

**With The Past Two Quarters Being The Best In Its History, Pethealth Has Shown To Be In A Recession Resistant Sector, With Expansion In Current Markets In The US As Well As Into The UK Through A Recent Acquisition**

**Financial Services**

**Pet Insurance  
(PTZ-TSX)**

**Pethealth Inc.**

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**Glen Tennison, CA  
Chief Financial Officer  
and Corporate Secretary**

**BIO:**

Mr. Tennison, a Chartered Accountant formerly of PriceWaterhouseCoopers, is a graduate of McMaster University. Prior to joining Pethealth in 1999, he held finance positions in Toronto's Entertainment Industry. His primary responsibilities are in the areas of Finance and Administration.

**Company Profile:**

Pethealth is North America's second largest provider of medical insurance for

dogs and cats to pet owners operating in Canada, the United States and the United Kingdom. In addition, the Company is the leading provider of management software to North American animal welfare organisations through its SaaS program 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*, *ShelterCare*, *PetPoint*, *PawsConnect* and *Petango*.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Tennison, where are you in your strategy to become the leading provider in North America of insurance and health related info for the animal market?

**Mr. Tennison:** While the bulk of our operation remains in North America our strategy has recently expanded into the United Kingdom. In July of last year we acquired 100% of the share capital of PetProtect Limited, a pet insurance intermediary based in the UK. So today, in addition to being the second largest provider of pet health insurance in North America, we have a 3.5 % market share in the UK. The health related info to which you refer has developed significantly over the past few years and represents the aggregation of our electronic platform and database businesses. These include our 24PetWatch microchip database, which has grown to over 2.8-

million pets, as well as our PetPoint animal welfare software, which currently operates in nearly 1,250 animal welfare organizations. In May of this year, we launched the front-end of our electronic platform, which is our on-line pet adoption site at [www.petango.com](http://www.petango.com). We are very pleased with the site's reception, which saw over 650,000 unique visitors for the month of August alone. Our strategy has not changed with respect to the monetization of this platform, which we expect to be in the areas of advertising and media and in the publication of the aggregate data which we collect. On September 8<sup>th</sup>, as an example, we announced a deal with PetSmart Charities which provides them a license to access the aggregated data collected through our PetPoint property. This represents our first data publishing deal and is worth a minimum of \$400,000 through December 2011.

**CEOCFO:** Is the pet marketing the UK similar to the US?

**Mr. Tennison:** There are some differences. The pet insurance market is much more developed in the UK where some 34 different companies, using 71 different brands, operate. Indeed, if one considers that approximately 20% of all dogs and cats are currently insured in the UK and add the additional 10% who have had pet insurance at some point, but have subsequently cancelled it, the UK market can be said to have a 30% penetration rate. Contrast that with the North American market, which has a penetration rate of approximately 2%. As a result, we view our growth prospects in North America as stemming from both organic and acquisition activities while the UK market

is one where we place a heavier emphasis on acquisitions.

**CEOCFO:** How has that opportunity changed given the current economy?

**Mr. Tennison:** While I don't believe any business is recession proof, I think the record results we produced for the first two quarters of 2009 go a long way in demonstrating that our business is one which is at least recession resistant. Despite the economic conditions, we continue to grow both the insurance and non-insurance sides of our business and are watching carefully for the emergence of any new potential opportunities, which may present themselves.

**CEOCFO:** Would you tell us about your other pet-related services and monetization?

**Mr. Tennison:** We look at our pet insurance business as having several pillars to it; one of those pillars is our work with animal welfare organizations. The non-insurance side of our business is focused on this segment of pet acquisition and ownership. On a regular basis, we run portions of our adopter database through a third party demographic overlay. The results clearly demonstrate that those adopting pets occupy the most highly coveted group of consumer groups. Historically there has been a view that those adopting cats and dogs are doing so to save money. Today, due in large part to the "adoption as the first option" movement, pet adoption is seen as the socially responsible thing to do. In fact, so much so that pet adoption represents the fastest growing segment of new pet acquisition. Our electronic platforms, starting with Petango, for those searching for a pet, to PetPoint, our shelter software which manages the adoption process, through to our 24PetWatch microchip and insurance programs, which maintain the relationship with the pet owner post adoption provide both third parties and ourselves the unique opportunity to communicate to that pet owner throughout the pet's life. The power of our platform is that we are not only creating significant traffic but are also capturing significant individual data on each pet adopter. This

means that the monetization process can be highly customized and targeted and thus drive higher revenues from potential partners than those who offer indiscriminate advertising opportunities. Our plan is to monetize our platforms through five primary methods: advertising, sponsorship, e-commerce, syndicated adoptable search and the licensing of aggregated data. We believe that we are the only company that can leverage all five revenue streams as it relates to this segment of the pet population. With the infrastructure already in place to deliver on these opportunities, we believe that we will be able to achieve greater margins than on the more highly regulated pet insurance side of our business.

**CEOCFO:** Do many people look online for pet adoptions?

**Mr. Tennison:** Yes, the industry cur-

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rently receives approximately 5.0-million unique visitors per month as on-line searches really broaden the geographic range in which new pets can be located. The most trafficked site is Petfinder.com, which was sold to Discovery Communications for a reported \$30-million two years ago. What distinguishes our pet adoption site from the others is that ours presents pets available for adoption in real time. This is a critical advantage for both the pet owner and the animal welfare organization as it helps promote the efficiencies of pet adoption as a means for acquiring pets. Pet owners don't want to find the pet of their dreams on-line only to find it was adopted out the previous week. Real time information solves this problem. Juxtapose that with other pet adoption sites where the shelters are left to their own devices to manually upload and download available pets. These situa-

tions, as you can imagine, erode the value of on-line pet adoption as these sites become stale quite quickly. We recorded over 650,000 unique visitors during the month of August alone much of which would appear to have been at the expense of Petfinder.com. We expect our strong growth rate to continue as our higher quality searches continue to gain traction.

**CEOCFO:** What is the revenue model for the Petango site?

**Mr. Tennison:** The revenue model for the Petango site is really no different from the monetization opportunities for our non-insurance business as a whole. If one views Petango as a stand alone property then the most obvious sources for revenue are advertising, sponsorship and syndicated search. While advertising and sponsorship are relatively straightforward, syndicated search is somewhat

unique. Traffic received by on-line pet adoption sites, be it ours or others, tends to be relatively sticky in nature. As a result, entities looking to drive more traffic and activity to their own sites will integrate on-line adoptable pet search into their site, that is, syndicate the content. The idea is that this stickier traffic will also look at the other products and services that the entity has to offer on-line. WAL-MART and

Pedigree are examples of companies using on-line adoptable search in this manner. Having said that, we do view Petango as not only a standalone site but as the front-end piece to the much larger Pethealth platform. As such, traffic will be further monetized through e-commerce and the licensing of aggregated data.

**CEOCFO:** Are people more likely to use your services because you are involved in so many areas?

**Mr. Tennison:** We believe that offering a wide range of integrated products and services which offer tremendous value to our target audience, many of which are offered free of charge, results in more people being exposed to the products and services which we sell. Our model is not to make money at every turn but rather to charge for selected products and services

while creating sustainable traffic flows which are being exposed to those products and services through our free platforms.

**CEOCFO:** What is the financial picture like at Pethealth, and do you see more acquisitions?

**Mr. Tennison:** The financial picture continues to be bright. We have been taking what has become a stable, growing and profitable pet insurance business and re-investing the cash flows generated from that business to further build out our platforms and to expand our non-insurance businesses, where again we believe we will achieve greater margins. On the acquisition front, we are well positioned for

any opportunities that may emerge. We have made no secret of the fact that part of our growth strategy is to complete acquisitions.

**CEOCFO:** Is the investment community paying attention?

**Mr. Tennison:** Like many micro-cap companies, our visibility as a public company has been limited due to the current investing climate of late and as such it is difficult to attract significant new attention. Having said that, we are very fortunate to have a good and loyal investor base and as the economy begins to recover and, companies of our size come back in favor we believe our shareholders will be rewarded. As a company, we are

in a better position than when we went into the economic downturn and are excited about our future prospects.

**CEOCFO:** Final thoughts, why should potential investors be paying attention to Pethealth?

**Mr. Tennison:** In looking at market valuation, we would make the argument that our share price discounts the value of the insurance business as a stand alone business. As such, investors have the opportunity to effectively have a free warrant on the upside potential of our non-insurance business, upside which we believe could be quite substantial.



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