



Company Contact:
Pet DRx Corporation
Harry L. Zimmerman
(HZimmerman@petdrx.com)
(615) 369-1914 – www.petdrx.com

Pet DRx Corporation Reports 2009 First Quarter Results

BRENTWOOD, Tenn. (May 18, 2009) – **Pet DRx Corporation (Nasdaq: VETS)**, a provider of veterinary primary care and specialized services to companion animals, today announced financial results for the first quarter ended March 31, 2009. Overall, the results from the quarter were encouraging. There was a slight decrease in revenue when compared to the first quarter of 2008, but a significant decrease in the net loss for the quarter, as well as a significant increase in Adjusted EBITDA (as defined below) when compared to the same period in 2008.

Revenue in the first quarter of 2009 for continuing operations was \$16.7 million, compared to revenue of \$17.4 million in the first quarter of 2008. The decrease in revenues of 3.9% was primarily due to decreased volume of foot traffic at the clinics during the weak economy of the first quarter of 2009. However, despite the economy, approximately one-third of our facilities showed revenue growth over the first quarter of 2008.

“While the economic decline certainly had a negative effect on our revenue growth in the first quarter of 2009, some of the efforts we have made both at the hospital level and at the corporate level to control spending during the quarter helped to alleviate the revenue decline,” stated Gene Burleson, Chief Executive Officer of Pet DRx. “Our operating loss for the quarter actually decreased by 67% compared to the first quarter of 2008, so we are pleased we were able to make improvements even during these challenging times.”

Hospital contribution margin in the first quarter of 2009 from continuing operations was 10.1% compared with 10.3% in the prior-year first quarter. The slight margin decrease in the first quarter was primarily attributable to the lower revenues in the first quarter of 2009 compared to 2008, offset partially by the three consolidations completed in 2008, which reduced certain duplicative staff and occupancy costs at our hospitals. However, the hospital contribution margin for the first quarter of 2009 was a clear

improvement over our hospital contribution margin in the last half of 2008 when our margin was below 6%. This was a result of the efforts made at the end of 2008 that carried over into the first quarter of 2009 to insure that staffing at our hospitals was in line with the amount of revenue that the hospitals were generating.

Selling, general, and administrative expenses were \$2.3 million for the first quarter of 2009, as compared to \$3.8 million in the first quarter of 2008. As a percent of revenue SG&A decreased to 14.0% during the first quarter of 2009 from 21.3% in the same quarter a year ago. During the first quarter of 2008, the Company incurred significant costs as a result of moving its corporate office from San Jose, California to Brentwood, Tennessee. Payroll, travel, and occupancy related costs in 2009 were down collectively by approximately \$0.9 million as a result of the Company not incurring costs from having both facilities. Additionally, the Company reduced its staffing fees for the quarter by \$0.5 million as a result of the Company having transitioned to a full time staff in Tennessee versus predominately using contract labor in San Jose. Also, the Company reduced its overall management payroll as the number of senior executives was decreased. Furthermore, the Company was able to reduce its outside professional fees in the first quarter of 2009 as compared to the first quarter of 2008. The Company has now decreased its selling, general, and administrative expenses for three consecutive quarters, excluding the one-time impairment charges taken in the fourth quarter of 2008.

The reported net loss in the first quarter of 2009 from continuing operations was \$21,000, or a loss of \$0.00 per share, compared with a net loss in the first quarter of 2008 of \$2.9 million, or a loss of \$0.13 per share. The net loss was significantly reduced as a result of the \$2.0 million gain recognized from the change in fair value of the Company's warrant liabilities on its balance sheet. This non-cash gain resulted from the Company adopting a newly required accounting treatment for the warrants that it has issued, EITF 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock." However, this gain could be offset in the future based on interest rate changes or if our stock price increases over its closing price at the end of the first quarter of 2009. Therefore the Company's results should more appropriately be evaluated without taking into account this gain or any potential subsequent losses that would result if our stock price were to increase (as it has already since the end of the first quarter of 2009). The net loss in the first quarter of 2009 includes interest expense of \$1.3 million, compared with \$1.2 million in the prior-year first quarter.

Earnings before interest, income taxes, depreciation, and amortization, and gain on change in fair value of warrant liabilities ("Adjusted EBITDA") for the first three months of 2009 was \$21,000 as compared to a negative \$1.5 million for the three months ended March 31, 2008. This represents the first time that the Company's Adjusted EBITDA has been positive. The increase in Adjusted EBITDA in the first quarter of 2009 was primarily due to the reduced spending in selling, general, and administrative expenses as

compared to the same time period in the previous year. See reconciliation of Adjusted EBITDA to Net Loss from Continuing Operations in the table below.

Conference Call

Pet DRx management will host a conference call on Wednesday, May 20, 2009, beginning at 11 a.m. Eastern time to discuss first quarter 2009 results and to answer questions. Individuals interested in participating in the call should dial (888) 713-4209 from the U.S. or (617) 213-4863 from outside the U.S. and entering pass code 83565654. The live call also will be available in the Investors section of the Company's Web site at www.petdrx.com.

A telephone replay will be available for 48 hours beginning approximately one hour after the conclusion of the call by dialing (888) 286-8010 from the U.S. or (617) 801-6888 from outside the U.S., and entering reservation code 81389712. The webcast will be available in the Investors section of the Company's Web site for 14 days following the completion of the call.

About Pet DRx

Pet DRx Corporation provides veterinary primary care and specialized services to companion animals through a network of fully-owned veterinary hospitals. The Company currently owns and operates 23 veterinary hospitals in the state of California, which it has organized into unique, regional "hub and spoke" networks. Pet DRx provides a full range of general medical treatments for companion animals, including (i) preventive care, such as examinations, vaccinations, spaying/neutering and dental care and (ii) a broad range of specialized diagnostic and medical services, such as internal medicine, surgery, cardiology, ophthalmology, dermatology, oncology, neurology, x-ray, ultrasound and other services.

SAFE HARBOR STATEMENT

Certain statements and information included in this press release, including statements as to the expected operations of the Company, its prospects for growth, and future product and service offerings constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including, but not limited to, the ability of the Company to successfully acquire, integrate and operate veterinary hospitals and clinics, requirements or changes affecting the businesses in which the Company is engaged, veterinary services trends, including factors affecting supply and demand, the effect of competition, decline in demand for the Company's products or services, dependence on acquisitions for growth, labor and personnel relations, changing interpretations of generally accepted accounting principles, the Company's ability to service its substantial indebtedness, the level of direct costs and the Company's ability to maintain revenue at a level necessary to maintain expected operating margins, the level of selling, general and administrative costs, any impairment in the carrying value of the Company's goodwill and other intangible assets, changes in prevailing interest rates, and general economic conditions. These and other risks and uncertainties are described in greater detail in the Company's filings with the Securities and Exchange Commission, including its reports on Form 10-K and 10-Q, and the foregoing information should be read in conjunction with these filings. These forward-looking statements speak only as of the date hereof and the Company disclaims any

intention or obligation to update or revise any forward-looking statements, either as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

The attached financial table contains certain non-GAAP financial measures as defined under SEC rules, such as earnings before interest, income taxes, depreciation, and amortization adjusted to exclude certain items disclosed in the attached financial table. As required by SEC rules, the Company has provided reconciliations of this measure to the most directly comparable GAAP measure, which is set forth in the attachments to this release. The Company believes that the foregoing non-GAAP financial measure improves the transparency of the Company's disclosure, provides a meaningful presentation of the Company's results from its core hospital operations excluding the impact of items not related to the Company's ongoing core hospital operations.

[tables to follow]

PET DRX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	(Unaudited)			
	<u>Three Months Ended March 31,</u>			
	<u>2009</u>		<u>2008</u>	
Revenue	\$ 16,722	100.0%	\$ 17,397	100.0%
Direct costs	15,039	89.9%	15,605	89.74%
Hospital contribution	1,683	10.1%	1,792	10.3 %
Selling, general, and administrative expense	2,340	14.0%	3,790	21.8%
Loss from operations	(657)	(3.9)%	(1,998)	(11.5)%
Other income (expense):				
Gain on change in fair value of warrant liabilities	1,972	11.8%	---	0.0%
Interest income	2	0.0%	217	1.2%
Interest expense	(1,333)	(8.0)%	(1,152)	(6.6)%
Loss before provision for income taxes	(16)	(0.0)%	(2,933)	(16.9)%
Provision for income taxes	5	0.0%	9	(0.0)%
Loss from continuing operations	\$ (21)	(0.0)%	\$ (2,942)	(16.9)%
Loss from discontinued operations, net of tax	---	0.0%	(86)	(0.5)%
Net loss	\$ (21)	(0.0)%	\$ (3,028)	(17.4)%
Basic and diluted loss per common share				
Loss from continuing operations	\$(0.00)		\$(0.13)	
Loss from discontinuing operations	\$(0.00)		\$(0.00)	
Net loss per share	\$(0.00)		\$(0.13)	
Shares used for computing basic and diluted loss per share	23,660		22,751	

Reconciliation of Adjusted EBITDA*

(in thousands)	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Net loss from continuing operations	\$ (21)	\$ (2,942)
Depreciation	412	305
Amortization	266	224
Gain on change in fair value of warrant liabilities	(1,972)	---
Interest expense, net	1,331	935
Income taxes	5	9
Adjusted EBITDA	<u>\$ 21</u>	<u>(1469)</u>

*Please refer to the “Non-GAAP Financial Measures” section of the Press Release

PET DRX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and number of shares)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,073	\$ 1,723
Trade accounts receivable, net	390	369
Inventory	1,109	1,154
Prepaid expenses and other	1,281	1,719
Assets held for sale	900	900
Due from related parties	---	32
Assets of discontinued operations	---	1
Total current assets	9,753	5,898
Property and Equipment, net	7,099	7,422
Other assets:		
Goodwill	49,373	49,373
Other intangible assets, net	6,438	6,704
Restricted cash	425	500
Other	297	447
Total assets	\$ 73,385	\$ 70,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term obligations, net of debt discount	\$ 2,358	\$ 3,718
Accounts payable	2,625	2,394
Accrued payroll and other expenses	5,229	6,551
Due to a related party	110	96
Obligations under capital leases, current portion	313	312
Liabilities of discontinued operations	---	55
Total Current liabilities	10,635	13,126
Long-term Liabilities:		
Convertible debt, net of debt discount	8,822	4,949
Term notes, less current portion	3,455	3,687
Warrant liabilities	1,692	---
Obligations under capital leases, less current portion	305	361
Deferred rent	410	355
Other	150	83
Total long term liabilities	14,834	9,435
Total liabilities	25,469	22,561
Stockholders' Equity		
Common stock, par value \$0.0001, 90,000,000 shares authorized, 23,660,460 shares outstanding as of March 31, 2009 and December 31, 2008, respectively, net of 1,361,574 and 0 treasury shares at March 31, 2009 and December 31, 2008, respectively		
	2	2
Additional paid-in-capital	85,960	87,686
Accumulated deficit	(38,046)	(39,905)
Total stockholders' equity	47,916	47,783
Total liabilities and stockholders' equity	\$ 73,385	\$ 70,344