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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 13, 2020**

PETIQ, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38163
(Commission
File Number)

35-2554312
(I.R.S. Employer
Identification No.)

923 S. Bridgeway Pl.
Eagle, Idaho
(Address of principal executive offices)

83616
(Zip Code)

(208) 939-8900
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Class A common stock, par value \$0.001 per share	PETQ	Nasdaq Global Select

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry Into a Material Definitive Agreement

On January 13, 2020, PetIQ, Inc. (the “Company”) entered into that certain Asset Purchase Agreement (the “Purchase Agreement”) by and between Elanco US Inc. (“Seller”), PetIQ, LLC (“Buyer”) and the Company (solely as a guarantor of Buyer’s obligations under the Purchase Agreement). Upon the terms and subject to the conditions set forth in the in the Purchase Agreement, Buyer will acquire the U.S. rights to Capstar® and CapAction® and related assets (the “Assets”) from Seller (the “Acquisition”). A press release announcing the execution of the Purchase Agreement is included as Exhibit 99.1 to this Current Report on Form 8-K.

The purchase price for the Assets is \$95 million in cash, plus the cost of certain outstanding finished goods inventory in saleable condition. The Purchase Agreement contains customary representations and warranties, covenants and agreements, including, among others, the obligation of Seller to conduct the business associated with the Assets in the ordinary course of business prior to closing and the requirement that Buyer take certain actions to obtain antitrust approval. In addition, the parties to the Purchase Agreement have agreed to indemnify each other for certain liabilities arising out of the Purchase Agreement, subject to various limitations including, among other things, caps and time limitations. Buyer will also obtain representation and warranty insurance that provides coverage for certain breaches of, and inaccuracies in, representations and warranties made by Seller in the Purchase Agreement, subject to exclusions, deductibles and other terms and conditions.

The obligation of the parties to close the Acquisition is subject to customary closing conditions, including, among others, the issuance of a consent order by the Federal Trade Commission. The parties have agreed that the Acquisition will not close earlier than July 1, 2020. The Purchase Agreement may be terminated in certain circumstances including, among other things, if the closing has not occurred by December 31, 2020, if certain antitrust approvals are not obtained or if Seller’s agreement in connection with Seller’s acquisition of Bayer AG’s animal health business is terminated prior to closing of the Acquisition. Following closing, the Seller will manufacture and supply the Assets and provide certain technology transfer services to Buyer over a 24-month period pursuant to a manufacturing and supply agreement. The Company continues to act as a non-exclusive distributor of Seller’s products, including the Assets.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement, which will be filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	Description
99.1	Press Release dated January 13, 2020

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PETQ, INC.

Dated: January 15, 2020

By /s/ John Newland

Name: John Newland

Title: Chief Financial Officer



PetIQ, Inc. Enters Into Definitive Agreement to Acquire the Capstar® portfolio of products from Elanco

Accretive, Strategic Bolt-on Acquisition Provides High-margin Revenue Opportunity and Further Bolsters Manufacturing

EAGLE, Idaho – January 13, 2020 – PetIQ, Inc. (“PetIQ” or the “Company”) (Nasdaq: PETQ), a leading pet medication and wellness company, and Elanco today announced they have executed a definitive agreement under which PetIQ will acquire Capstar®, the #1 oral over-the-counter (“OTC”) flea treatment product in the United States, from Elanco Animal Health, Inc. (“Elanco”) (NYSE: ELAN). The \$95 million cash transaction has been unanimously approved by PetIQ’s and Elanco’s Board of Directors. PetIQ expects that this acquisition will be immediately accretive to earnings following the closing and thereafter. The closing of the transaction is contingent, and expected to occur, upon approval of the acquisition under a consent order issued by the U.S. Federal Trade Commission.

The Capstar portfolio is comprised of seven SKUs, including three private label SKUs which are sold under the Capaction® brand. Capstar® is an oral tablet for the treatment of flea infestations on dogs, puppies, cats and kittens and is currently the best-selling oral OTC flea treatment product in the United States. Additionally, Capstar® is the only oral OTC product for cats in the market today.

Cord Christensen, PetIQ’s Chairman and Chief Executive Officer commented, “We are excited to further enhance our manufactured product business with the addition of Capstar’s industry leading animal health product portfolio. This accretive, strategic bolt-on transaction is a natural fit with our pet health and wellness platform. We have been distributing the Capstar brand for several years and have a deep appreciation for the trust that pet parents have in their flea treatments, which is demonstrated by their very attractive position. We believe that PetIQ is well positioned to support and grow Capstar across sales channels long-term.”

Strategic and Financial Benefits

PetIQ believes the combination will provide the following strategic and financial benefits:

- **Further Diversifies and Expands PetIQ’s Manufactured Pet Health and Wellness Branded Product Offerings:** The addition of the Capstar portfolio complements PetIQ’s existing portfolio of manufactured products, which was recently expanded by the addition of products sold under the brands of Perrigo Animal Health. The acquisition further supports the Company’s product category, brand, and sales channel diversity with a focus on accessible and affordable, high-quality flea infestation treatments.
 - **Enhances Product Segment Financial Profile with High-margin Manufactured Product Line:** The Capstar portfolio will represent the highest margin business within the PetIQ product segment. The transaction and related assets are isolated to the products, brands and associated registrations and does not include any physical manufacturing assets or incremental labor. The transition of the asset is supported by a 24 month manufacturing and service agreement with Elanco, who will systematically assist PetIQ in the transition of production to PetIQ’s state of the art facility in Omaha, NE.
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Transaction Details

The assets associated with the Capstar portfolio will be acquired for \$95 million in cash. PetIQ will own the complementary product portfolio of Capstar's highly recognized brand allowing for PetIQ to realize short, mid and long term value creation putting PetIQ in a more competitive position in anti-parasitics, a key growth segment of the animal health industry. The Company plans to finance the transaction within PetIQ's existing debt facilities and cash on hand. Pro forma for the transaction, including the annualized EBITDA contribution of Capstar, PetIQ expects an immaterial change to its net debt-to-Adjusted EBITDA leverage ratio. PetIQ remains committed to reducing its leverage through a combination of organic growth and free cash flow.

About PetIQ

PetIQ is a leading pet medication and wellness company delivering a smarter way for pet parents to help their pets live their best lives through convenient access to affordable veterinary products and services. The company engages with customers through more than 60,000 points of distribution across retail and e-commerce channels with its branded distributed medications, which is further supported by its own world-class medications manufacturing facility in Omaha, Nebraska. The company's national service platform, VIP Petcare, operates in over 3,400 retail partner locations in 41 states providing cost effective and convenient veterinary wellness services. PetIQ believes that pets are an important part of the family and deserve the best products and care we can give them. For more information, visit www.PetIQ.com.

Forward Looking Statements

This press release contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could" and similar expressions. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, our ability to successfully grow our business through acquisitions; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; disruptions in our manufacturing and distribution chains; competition from veterinarians and others in our industry; reputational damage to our brands; economic trends and spending on pets; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; our ability to keep and retain key employees; our ability to sustain profitability; and the risks set forth under the "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018 and other reports filed from time to time with the Securities and

Exchange Commission.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

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