

PetSmart, Inc. (PETM)

Record date for voting rights: January 29, 2015,
Shareholder vote: March 6, 2015
Proposed buyer: BC Partners (with existing stockholder)
Value of transaction: \$8.2 billion
Incorporation: Delaware

PetSmart has agreed to an \$83.00 per share sale of the company to a group of investors led by BC Partners, a European buyout firm, with the participation of existing 9% company shareholder Longview Asset Management.¹ Although it is not clear from the company's preliminary proxy statement whether the sale process was initiated in May 2014 by Longview as a prospective buyout participant or in July by the activist JANA to profit from its newly acquired 9.7% holding, both investors achieved their objectives with the resulting gain in immediately realizable stock price and the opportunity Longview had stated it wanted for private equity participation in a buyout to realize the company's long term intrinsic value.² Public shareholders can consider essentially the same choice: a current market-priced offer or the appraised intrinsic value that the private equity investors are getting.

The situation appears to satisfy the three screening criteria for the Forum's "[Appraised Value Rights \("AVR"\) Management](#)" support of shareholders considering this alternative:

1. **Buyer** – The proposed transaction is a "standalone" buyout, without any benefits of a business combination that might justify a buyer's offering more than the intrinsic value of the company. It is therefore unlikely that the buyer, as an experienced professional investor with access to insider information, will be able to explain to the court – and also to its equity partners and lenders – that the price it offered to pay was more than of its view of the company's intrinsic value. There is little risk that a court appraisal would vary from past patterns for such standalone buyouts.³
2. **Amount** – The size of the buyout is in a range that should justify public registration for quoted AVR trading and "Level 1" pricing if holders of a relatively small percentage of stock request support of liquidity. In the absence of requests for support of public registration, it can be assumed that the volume of demands for appraisal will be sufficient to support market activity with "Level 2" pricing of AVR investments.
3. **Jurisdiction** – The company is incorporated in Delaware, the state that provides a well-defined and relatively predictable process for appraisal rights.

The company has set a record date of January 29 for a shareholder vote on March 6, 2015. The Forum will welcome requests for reservations of PetSmart AVR Management, and will offer courtesy support of demand requirements for reservations requested prior to February 20, 2015.

GL – February 2, 2015 (update of [preliminary December 15, 2014 review](#))

Gary Lutin
Chairman, The Shareholder Forum
575 Madison Avenue, New York, New York 10022
Telephone: 212-605-0335
Email: gl@shareholderforum.com

¹ See [December 14, 2014 Bloomberg: "PetSmart Will Be Acquired for \\$8.3 Billion by BC Partners"](#) and [December 17, 2014 Wall Street Journal | MoneyBeat: "Dealpolitik: A Different Deal for One PetSmart Shareholder"](#).

² See "Background of the Merger" (pages 21-26; PDF pages 28-33) in [February 2, 2015, PetSmart, Inc., SEC Form DEFM14A Definitive Proxy Statement](#).

³ See [September 10, 2013 Forum Report: Court Rules for Appraisal: Fair Value = Intrinsic Value](#).