

# performance

PETsMART, INC. ANNUAL REPORT



2001 — OUR BEST YEAR YET







In 2001, PETsMART<sup>®</sup> performed.  
We strengthened our business,  
drove sales and earnings, and  
built a platform for the future.

Watch us grow.



PETsMART, Inc. is the largest specialty retailer of services and solutions for the lifetime needs of pets. The company operates more than 560 pet stores in the United States and Canada, as well as a large pet supply catalog business and the Internet's leading online provider of pet products and information ([www.petsmart.com](http://www.petsmart.com)).



# FINANCIAL HIGHLIGHTS

1999

2000

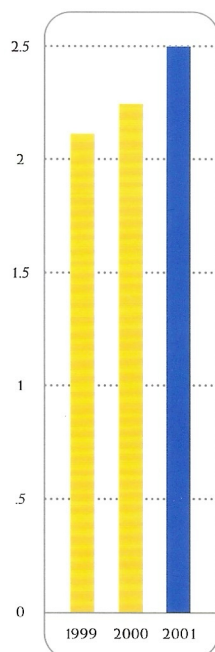
2001

(In thousands, except margins and per-share amounts)

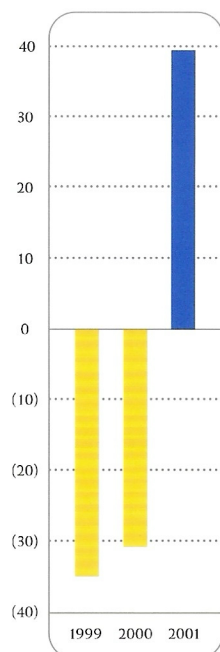
## TOTAL RESULTS

Net Sales	\$ 2,110,316	\$ 2,224,222	\$ 2,501,012
Net Income (loss)	\$ (32,422)	\$ (30,904)	\$ 39,567
Operating Cash Flow	\$ (13,237)	\$ 110,700	\$ 189,994
Earnings (loss) Per Share	\$ (0.28)	\$ (0.28)	\$ 0.35
Total Debt	\$ 276,544	\$ 253,936	\$ 341,387
Margin	27.1%	25.0%	28.4%
Average Per Store Inventory	\$ 726	\$ 560	\$ 460

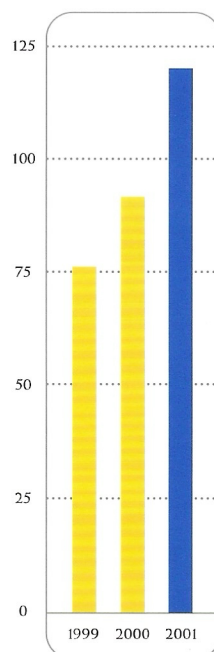
**TOTAL SALES**  
(in billions)



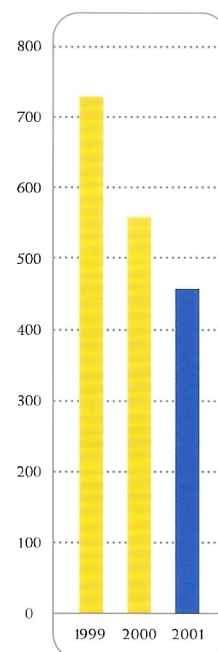
**NET INCOME (LOSS)**  
(in millions)



**PET SERVICES REVENUE**  
(in millions)



**AVERAGE PER STORE INVENTORY**  
(in thousands)





April 29, 2002

Dear fellow shareholders:

In 2001, PETsMART performed.

It was the most profitable year in the history of the company. And the best is yet to come.

We earned \$0.35 per share in 2001, up from a loss of \$0.28 last year. Our topline sales grew 12.4 percent to \$2.5 billion and we generated comparable store sales growth of 6.5 percent. Margins were up 333 basis points, and we generated \$190 million in cash from operations.

We reduced inventory, grew our pet services and delighted our customers with new store formats and a new customer-focused culture. And this is just the beginning.

With our sixth and final forward distribution center opening in 2002, we are consistently at or above our target of 98 percent in-stocks on our top products, helping us satisfy customers' needs every time they shop us. At the same time, we reduced average inventory per store to \$460,000, down

# Every pet. Every

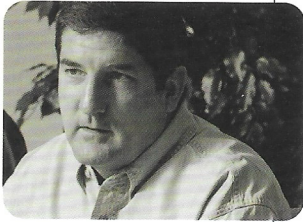
from a peak of \$766,000 in the third quarter of 1999, a change which frees up cash and allows us to continue to invest in the business going forward.

During 2001, we remodeled 146 of our 560 stores with a new format designed around how our customers live and shop. In 2002, we'll continue this effort, remodeling an additional 233 stores and opening 25 stores in the new format. By November 2002, we will have nearly 400 stores in the new format, or two-thirds of our store base. And by November 2003, after the remaining stores are completed, no PETsMART store format

will be more than three years old. That gives customers a fresh, compelling shopping experience. We believe the new store format alone has the power to drive sales growth for at least the next 30 months.

We're continuing to focus on growing our pet services, including pet grooming and training. Both are engines of profitable growth that forge strong, lasting bonds with customers. In 2001, we generated revenue growth of 29 percent in this important area of our business.

*"2001 was the most profitable year in the history of the company. And the best is yet to come."*



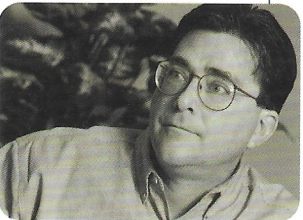
Philip L. Francis  
Chairman and Chief Executive Officer



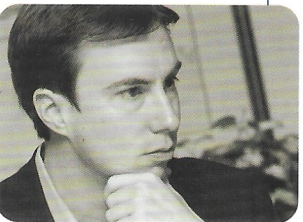
Carol M. Cox  
Senior Vice President, Human Resources



Susanne Eiselsberg  
Senior Vice President and  
Chief Marketing Officer

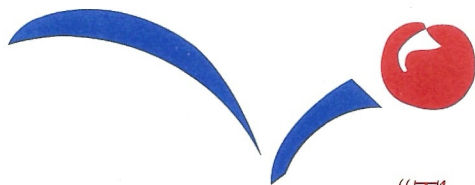


David L. King  
Senior Vice President and  
Chief Information Officer



David K. Lenhardt  
Senior Vice President, Services, Strategic  
Planning and Business Development





parent.

# Every time.

The customer service initiative we launched in 2001 will change the face of PETsMART. In July, we began educating all our nearly 22,000 associates in our stores, distribution centers, and corporate office to focus on, serve and delight the PETsMART customer. This is more than just a new program. It's a new way of doing business. It's a shift in thinking that puts our focus keenly on the customer and has the power to drive growth for years to come.

As we move forward, we'll be guided by what I consider to be one of the strongest teams in retail. Among those leaders is Bob Moran, who served as our president of North American stores and was the

driving force in creating and driving us toward our vision of providing PETsMART's Total Lifetime Care™. In 2001, the PETsMART Board and I were proud to appoint Bob to the position of president and chief operating officer.

The PETsMART team is committed to building a company that is unsurpassed in providing quality service, convenience and a great customer experience. We are committed to providing Total Lifetime Care to every pet, every parent, every time. We are committed to driving a business model that expands the market, differentiates us from the competition, creates strong customer loyalty and

allows us to capture market share and drive profitable growth.

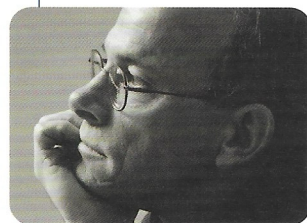
From here, we'll continue to build on the solid performance of 2001. We have only high expectations and demanding goals set for 2002. We will continue to improve our stores, our service and our pet services. We will continue to delight our customers. And we will continue on this worthwhile and profitable path of growth and creating lasting value for our customers, our associates and our shareholders.

Sincerely,

*Philip L. Francis*

Philip L. Francis  
Chairman and CEO

*"The PETsMART team is committed to building a company that is unsurpassed in providing quality service, convenience and a great customer experience."*



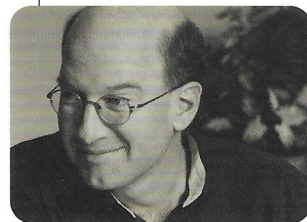
Robert F. Moran  
President and Chief Operating Officer



Scott A. Crozier  
Senior Vice President,  
General Counsel and Secretary



Barbara A. Fitzgerald  
Senior Vice President, Retail Operations

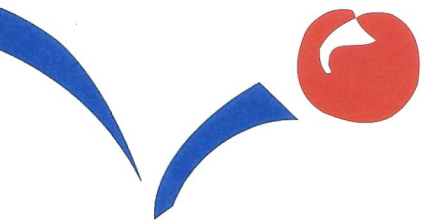


Anthony N. Truesdale  
Senior Vice President,  
Merchandising and Supply Chain



David A. Quinn  
Senior Vice President, Distribution





*Providing Total Lifetime Care to Every Pet, Every Parent, Every Time*

PETsMART has identified a large group of consumers who make up more than 62 percent of all pet owners. We call these people “pet parents.”

They treat their pets as children and want the best for them. They are looking for a place that knows the answers and has solutions for their concerns, and they want to rely on a single, trusted source for all their pet needs. At PETsMART, we’re focusing every initiative, every investment on meeting the needs of pet parents.



# stores

*new floor plan*

*new products*

*new PETsMART*





**STILL OFFERING  
THE BEST VALUE  
AND SELECTION**

We kept the best of the old “category killer” model—value and selection—and built on it. We continue to have the broadest selection in the industry and our work in category management gives us the tools to make product decisions based on our customers’ needs. This, along with our move to net/net buying, is lowering our costs, and we’re passing those savings on to customers.



**EASY TO SHOP**

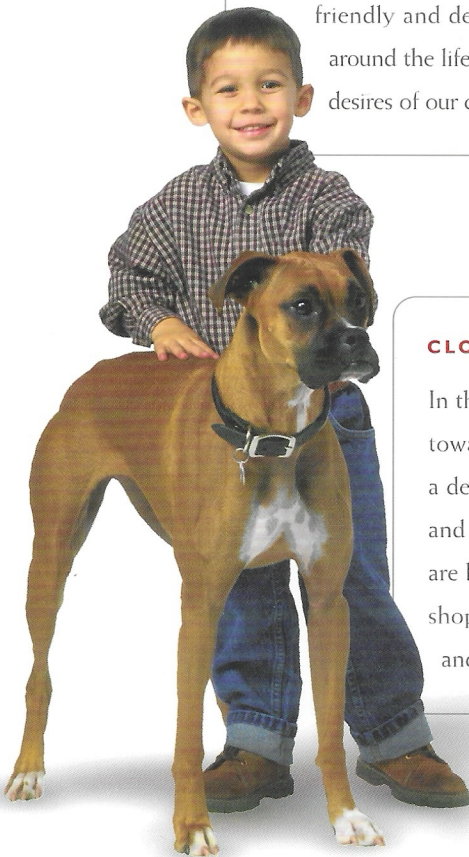
The new store establishes PETsMART as *the* destination and authority for Total Lifetime Care. We’ve organized the store based on pet type, making products easier for our customers to find. We eliminated the high steel shelves, putting a stronger visual emphasis on in-store services like training, grooming, adoptions and veterinary care.

**A BETTER PETsMART**

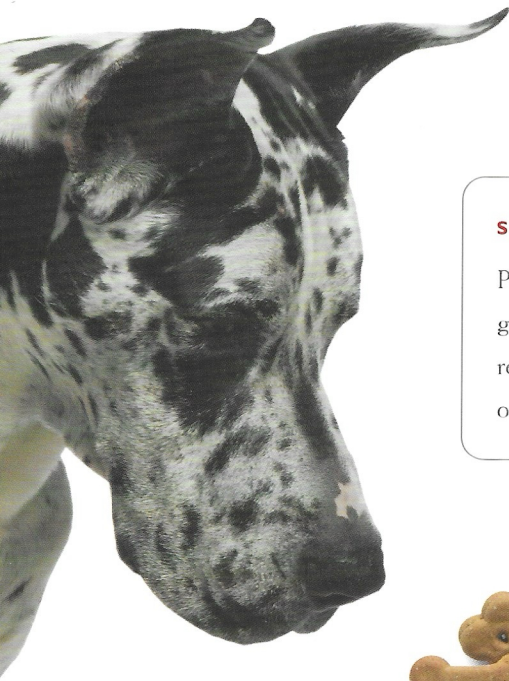
PETsMART has created a new store that’s easy to shop. The warehouse look is gone, replaced with a specialty format that is bright, warm, friendly and designed around the lifestyles and desires of our customers.

**CLOSE TO HOME**

In the midst of a national trend toward “neighborhooding”—a deep focus on home, family and community—our stores are becoming a destination for shoppers looking for a warm and fun shopping experience.







#### SERVICES HELP US GROW

Pet services are an engine of PETsMART's profitable growth. Services attract customers, expand on market reach and give pet parents a new reason to drive past other retailers to get to us.



#### BUILDING THE BOND

Pet training creates strong, lasting relationships between PETsMART associates and our customers. It also builds loyalty and opens the door to truly providing Total Lifetime Care.

# services



#### *creating customer relationships*

#### A GOOD EDUCATION

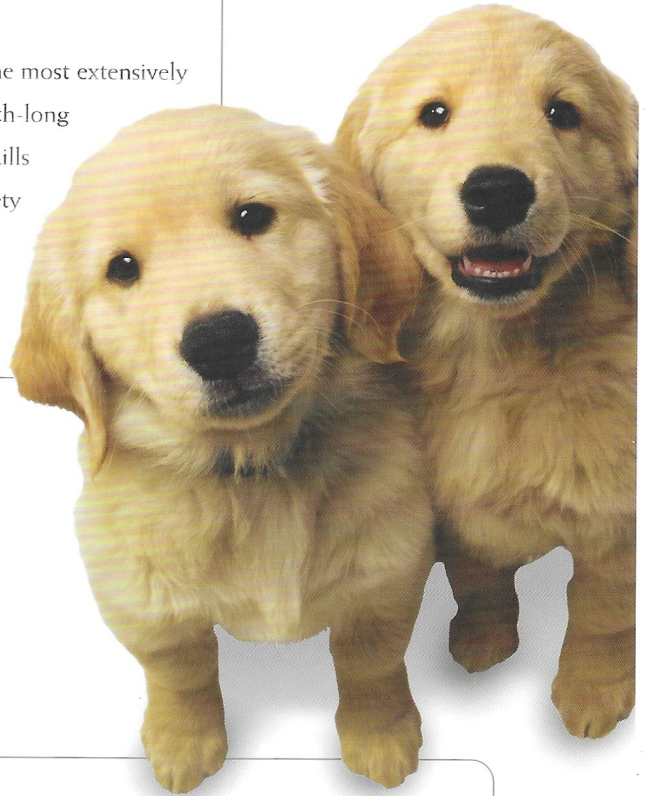
PETsMART pet trainers are accredited in a rigorous and comprehensive program that uses positive reinforcement techniques, which not only teach good behavior but also help create bonds between pets and their parents. Every PETsMART store has an accredited trainer on staff teaching classes—an advantage that is unmatched by our competitors.





### GROOMERS YOU CAN TRUST

PETsMART's groomers are some of the most extensively trained in the industry. In a four-month-long academy, they hone their technical skills and learn PETsMART's ethical and safety standards. This complete education helps keep our salons top ranked in community polls nationwide.



**GETTING TO KNOW YOU** Their extensive training, coupled with the personal relationships our groomers develop with their customers, helps them advise their clients about what they can do to care for pets at home. Once our customers know how to take better care of their pets, they're better pet parents.

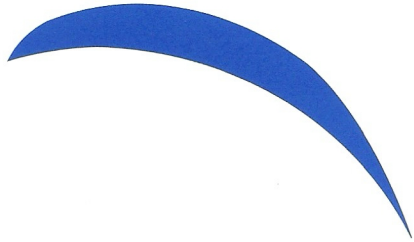
### MORE THAN JUST A HAIRCUT

Along with the "Bath and Brush" and full-service groom packages, our PETsMART grooming salons offer a range of add-on services such as nail clipping, ear cleaning and tooth brushing. These services

not only help keep our clients healthier, they also help PETsMART grow.







**A NEW** PETsMART has developed a new way of thinking and working.  
**FOCUS** We've focused our nearly 22,000 associates on one thing—  
serving and delighting the PETsMART customer.

# customer

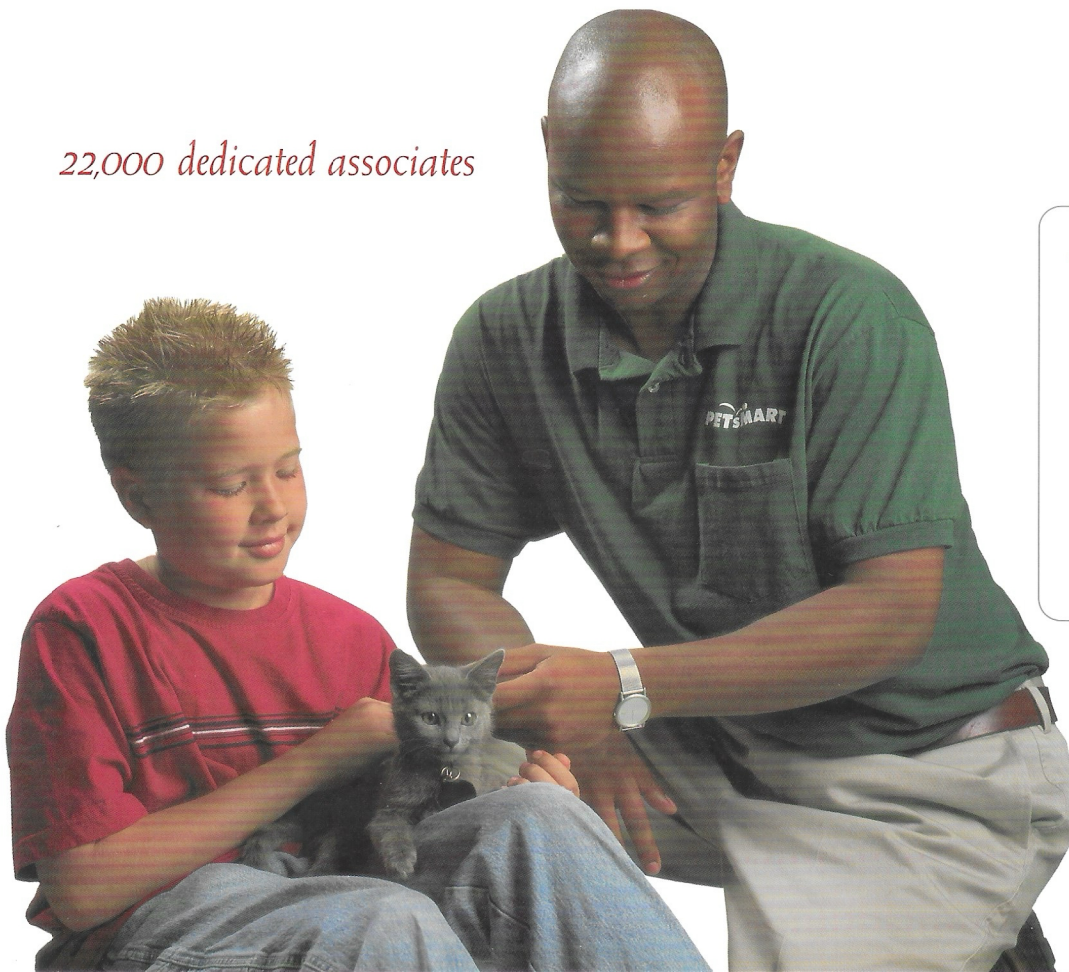


**pet detectives™** We are educating store associates to become pet detectives, who can identify and understand customer needs and provide solutions. Our associates are empowered to build strong bonds with the customers they meet. And by providing customers with expertise and solutions, we are creating a core of passionately loyal customers.

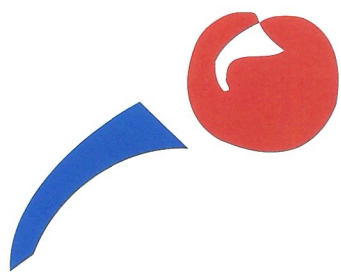
*22,000 dedicated associates*

## **A NEW WAY TO WORK**

Our emphasis on the customer is not a new program, it's a cultural shift that will change the face of PETsMART and provide our customers with a shopping experience they will enjoy every time.







# care



## THE WORK AHEAD

We are at the beginning of our work to change the PETsMART culture, and we believe most of the work, and most of the upside potential still lies ahead.

## WHAT CUSTOMERS ARE SAYING

*"Your patient and understanding staff have been wonderful! Marley and I visit several times a week, because we live close by and she loves to go there. Almost everyone knows us by name now, and makes wonderful suggestions and is never pushy. We think they are all just great!"*

—Nancy, Surprise, AZ

*"Your assistant store director was unbelievable, helpful and kind. She made me feel special, like I was the only customer there, even though she was assisting others in the store. My experience on the phone, and even more at your PETsMART, made my experience even that much more enjoyable. I will always shop at your PETsMART and always encourage anyone that I know to shop there as well."*

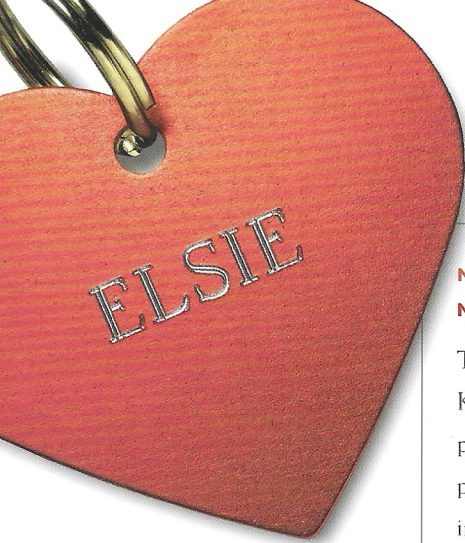
—Lelima, Springfield, VA

*"Besides the store being very well-stocked and clean, I found your employees the friendliest and most courteous I think I've experienced in the New York area so far. From the minute I walked in the door, each employee I encountered was extremely friendly and took the time out to pet my dog and speak nicely to me."*

—Lauren, Bayonne, NJ







#### MEET THE MILLIONTH PET

The Bradford Family of Lexington, Kentucky, are the proud parents of Elsie, the millionth pet adopted from one of our in-store adoption centers.

Five-year-old Annie Bradford saved for nearly a year to raise the money for the adoption fee. Her parents, Jeff and Carol, wanted her to know the value of working and saving for something you want, and the responsibility that comes with being a pet parent.

#### EXCERPT FROM THE BRADFORD'S CHRISTMAS LETTER

"For the past year, Annie decided that she would save her money to buy a real live dog. She surprised us all and saved \$72. Finally, we decided that she was serious, and along with Jeremy who was also armed with some savings money, we drove to a place called PETsMART. Little did we know how our lives were about to change.

PETsMART is a pet supply store that provides space for homeless animals. We walked in, looked at various dogs and cats and fell head over heels for an unsuspecting black retriever with really white teeth. We took her for a walk and quickly knew that she would be our new dog (we named her Elsie). Now for the fun part of the story... Several days later we get a call saying that we are the millionth family to adopt a pet from PETsMART!!"

# adoptions

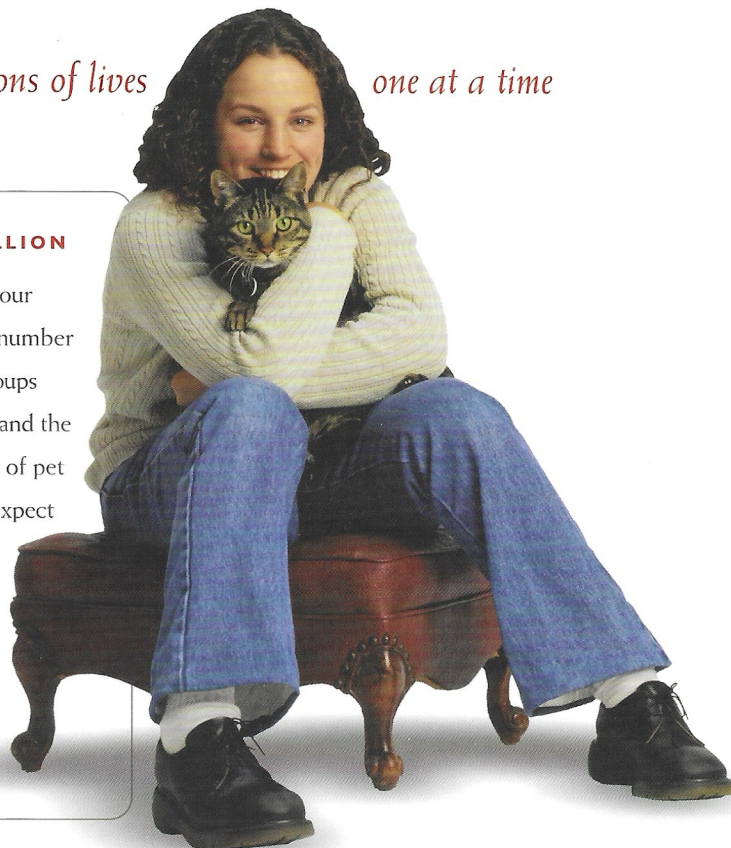
#### HELPING THE HOMELESS

More than 5 million pets are euthanized each year simply because they don't have homes, so PETsMART does not sell dogs or cats. Instead, we donate space inside our stores to local animal welfare groups who find families for homeless pets. In June 2001, the PETsMART Charities' Adoption Centers reached a milestone: 1 million lives saved through our in-store adoption program.

*saving millions of lives one at a time*

#### REACHING 2 MILLION

With the growth of our stores, the growing number of animal welfare groups who partner with us, and the increasing awareness of pet overpopulation, we expect to reach our second million in half the time it took us to reach the first. That's another million lives saved by 2005.





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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**Form 10-K**

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended February 3, 2002

or

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-21888

**PETsMART, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**94-3024325**

*(I.R.S. Employer  
Identification No.)*

**19601 North 27th Avenue, Phoenix, Arizona**

*(Address of principal executive offices)*

**85027**

*(Zip Code)*

**Registrant's telephone number, including area code: (623) 580-6100**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.0001 par value**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Based on the closing sale price of \$13.98 on April 5, 2002, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$1,839,060,430.

On April 5, 2002 there were outstanding 133,178,891 shares of the Registrant's Common Stock.

**DOCUMENTS INCORPORATED BY REFERENCE  
(To The Extent Indicated Herein)**

Registrant's Proxy Statement (specified portions) with respect to the Annual Meeting of Stockholders to be held June 27, 2002.

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## DIRECTORS AND OFFICERS

### DIRECTORS

**Norman E. Brinker**  
*Chairman Emeritus*  
Brinker International

**Lawrence A. Del Santo**  
*Retired Chairman and*  
*Chief Executive Officer*  
Von's Supermarket  
Companies, Inc.

**Jane Evans**  
*Chief Executive Officer*  
Opnix, Inc.

**Philip L. Francis**  
*Chairman and*  
*Chief Executive Officer*  
PETsMART, Inc.

**Richard K. Lochridge**  
*President*  
Lochridge Company, Inc.

**Barbara A. Munder**  
*Principal*  
Munder & Associates

**Thomas D. O'Malley**  
*Chairman of the Board of Directors*  
Premcor, Inc.

**Nancy A. Pedot**  
*Retired President and*  
*Chief Executive Officer*  
The Gymboree  
Corporation

**Walter J. Salmon**  
*Stanley Roth, Sr.,*  
*Professor of Retailing, Emeritus*  
Harvard University  
Business School

**Thomas G. Stemberg**  
*Chairman of the Board of Directors*  
Staples, Inc.

### EXECUTIVE OFFICERS

**Philip L. Francis**  
*Chairman and*  
*Chief Executive Officer*

**Robert F. Moran**  
*President and*  
*Chief Operating Officer*

**Carol M. Cox**  
*Senior Vice President,*  
*Human Resources*

**Scott A. Crozier**  
*Senior Vice President,*  
*General Counsel and Secretary*

**Susanne Eiselsberg**  
*Senior Vice President and*  
*Chief Marketing Officer*

**Barbara A. Fitzgerald**  
*Senior Vice President,*  
*Retail Operations*

**David L. King**  
*Senior Vice President and*  
*Chief Information Officer*

**David K. Lenhardt**  
*Senior Vice President,*  
*Services, Strategic Planning and*  
*Business Development*

**Thomas S. Liston**  
*Interim Senior Vice President and*  
*Chief Financial Officer and Treasurer*

**David A. Quinn**  
*Senior Vice President, Distribution*

**Anthony N. Truesdale**  
*Senior Vice President,*  
*Merchandising and Supply Chain*

## SHAREHOLDER INFORMATION

### CORPORATE INFORMATION

*Corporate Offices*  
19601 North 27th Avenue  
Phoenix, AZ 85027-4008  
(623) 580-6100

*Transfer Agent and Registrar*  
Wells Fargo  
Shareholder Services  
P.O. Box 64854  
St. Paul, MN 55164-0854  
[www.wellsfargo.com/com/shareowner\\_services](http://www.wellsfargo.com/com/shareowner_services)

*Independent Accountants*  
Deloitte & Touche LLP  
2901 North Central Avenue  
Suite 1200  
Phoenix, AZ 85012-2700

*Shareholder Inquiries*  
PETsMART Investor Relations  
19601 North 27th Avenue  
Phoenix, AZ 85027-4008  
(623) 587-2025  
[investorrelations@ssg.petsmart.com](mailto:investorrelations@ssg.petsmart.com)

*PETsMART Common Stock*  
The company's common stock  
is traded on the NASDAQ  
National Market under the  
symbol "PETM."





19601 NORTH 27TH AVENUE

PHOENIX, AZ 85027

623-580-6100

[WWW.PETSMART.COM](http://WWW.PETSMART.COM)