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Net Income

As a result of the factors above, net income decreased \$1.1 million, or 3.6%, to \$30.0 million for the three months ended March 31, 2015, compared to \$31.2 million for the three months ended March 31, 2014.

Year ended December 31, 2014 Compared With Year ended December 31, 2013

Net Sales

Net sales increased \$198.3 million, or 27.6%, to \$917.8 million for the year ended December 31, 2014, compared to \$719.5 million for the year ended December 31, 2013. Volume growth accounted for 25 percentage points of the increase in net sales and a favorable product mix contributed 3 percentage points. The introduction of new products under each of our major product lines drove our growth. In preparation for the systems cutover from our previous ERP system to SAP, we stopped shipping to customers in December 2013 for a partial week. These sales were recovered in the first quarter of 2014 when we resumed shipping to customers. As a result, we estimate that \$13.1 million of sales were shifted from the fourth quarter of 2013 to the first quarter of 2014. Excluding this shift in shipments, our net sales growth for the year ended December 31, 2014 would have been 4.1 percentage points lower or 23.5%.

Net sales of Dry Foods increased \$151.5 million, or 25.6%, to \$743.0 million for the year ended December 31, 2014, compared to \$591.5 million for the year ended December 31, 2013. Volume growth accounted for 25 percentage points of the increase in net sales of Dry Foods and favorable product mix contributed 1 percentage point. This volume growth was primarily driven by the introduction of new products under each of our major product lines.

Net Sales of Wet Foods, Treats and Other Products increased \$46.8 million, or 36.5%, to \$174.7 million for the year ended December 31, 2014, compared to \$128.0 million for the year ended December 31, 2013. Volume growth accounted for 28 percentage points of the increase in net sales of our Wet Foods, Treats and Other Products and favorable product mix contributed 8 percentage points. The introduction of new wet foods across each of our major product lines was the primary driver of the growth of our net sales of Wet Foods, Treats and Other Products.

Gross Profit

Gross profit increased \$69.3 million, or 23.3%, to \$366.9 million for the year ended December 31, 2014, compared to \$297.6 million for the year ended December 31, 2013, driven primarily by increased volume. Gross margin decreased to 40.0% for the year ended December 31, 2014, from 41.4% for the year ended December 31, 2013. Gross margin was primarily impacted by the start-up of our Heartland manufacturing facility (1.3 percentage points gross margin decrease).

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were \$187.9 million for the year ended December 31, 2014, up \$48.9 million, or 35.2%, from \$139.0 million for the year ended December 31, 2013. The increase reflects:

- \$23.3 million of incremental advertising for the year ended December 31, 2014 as compared to the year ended December 31, 2013 and consistent with our strategy to continue to invest in our brands and product lines; and
- \$9.9 million of incremental professional fees primarily related to litigation expenses.