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Interest Expense

Interest expense decreased \$6.8 million, or 32.7%, to \$13.9 million for the year ended December 31, 2014, compared to \$20.6 million for the year ended December 31, 2013. This decrease was due to a lower effective interest rate year-over-year, which was 4.03% for the year ended December 31, 2014 as compared to 5.27% for the year ended December 31, 2013, which primarily reflects the repricing of our term loan facility in December of 2013.

Interest Income

Interest income increased \$48,000, or 38.4%, to \$173,000 for the year ended December 31, 2014, compared to \$125,000 for the year ended December 31, 2013. This increase was driven by higher year-over-year average cash on hand.

Provision for Income Taxes

Provision for income taxes increased \$19.4 million, or 44.1%, to \$63.4 million for the year ended December 31, 2014, compared to \$44.0 million for the year ended December 31, 2013. Our effective tax rate was 38.3% for the year ended December 31, 2014 as compared to 36.0% for the year ended December 31, 2013. The increase in the effective rate is primarily attributed to prior year state refunds for the 2010, 2011, and 2012 tax years which benefited the tax provision in 2013 but did not recur in 2014.

Net Income

As a result of the factors above, net income increased \$23.7 million, or 30.3%, to \$101.9 million for the year ended December 31, 2014, compared to \$78.2 million for the year ended December 31, 2013.

Year Ended December 31, 2013 Compared With Year Ended December 31, 2012

Net Sales

Net sales increased \$196.5 million, or 37.6%, to \$719.5 million for the year ended December 31, 2013, compared to \$523.0 million for the year ended December 31, 2012. Volume growth accounted for 30 percentage points of the increase in net sales, favorable product mix contributed 6 percentage points and an increase in net prices contributed 1 percentage point. Strong performance by each of our major product lines accounted for over 75% of our sales growth. The introduction of new products primarily under our BLUE Wilderness and BLUE Life Protection Formula lines accounted for over 20% of our sales 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, 2013 would have been 2.5 percentage points higher or 40.1%.

Net sales of Dry Foods increased \$157.1 million, or 36.2%, to \$591.5 million for the year ended December 31, 2013, compared to \$434.4 million for the year ended December 31, 2012. Volume growth accounted for 32 percentage points of the increase in net sales of Dry Foods, an increase in prices to offset higher commodity costs contributed 2 percentage points and favorable product mix contributed 2 percentage points. This volume growth was primarily driven by strong performance across each of our major product lines.

Net sales of Wet Foods, Treats and Other Products increased \$39.4 million, or 44.5%, to \$128.1 million for the year ended December 31, 2013, compared to \$88.6 million for the year ended December 31, 2012. Favorable product mix contributed 25 percentage points of the increase in net sales of our Wet Foods, Treats and Other Products and volume growth accounted for 21 percentage points, partially offset by a decrease in prices of 1 percentage point. The introduction of new products under the BLUE Life Protection Formula and BLUE