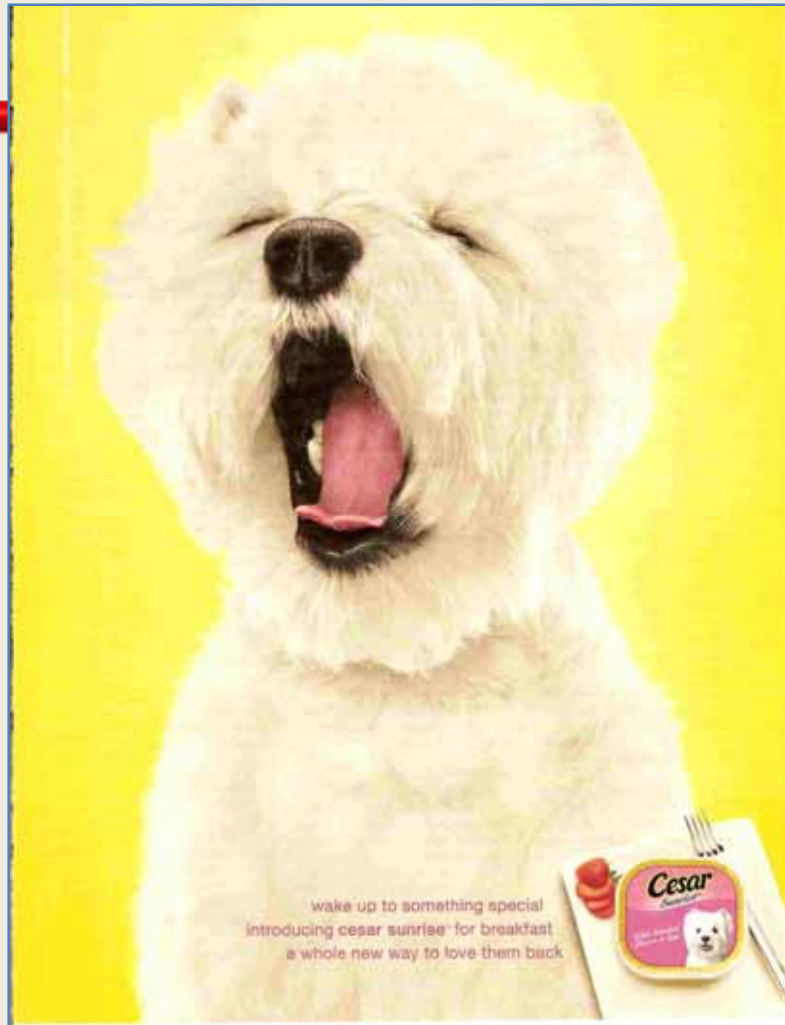


Pedigree+ Functional Pet Food Line

Humanization

TV Spot for Purina Fancy Feast Appetizers





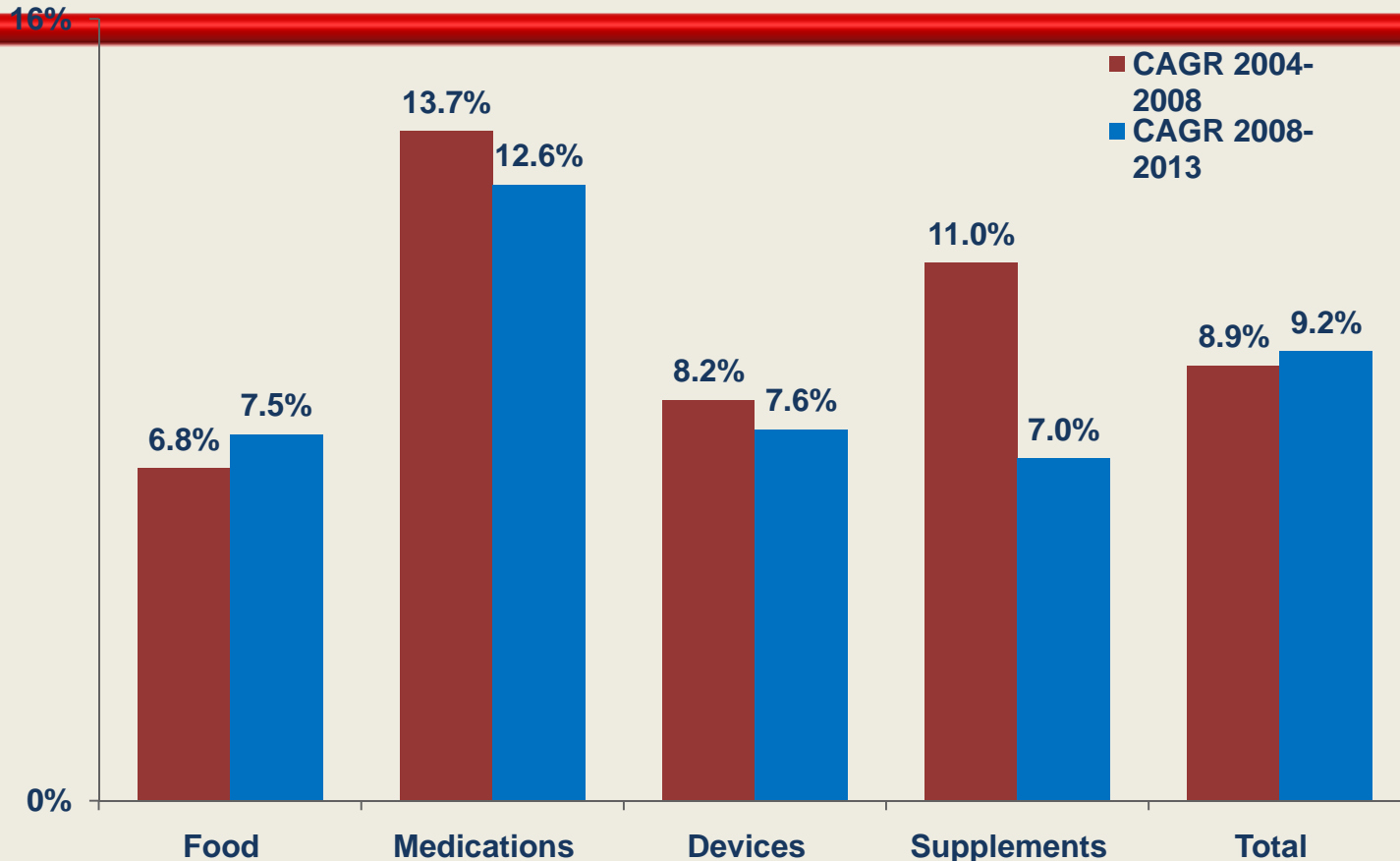
wake up to something special
introducing cesar sunrise for breakfast
a whole new way to love them back

Print Ad for Mars Cesar Sunrise “Breakfast Food”



Zoo Med's New Canned Reptile Foods

Growth Rates in U.S. Retail Sales of Senior, Weight Management, and Special Needs Pet Products, 2004-2008 vs. 2008-2013



Source: *Packaged Facts Senior, Weight Management and Special Needs Products for Pets* (September 2009)

Get the bounce back
in your senior dog's step

**SENIOR
KONG**

Your dog will love you for it.™

Print Ad for Kong Senior Toys and Treats

Celebrity Impact

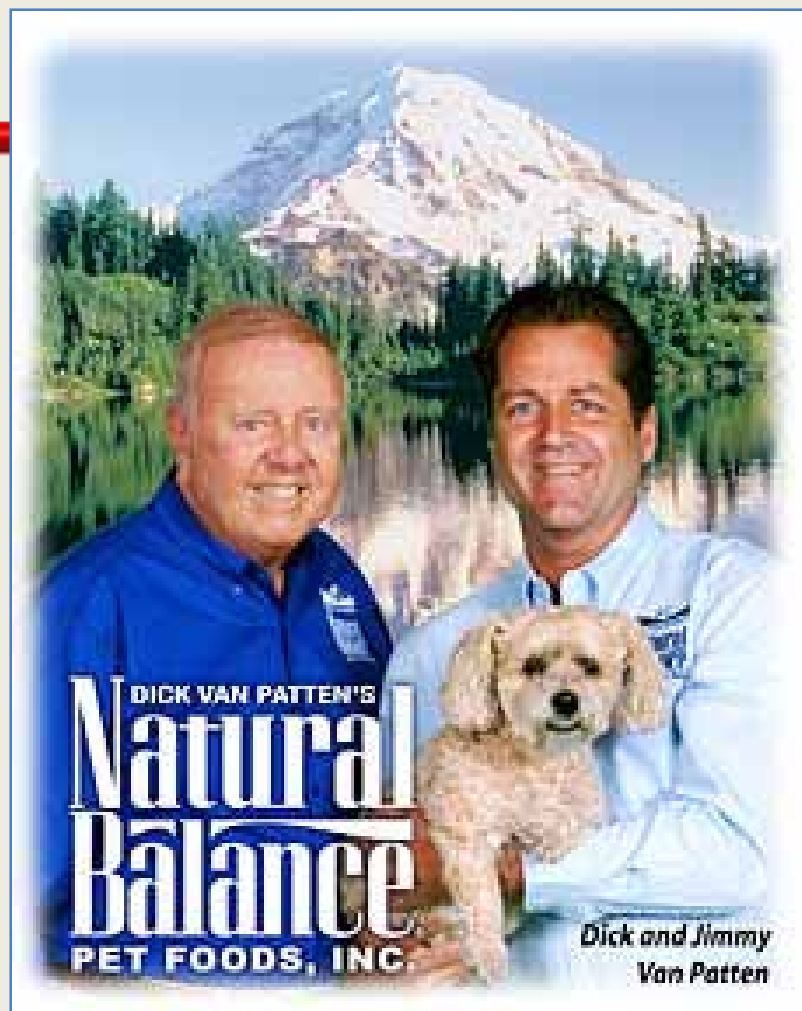




PetfoodForum 2010



WATT **Petfood**
KNOWLEDGE SOLUTIONS SUCCESS Industry



PetfoodForum 2010



WATT **Petfood**
KNOWLEDGE SOLUTIONS SUCCESS Industry





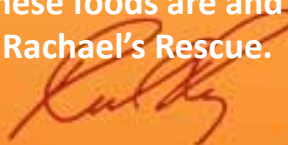
PetfoodForum 2010



WATT **Petfood**
KNOWLEDGE SOLUTIONS SUCCESS Industry

Made with love for my Isaboo and your dog too.

Look, we all want the best for our furry family members. And that's exactly why I worked with experts in pet nutrition to create Rachael Ray Nutrish. My Isaboo loves food and treats made with simple, natural ingredients. So, what are you waiting for? Take a look around. See just how good these foods are and learn a little more about my pet charity, Rachael's Rescue.





PetfoodForum 2010



WATT KNOWLEDGE SOLUTIONS SUCCESS **Petfood**
Industry

Glenn Close and Pet in TV Show *Damages*



Category Cross-Over



Give your dog a belly rub on the inside.

When your dog feels good, you know it. But when his digestive system is out of balance, it can lead to intestinal problems such as diarrhea. FortiFlora® is the proven nutritional supplement with probiotics and guaranteed levels of live, active cultures to help restore intestinal flora. FortiFlora tastes great and it's easy to mix too—just sprinkle it on your dog's food. Because when you take care of your dog's belly, you're taking care of your dog.

FortiFlora is available exclusively through your veterinarian. For more information, call 1-800-222-VETS or visit fortiflora.com, where you can also download a \$5 rebate form.

PURINA
VETERINARY
DIEETS

FortiFlora
Canine Nutritional Supplement

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Nestlé Purina's FortiFlora Probiotic Supplement



Nestlé Purina's Licensed PetGear Line

Cause Marketing



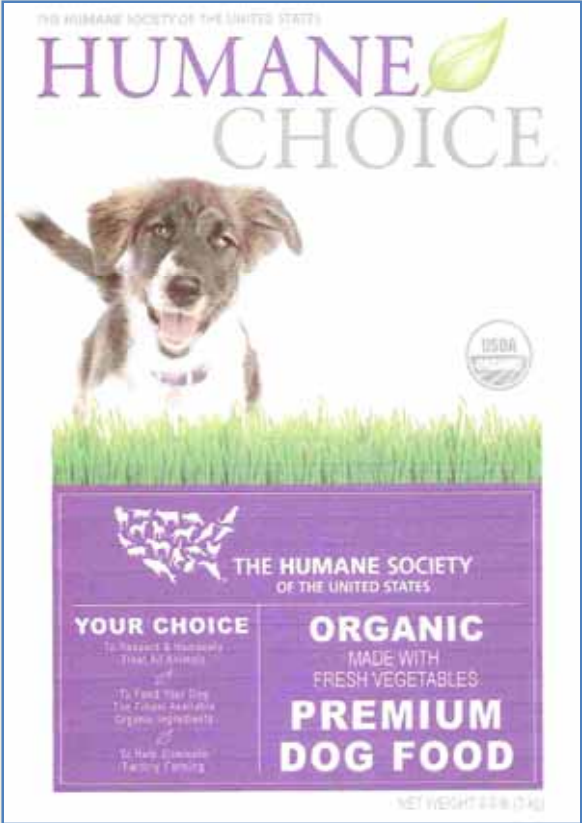
TV Spot for PetSmart Charities Valentine's Day Weekend Pet Adoption Event



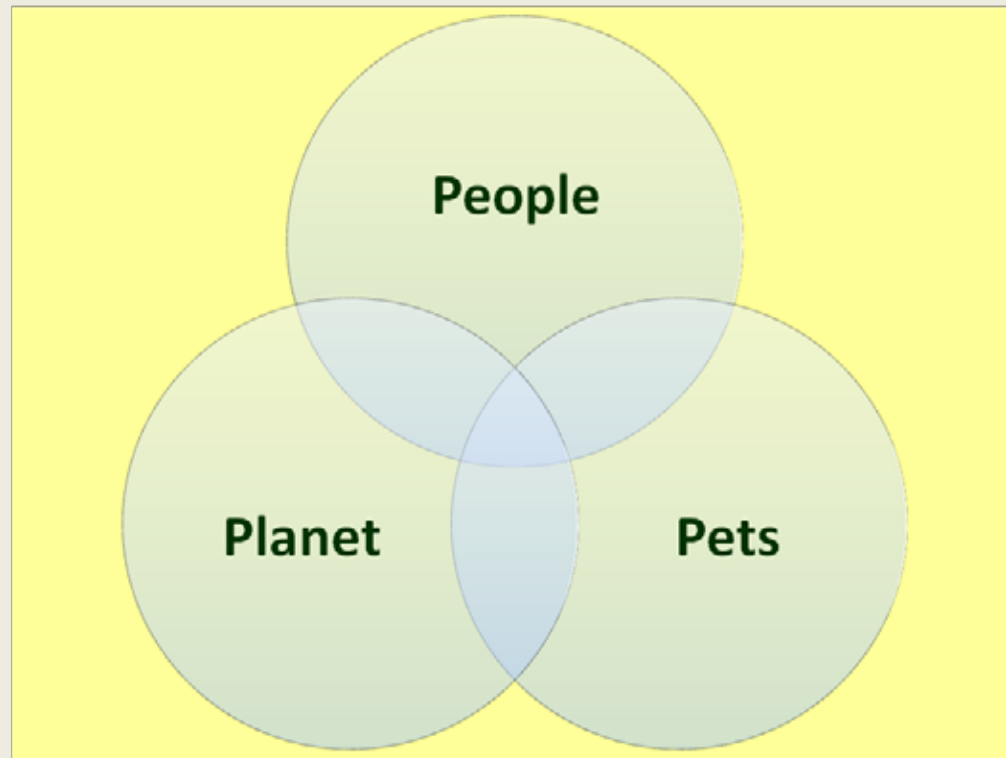
Going Green

- 2009 a Big Year...
 - Cardinal Labs
 - Nestlé Purina
 - Mars
 - Novus
- Worldwide
- Planet Dog
- Green = \$\$\$

Humane Society's Humane Choice Organic Pet Food



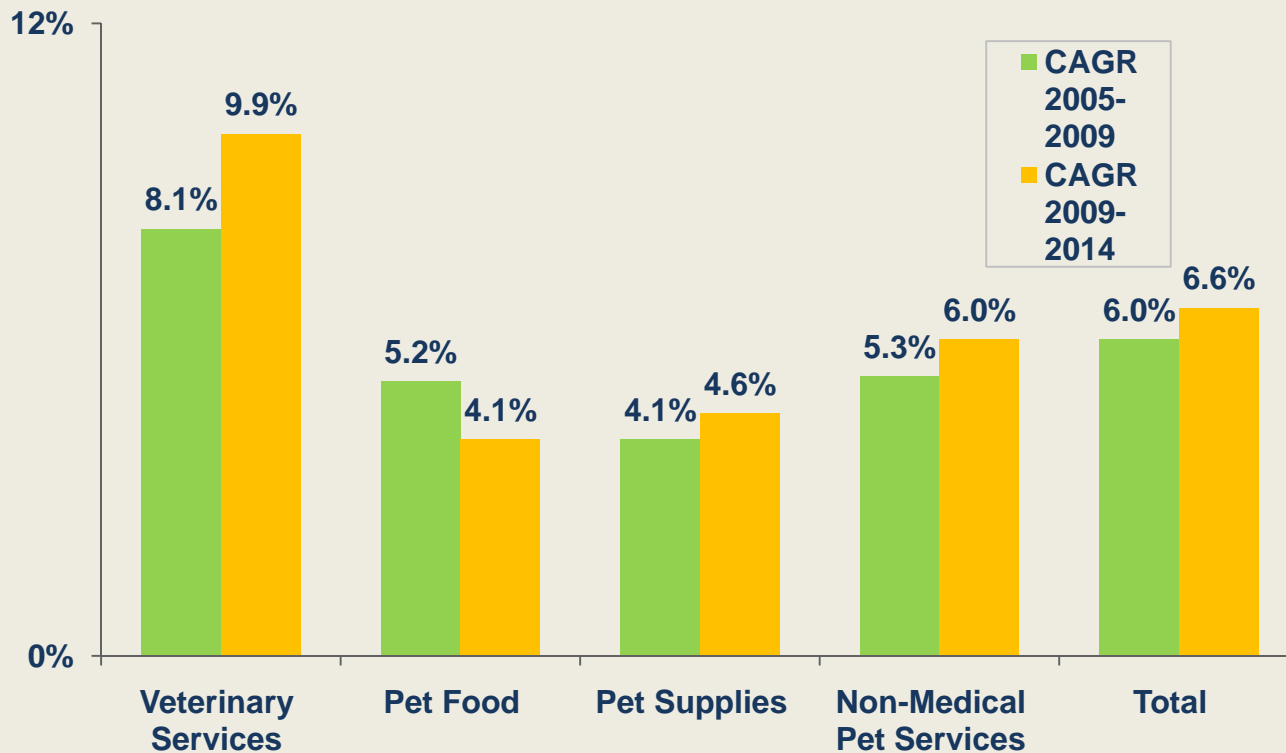
Packaged Facts' Pet Market "3 Ps"



The Human-Pet Health Connection

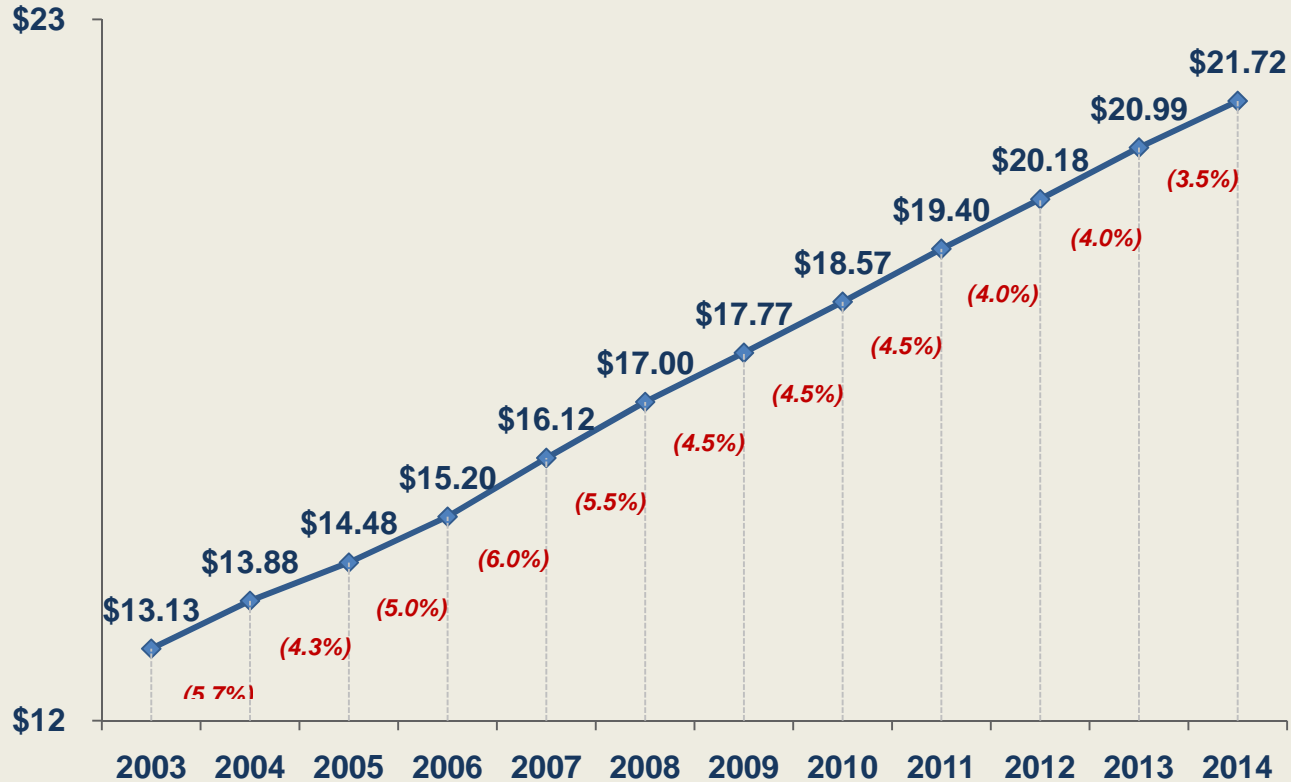


U.S. Pet Market Compound Annual Growth Rates by Category: 2005-2009 vs. 2009-2014



Source: Packaged Facts *Pet Market Outlook 2010-2011*

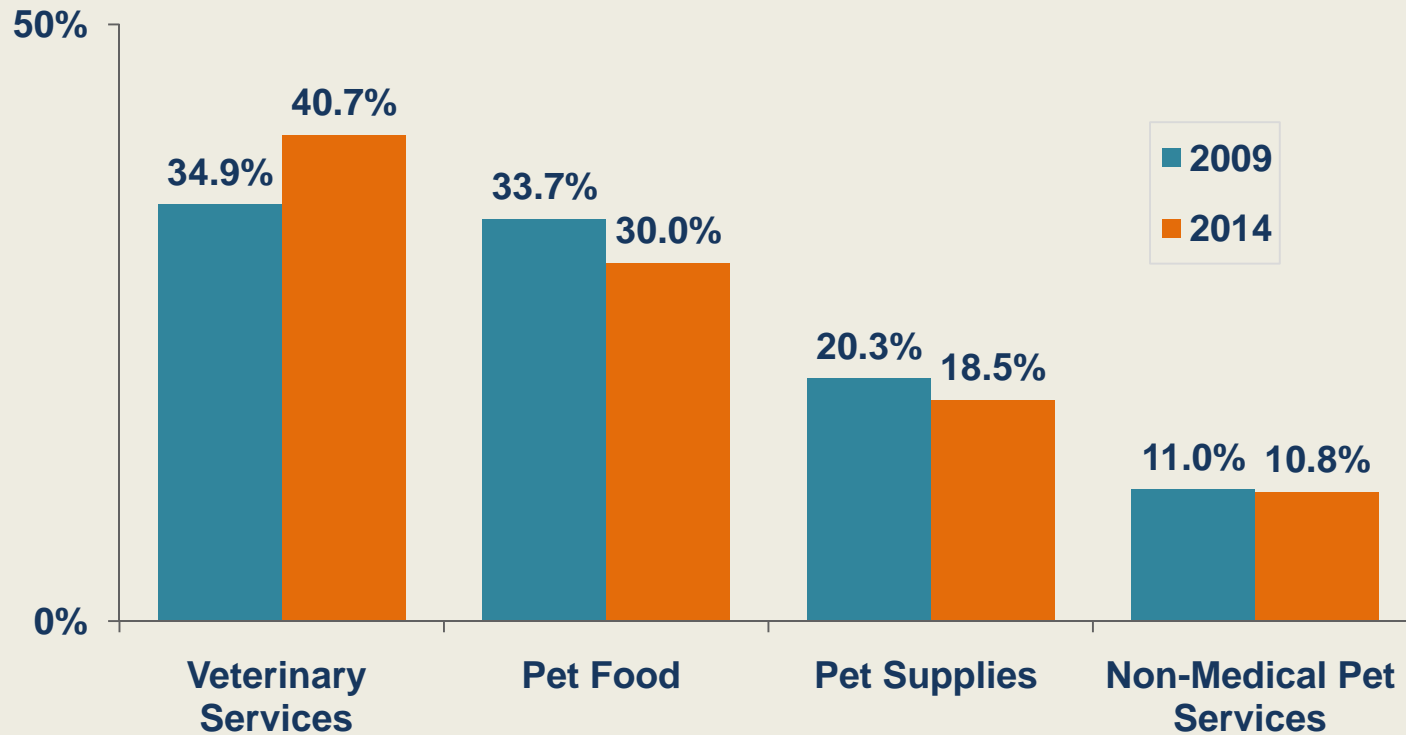
U.S. Retail Sales of Pet Food, 2003-2014



Source: Packaged Facts



Percentage Share of U.S. Pet Market Retail Sales by Category, 2009 vs. 2014



Source: Packaged Facts *Pet Market Outlook 2010-2011*

Travelers Insurance TV Spot— “Things you care about”



Thank You!

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