

Closing Out Our PetSmart Long Call

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Jana Partners filed a document [with the SEC](#) on Monday claiming to have received anonymous information that PetSmart (PETM) has been attempting to hide poor results from investors. These allegations have not been confirmed, but Jana Partners has sent the documents to PetSmart for review and asked the company to make the information public.

We [first recommended PETM](#) to investors in June, slightly before Jana Partners announced their involvement with the company. We have since come out in favor of a [private takeover](#) of the company. If these allegations of managing earnings are in fact true, it only reinforces the point that new management would be a positive for PETM.

In light of these allegations, and given that the stock is already up 18% since our original article, we have decided to close out our buy recommendation on PETM. The stock's higher valuation has caused its Rating to fall from Very Attractive to Attractive. In addition, we don't want to be holding a stock with the kinds of risk that come with having an activist investor at odds with management.

Sam McBride contributed to this report.

Disclosure: David Trainer and Sam McBride receive no compensation to write about any specific stock, sector, or theme.

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