

## **Table of Contents**

We believe that our rapid creation of a brand with over a billion dollars of sales at retail is proof that our strategy is working.

### ***Building Our Brand***

We chose to build a master BLUE brand with a strong identity on top and different product lines underneath with distinct benefits and personalities, instead of following a brand portfolio approach like most of our major competitors. We engage pet parents with our brand story, mission and our shared love for pets. We want to build a relationship with our consumers by having them understand what we do and why we do it, rather than just sell them a product. With our transparent approach, we strive to educate them on pet nutrition and ingredients so they can make their own informed choices. Our mantra is “Love them like family. Feed them like family.” We carry this message across all our touch points with pet parents – from our advertising to the one-on-one conversations our Pet Detectives have with tens of thousands of pet parents at stores around the United States and Canada every week.

In order to reach a broad cross-section of consumers, we started out in national pet superstore chains with large stores around the country. As our brand has grown, we have continued to broaden our distribution within the specialty channels to include, among others, regional and neighborhood pet stores, farm and feed stores and online retailers. Today BLUE is sold at over 10,000 stores across the United States and Canada.

Since we started in national pet superstore chains, which have more shelf space dedicated to pet food than either the FDM channel or neighborhood pet stores, we were able to offer a broad portfolio of products at an early stage in our brand development. As our brand grew and our retail sales surpassed even well-known brands, we gained scale and now offer even more tailored product offerings. Today, we have the broadest portfolio of products of any natural pet food brand in the United States. Our goal remains to offer pet parents a no-compromise product solution for their needs. We believe this leads to higher levels of satisfaction, a higher share of their spending and increased brand loyalty.

We started with an ambitious vision to build our brand, and we followed a deliberate strategy, investing in brand communication at the level of the major brands when the Wholesome Natural market segment and the size of our business alone were too small to financially support that spending. Our results continue to reinforce our belief in our strategy and execution.

### **The Herd's Thunder: Using BLUE's Strengths**

The pet food industry is highly competitive. Over the last decade, all of our major competitors and many independent companies have also entered or have attempted to benefit from the fast-growing Wholesome Natural market segment through new brand introductions, brand extensions and/or acquisitions. These attempts have included entries directly into the Wholesome Natural market segment, as well as launching brands and products that have some but not all of the Wholesome Natural market segment's characteristics. We continue to enjoy leading growth and clear leadership of the Wholesome Natural market segment. We have also continued to widen our lead in the Wholesome Natural market segment as our market share increased from 23% in 2011 to 34% in 2014. As a result, in 2014 we had three to four times the share of the next largest Wholesome Natural brand.

Due to the strength of the BLUE brand and our innovative business model, BLUE has grown and continues to grow its sales well in excess of pet food industry growth. BLUE is no longer just the leader of the Wholesome Natural market segment, but is now one of the largest pet food brands overall in the \$26 billion U.S. pet food industry.

We believe our market success is driven by the following competitive advantages we have built and continue to strengthen.

### ***Marketing Engine and Strong Brand Equity***

We believe we have an effective new user acquisition strategy: a powerful, authentic brand with significant, ongoing investment in proven marketing elements and a broad product portfolio with tailored specialty formulas.