

**Building the  
world's best  
pet care  
platform**



# Agenda for today

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## Our vision for the future of pet care

Lyssa McGowan, Chief Executive Officer

## An integrated consumer experience

Kathryn Imrie, Chief Consumer Officer

## Our unique data and digital platform

William Hewish, Chief Information Officer

## Differentiated, sector-leading vets

Louise Stonier, Vet Chief Operating Officer

## Scale and category authority

Lisa Miao, Retail Chief Operating Officer

## A strong financial framework

Mike Iddon, Chief Financial Officer



# Our vision for the future of pet care

Lyssa McGowan  
Chief Executive Officer



# We have a unique position in a structurally growing market

## Structural trends will drive further growth

New

### Premiumisation

Pet owners seeking higher-end products and services for their pets

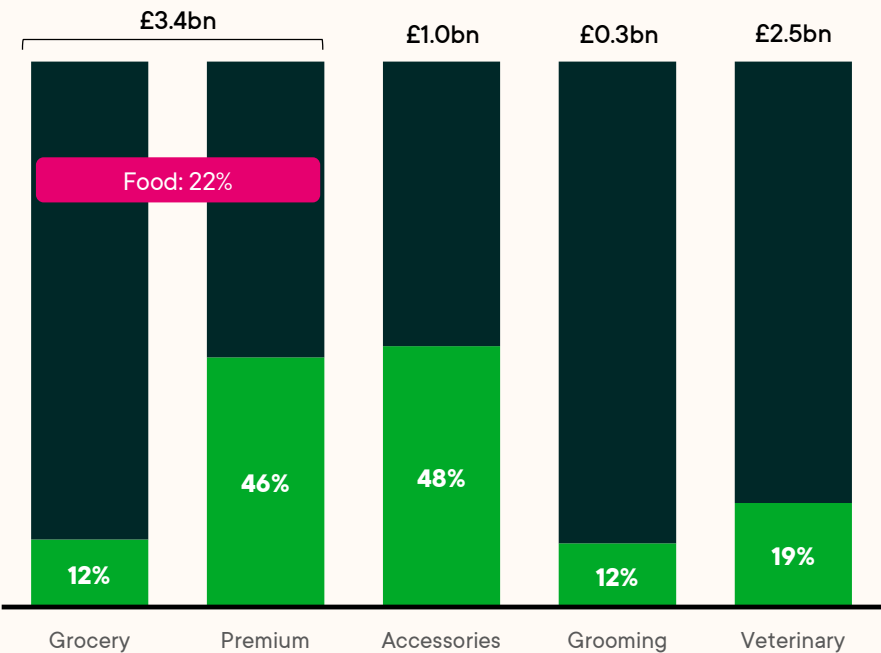
### Humanisation

Human trends such as natural foods and complex healthcare

### Penetration

A step change in pet ownership as many of the historic barriers no longer exist

We are the only true complete pet care provider with a 24% share of a £7.2bn UK market

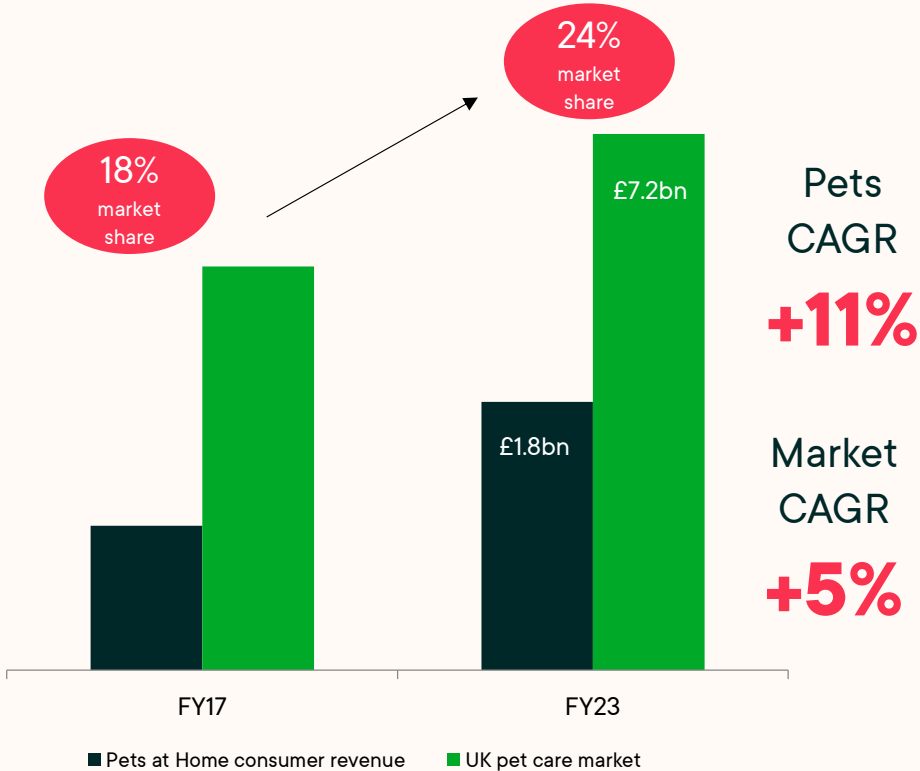


■ PAH market share

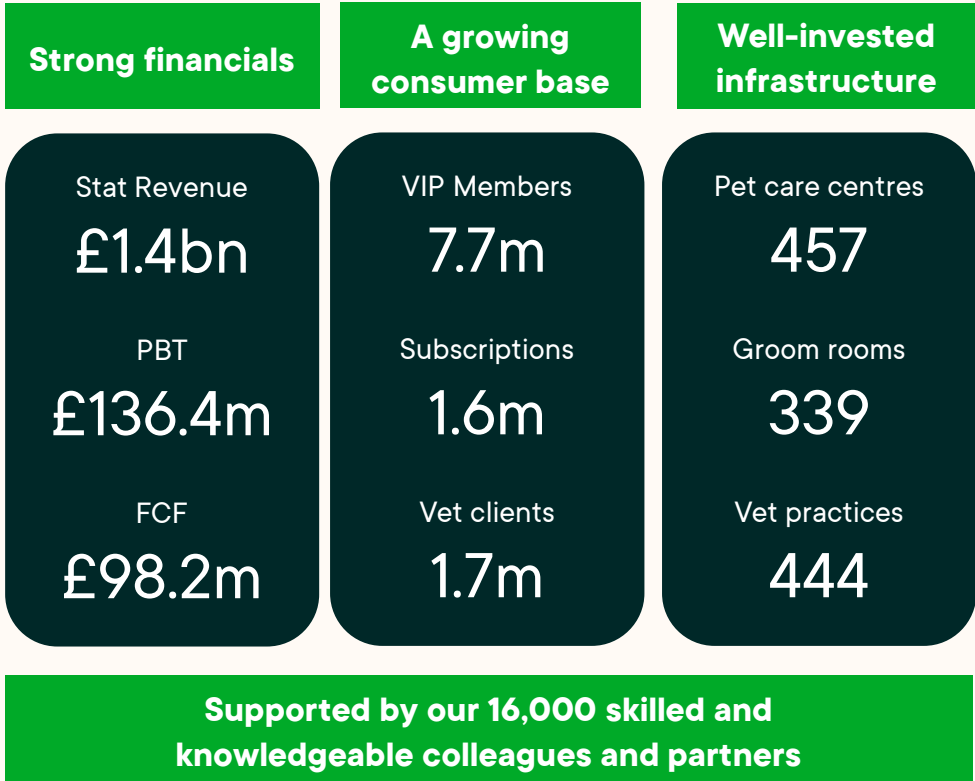


# We are the clear market leader, with a strong platform for growth

## A track record of taking share



## A leading market position



# A clear strategy to unify the business and drive us forward

Our purpose

To create a better world for pets and the people that love them

Our vision

To build the world's best pet care platform

**Integrated**

a unified blend of products, services and advice

**Omnichannel**

seamlessly connected

**Consumer-centric**

an unrivalled experience

Our values

**Pets**

To improve the life of every pet in the UK

**People**

To be the best employer and developer of talent

**Planet**

To make pet care environmentally sustainable

# Unified by a shared purpose

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Our purpose

To create a better world for pets and the people that love them





# A bold, clear, and compelling vision

Our vision

## To build the world's best pet care platform

### **Integrated**

a unified blend of products, services and advice

- Nutrition
- Accessories
- Preventative Care
- Curative Healthcare
- Grooming & Wellbeing
- Adjacencies

### **Omnichannel**

seamlessly connected

- Physical petcare centres and practices
- Virtual consultations
- Digital advice and support
- E-commerce, click & collect
- E-pharmacy and telemedicine

### **Consumer-centric**

an unrivalled experience

- Seamless and frictionless
- Easy and enjoyable
- Targeted and personalised
- Simple, unified experience across app, online, physical and virtual

# Our pet care platform drives differentiated economics

## Integrated

a unified blend of products, services and advice

## Omnichannel

seamlessly connected

## Consumer-centric

an unrivalled experience



## Delivering economies of scope

- Category authority and expertise
- Investment cost amortisation base
- Innovation speed and time to market
- Digital and data platform integration

## Driving economies of scale and higher productivity

- Scale economies (physical, virtual and digital)
- Supply chain, channel and distribution efficiencies
- Clinical and non-clinical productivity (right colleague, right task)

## Fuelling consumer and revenue growth

- Share of wallet through frequency, cross-sell, upsell and subscriptions
- Lifetime Value and retention
- National brand halo
- Effectively targeted CRM and discounting

# Our values underpin everything we do

## Our values

### Pets

To improve the life of every pet in the UK

#### By being the leading advocate for pet welfare:

- ✓ Adopting the highest welfare and clinical standards for pets in our care
- ✓ Providing pet owners with the best products, services and advice
- ✓ Using our voice and expertise to advocate for pets
- ✓ Being the largest grant giver to pet charities in the UK

### People

To be the best employer and developer of talent

#### By creating rewarding, sustainable careers in pet care open to everyone:

- ✓ Continuous investment in pet care expertise
- ✓ Compelling clinical careers and development opportunities
- ✓ Colleagues fully representing our diverse communities

### Planet

To make pet care environmentally sustainable

#### By leading in sustainable pet food:

- ✓ Environmental impacts on carbon, land use, water and nature
- ✓ Innovative sustainable packaging
- ✓ Nutritional needs met, affordably



# Our strategy will drive compelling growth in sales, profit and FCF

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**A growing market**

**c4%**

Forecast market CAGR over the medium term

**Consistently taking share**

**c300bps**

Market out performance pa, Pets sales CAGR +7%

**Driving high-quality growth**

**+10%**

PBT grows at 10%, FCF to trend towards 70% of PBT

**Reward shareholders**

**£50m**

Progressive dividend, further £50m share buyback in FY24

**Our new brand world brings it all together**

[video not included on web-ready version]

# An integrated consumer experience

Kathryn Imrie, Chief Consumer Officer





# With 30 years of caring for pets and the people who love them, we know our role

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We provide everything we know owners need, in an easily accessible way, that suits them.

We offer our expertise through trusted and valued advice that helps owners take great care of their pets.

We provide the best products, services and advice to guide pet owners through their pet care journey

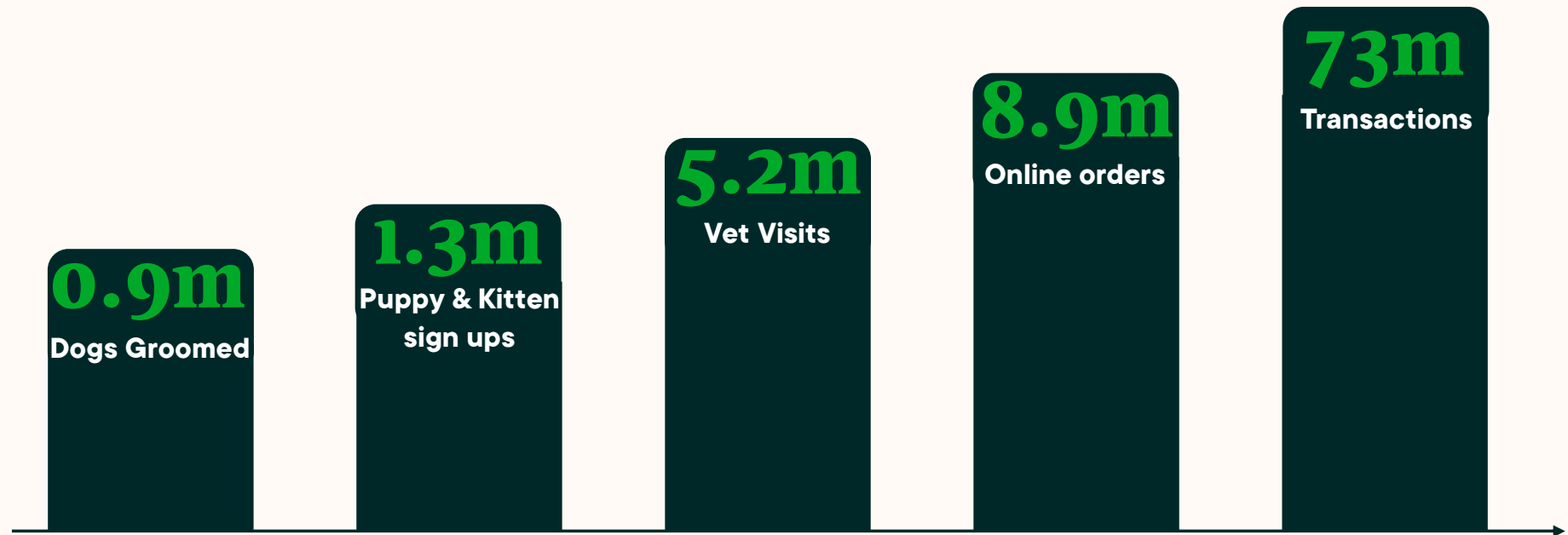
We positively impact the lives of pets by helping their human be the best owner they can be.

Our insights enable us to personalise the care we offer our pets providing the right solution for them and their owners.

We're here to support every stage of the pet ownership journey, through all the joys and any challenges too.

# More pet owners trust us than anyone else...

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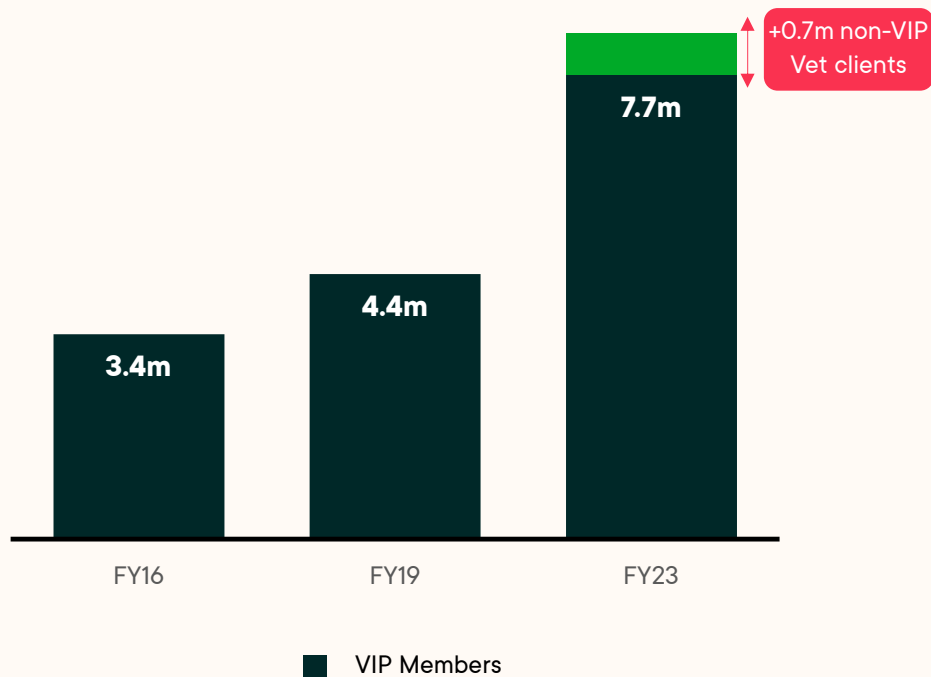


**70%** of pet owners trust us – c**7** times that of the nearest competitor

# ...and we understand their needs better than anyone else

We have the best proprietary data set in the industry with over 10 years of data on 8 million consumers.

Our data insights have already delivered significant value, but we are only getting started.



Incremental sales from VIP CRM **+170%**

Year One consumer ACV **+20%**

Touchpoints per consumer **2.6→3.6**



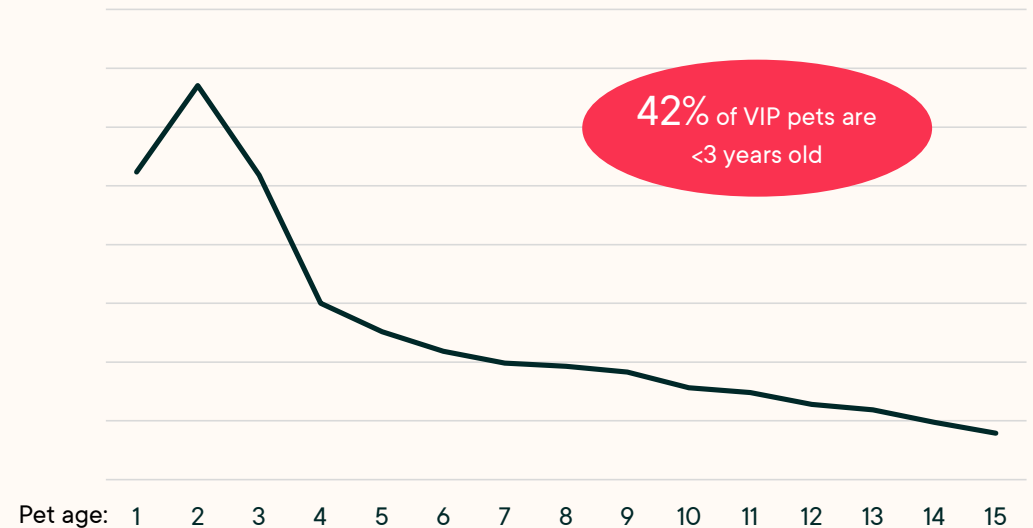
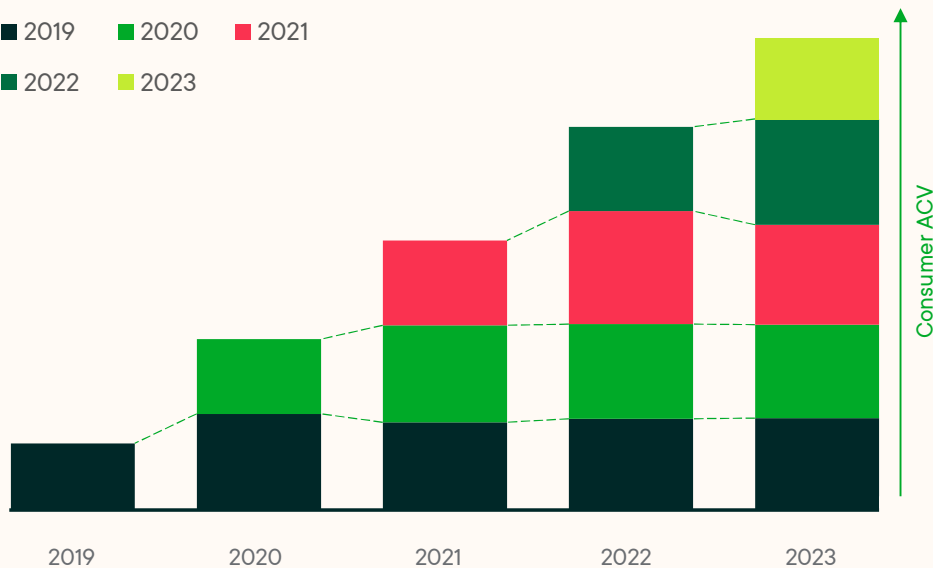
# Behaviour is predictable and demand is sticky supporting high LTV

Spend is sticky and predictable...

...and we have acquired a lot of new consumers to support 12-15 years of future value

Cohort (year of joining VIP club)

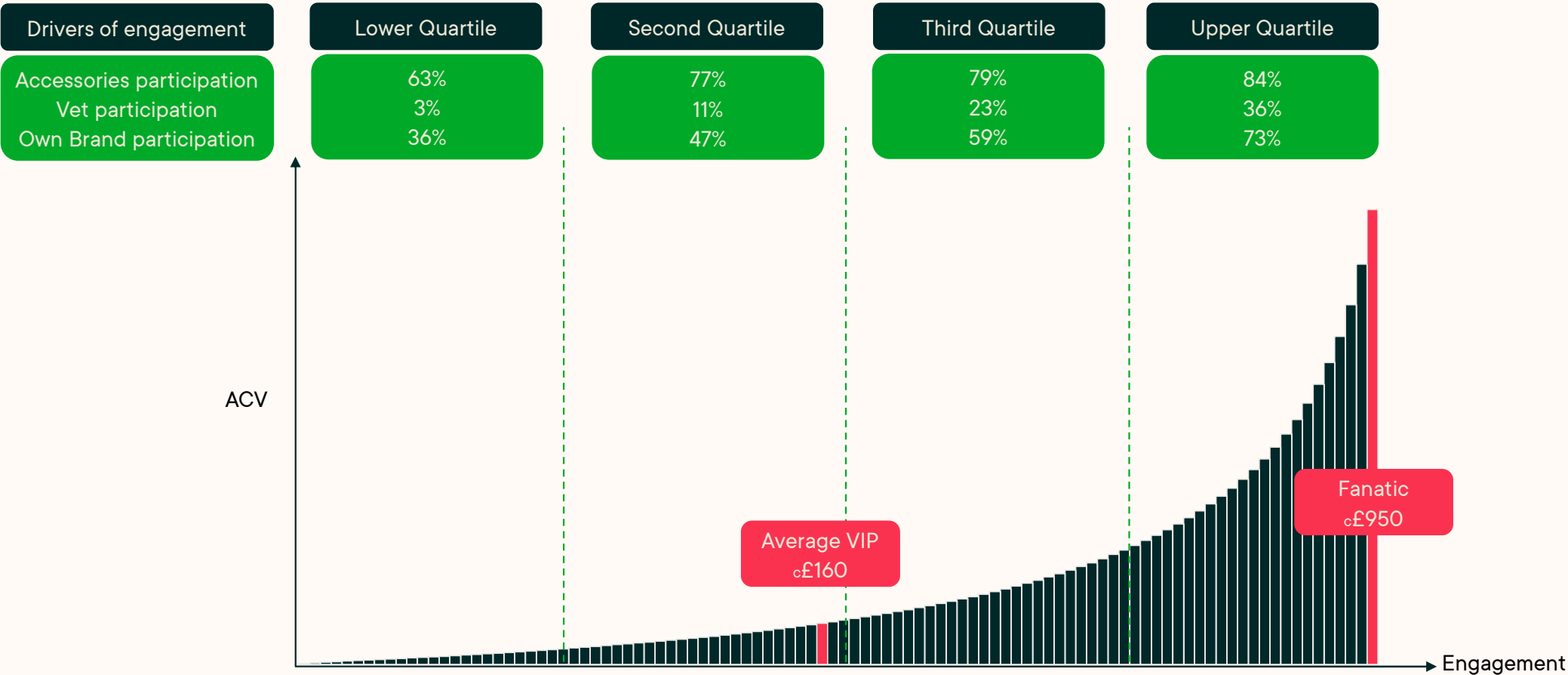
■ 2019 ■ 2020 ■ 2021  
■ 2022 ■ 2023



■ Age profile of current VIP members

The consumers acquired in the past 3 years give us a 10-15 year growth opportunity

# Growing share of wallet is our greatest opportunity



**Increasing ACV by just £10 drives £77m of incremental consumer revenue**

# An integrated consumer experience

- We know pet owners best and they trust us for our care and expertise
- We are the only player that can integrate services to provide a complete pet care solution
- Demand is sticky and predictable supporting attractive LTV and cohort dynamics
- Gaining share of wallet is our biggest growth opportunity and we are investing to deliver this

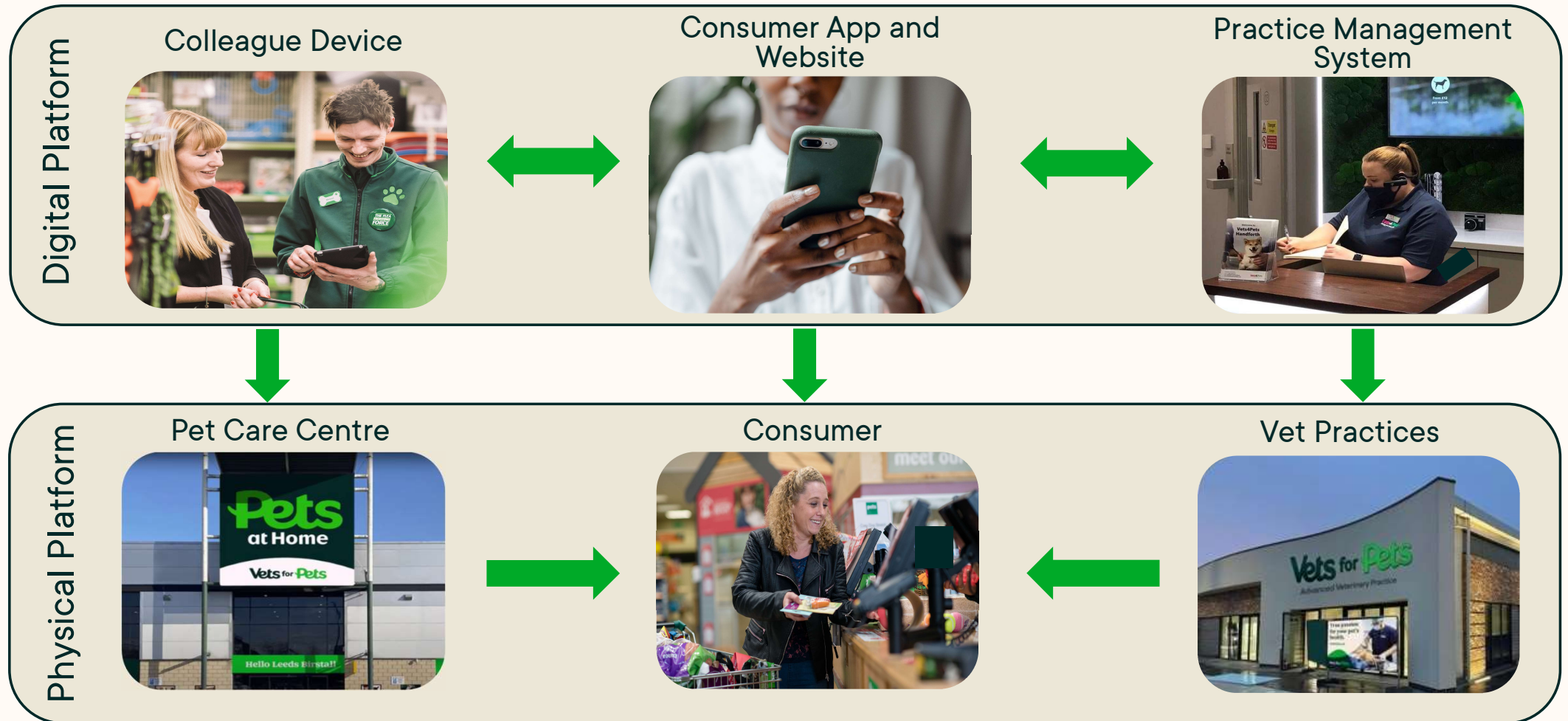
**Pets**

# Our unique data and digital platform

William Hewish, Chief Information Officer

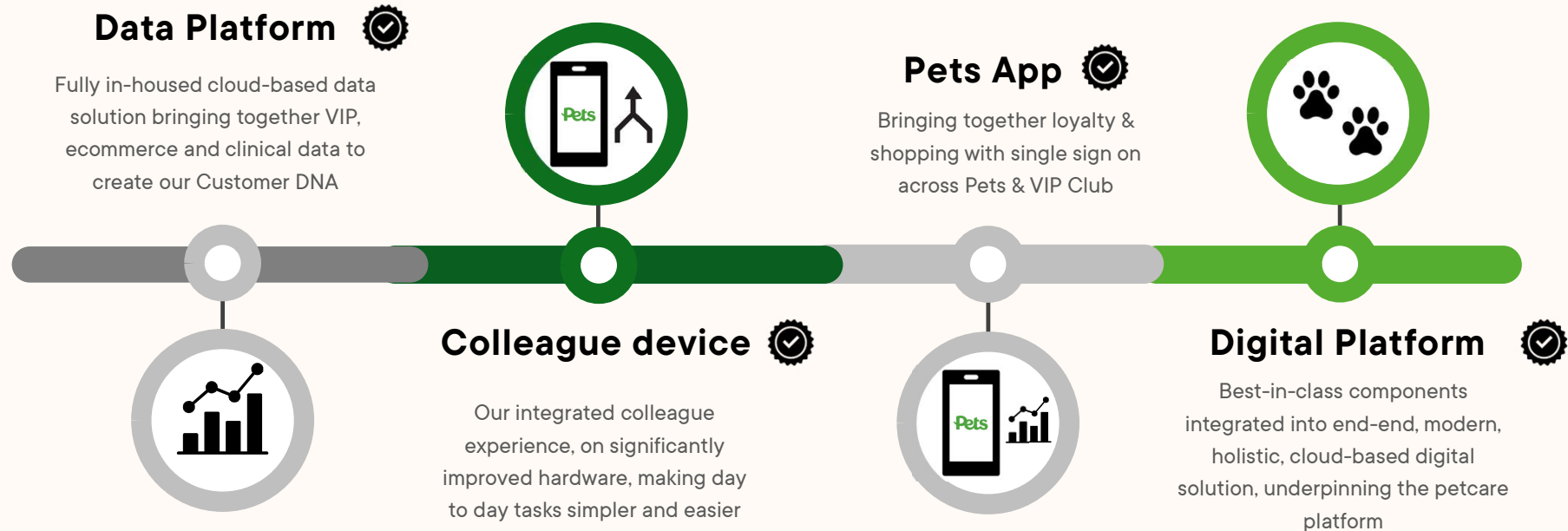


# Creating a truly integrated omnichannel petcare business

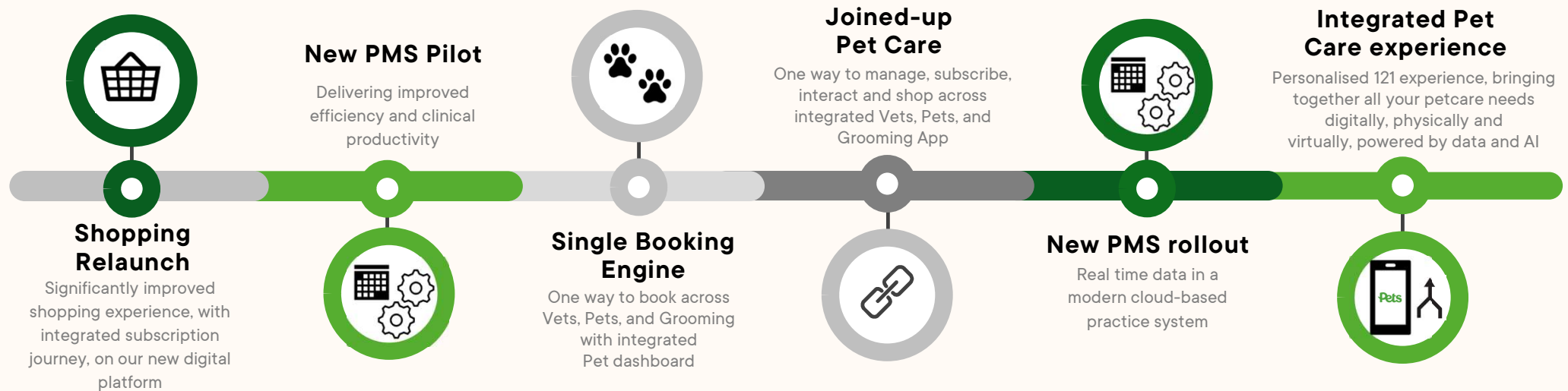




# With the foundations built, we are now delivering sustained improvements in consumer experience



# Our digital capability will deliver a succession of improvements over the next 2 years



# Our unique data and digital platform

- Our digital and data investment is core to our plan and is a key enabler for growth
- We have already delivered a lot and there is much more to come
- We have a clear plan ahead to create a truly joined up pet care experience across our digital and physical assets

**Pets**

# Differentiated, sector-leading vets

Louise Stonier  
Vet Chief Operating Officer



# Our full service, primary care veterinary business is a clear differentiator in the sector

Clinical freedom within  
full service practices

**68%**

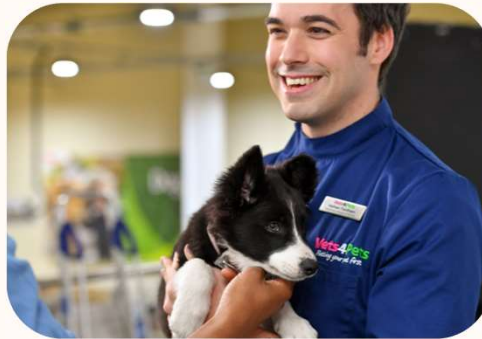
of revenue from  
curative procedures



Creating value for our  
partners through our  
unique JV model

**£36m**

Dividends drawn by  
partners in FY23



Significant scale as one  
of UK's largest providers

**69%**

of practices co-located  
within a pet care centre

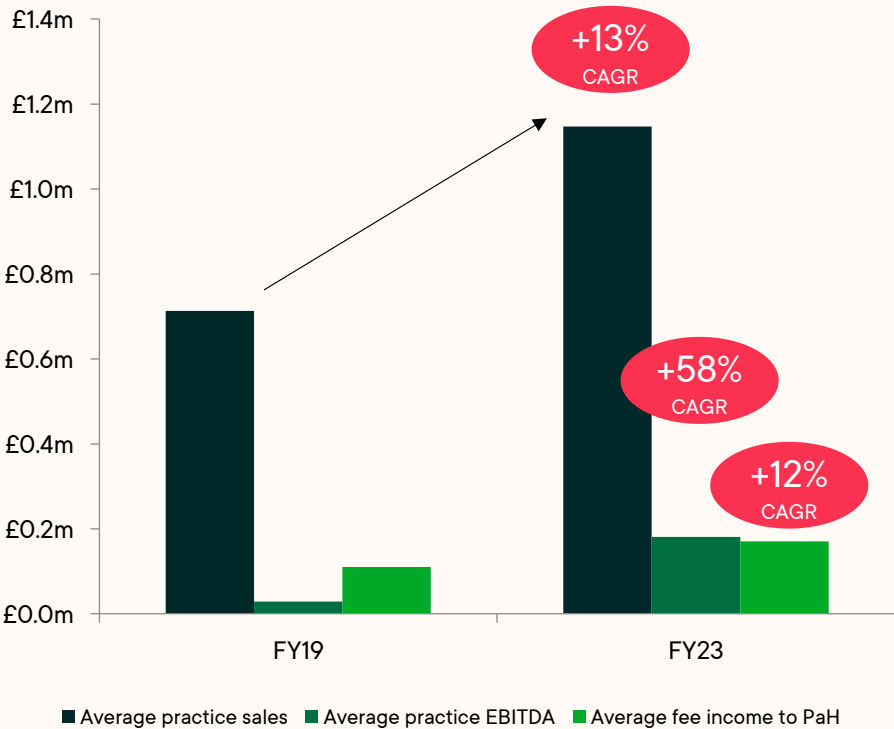


# Our unique JV model delivers superior returns across the partnership

## JV model delivers sector-leading financial outcomes

	Corporate competitor	JV practice (debt free)
Average practice sales	c£1.1m	c£1.4m
Average practice EBITDA	c£220k	c£420k
Average dividend payment to JVP	n/a – unique to JV model	>£150k
Capital value to JVP at exit	n/a – unique to JV model	JVP realises full capital value

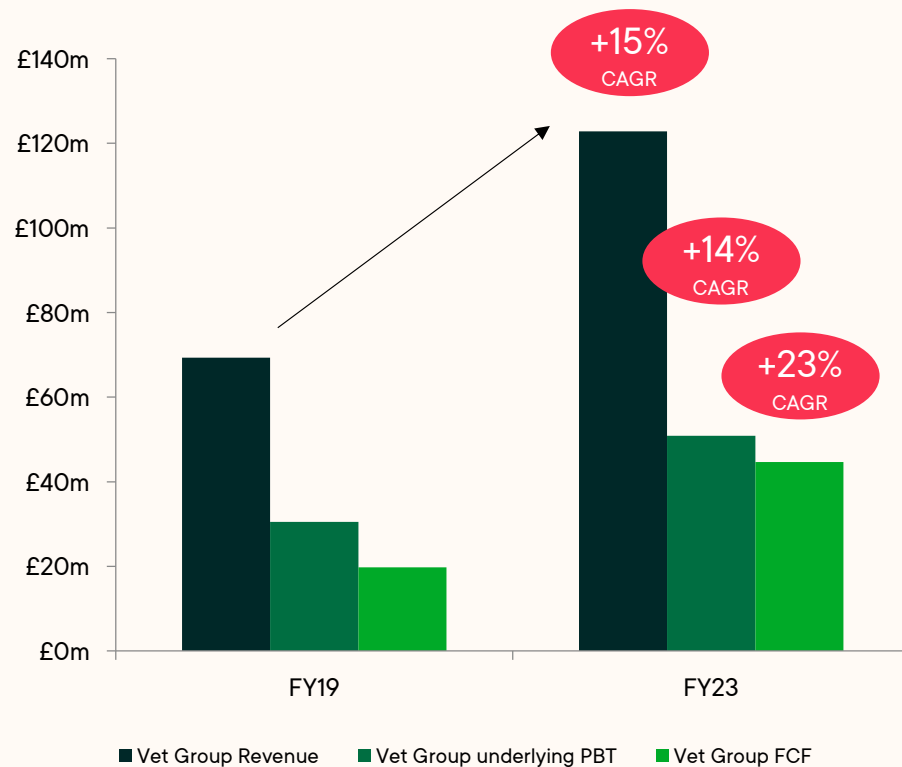
## Driving strong, sustained practice performance





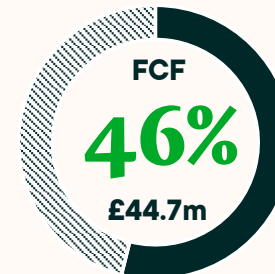
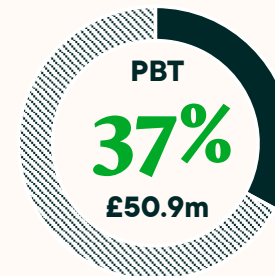
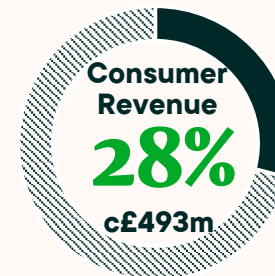
# It is now a c£500m consumer revenue business contributing almost half of Group FCF

## Practice growth translating to overall growth....

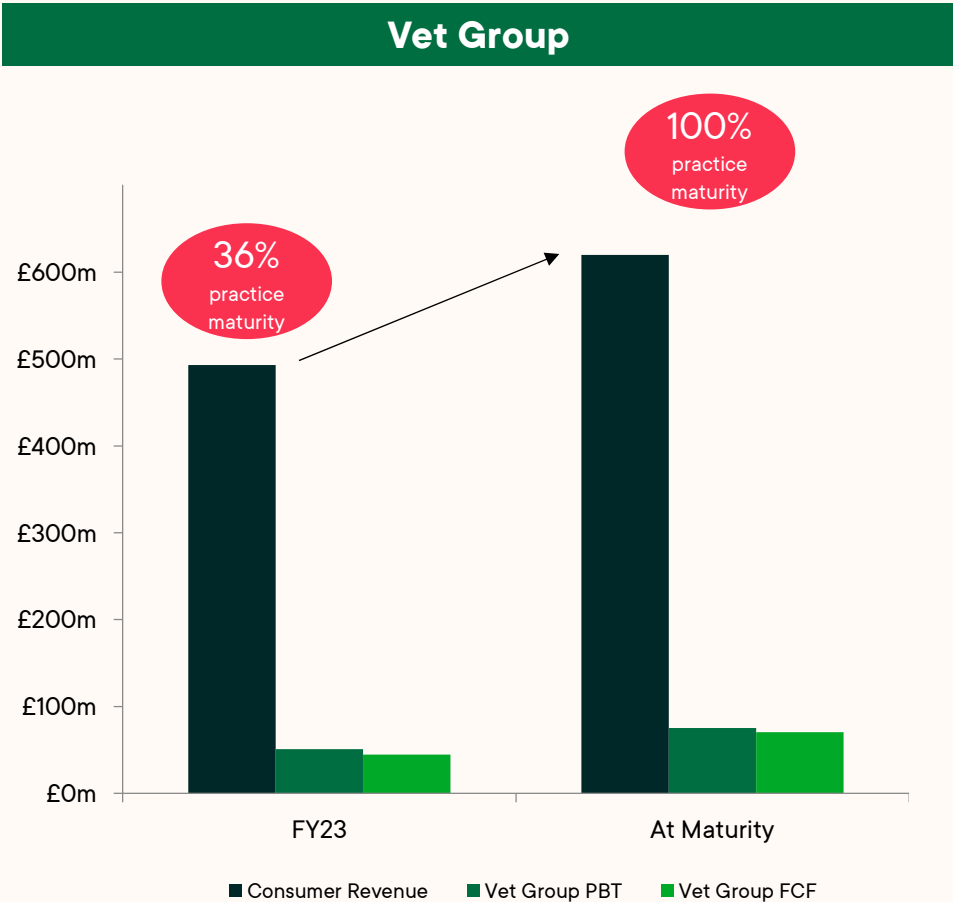
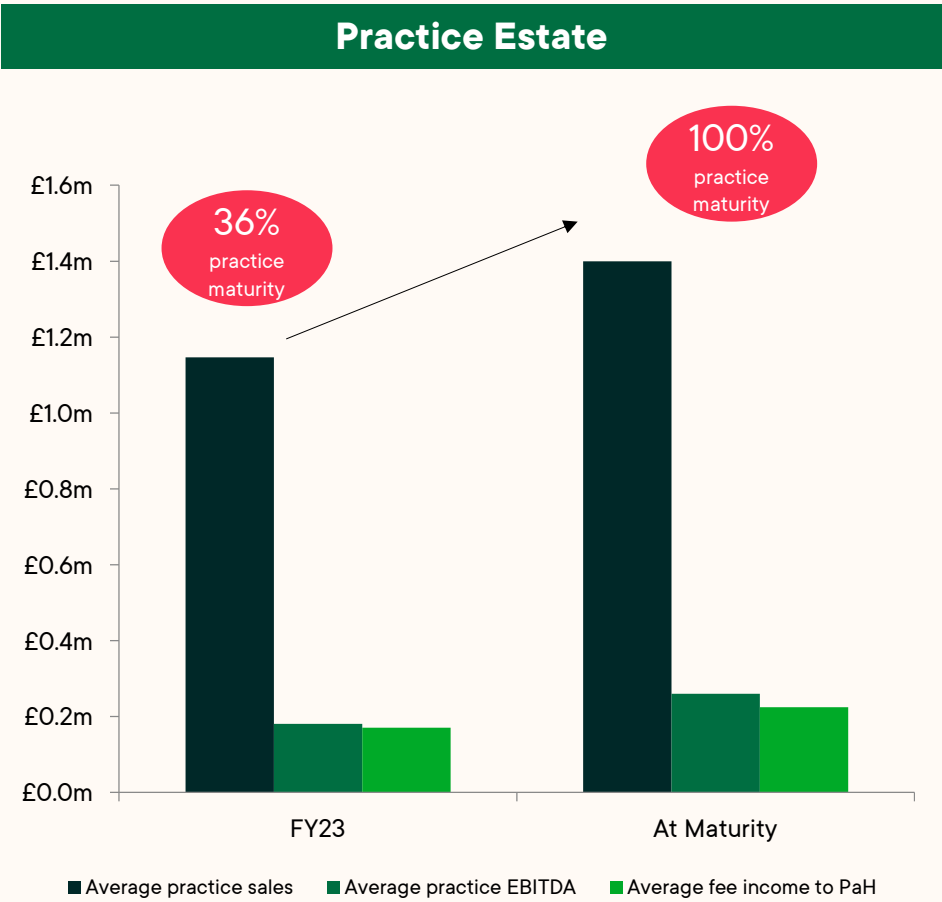


(FY19 metrics exclude Specialist Group disposed of in December 2020)

## ....and a material contribution to the group



# Maturity alone will drive a further 25% growth in practice sales



Maturity = practices that are 10+ years old

# Maturity also opens up multiple additional growth options for our practices



Multiple, complimentary levers of growth

20+

Extensions  
in 2024

10+

Advanced Practices  
in medium term



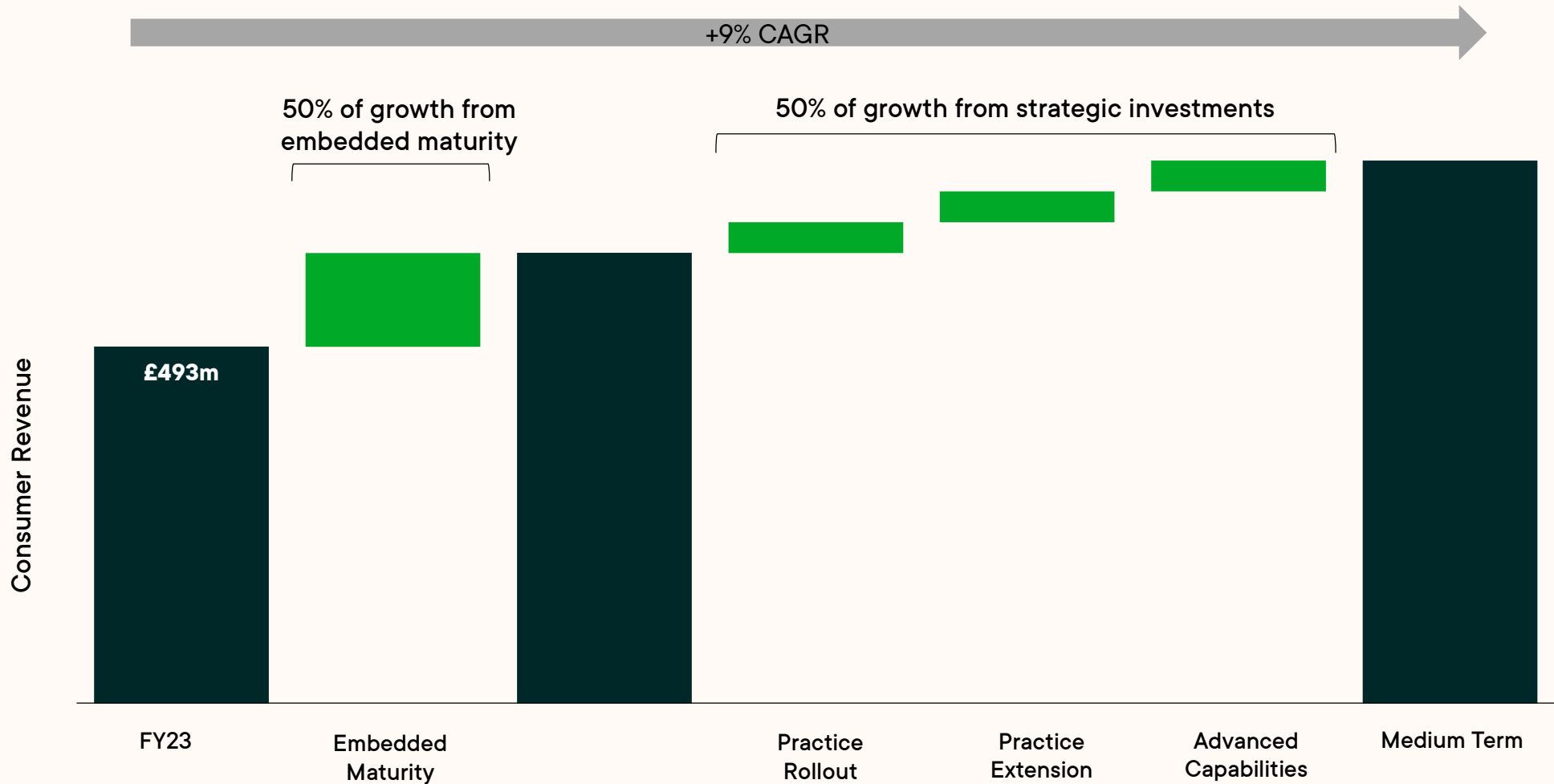
5-15

openings per year

24hr

Hospitals

# Together these opportunities will drive significant growth of our vet business



# Our pet care platform delivers sustainable competitive advantages for us and our vets to underpin this growth

## Operational and scale benefits

...driving efficiencies and allowing vets to focus on clinical practice

- Group purchasing and supplier negotiations
- Support services
- Financial and loans
- Capital and expertise to support growth

## Clinical talent development, retention and productivity

...allowing us to secure critical human capital

- Clinical freedom and value creation
- Recruitment
- Retention
- Productive operating models
- Advocacy and campaigning

## Unique platform services

...allowing us to effectively grow clients and revenue

- Integrated practice management, data and digital ecosystem
- National brand advertising
- Clinical & non-clinical network referrals
- Pricing and subscription expertise
- Virtual and hybrid telecare models

# Differentiated, sector-leading vets

- Our vet business is among the best in the industry and our JV model is unique
- Embedded maturity alone will drive a further 25% growth in practice sales
- We have multiple levers to drive growth over and above practice maturity
- There are clear benefits to our vets business and our partners from our pet care platform

**Pets**



# Scale and category authority

Lisa Miao

Retail Chief Operating Officer



# We have unrivalled scale and reach supported by a profitable, flexible physical estate

# of pet care centres

**457**

Average unexpired lease length

**5yrs**

Average rent reduction

**20%**

% of VIPs within 15m drivetime of a store

**75%**

% of online orders<sup>1</sup> collected in store

**40%**

% of subscription signs ups in store

**75%**



1. Excluding flea & worm and food subscriptions.



# We will continue to invest significantly in our physical assets

**40+** new pet care centres in medium term

**5-15** new vet practices a year

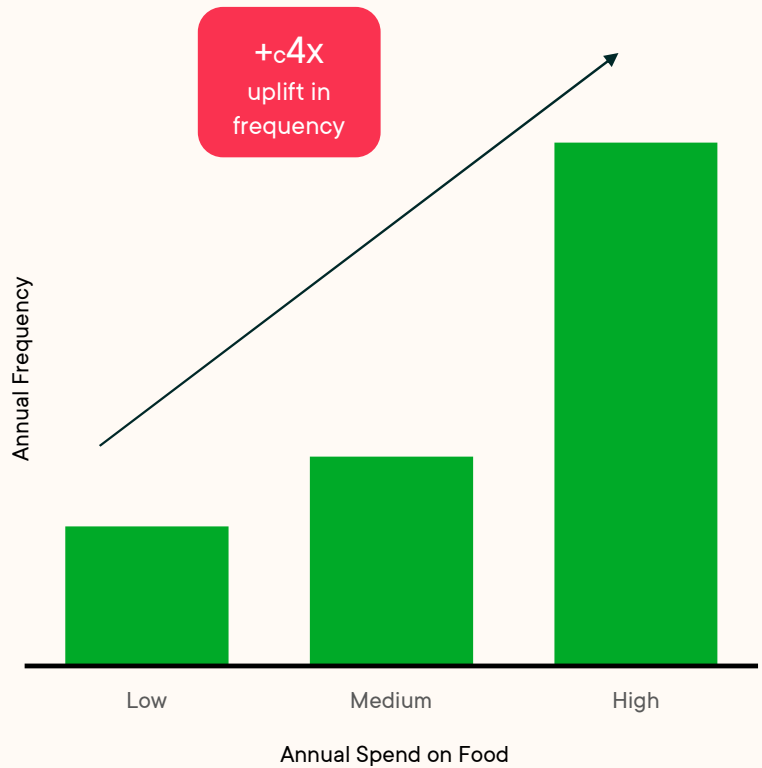
**20+** vet extensions in FY24

**30+** space swaps in FY24

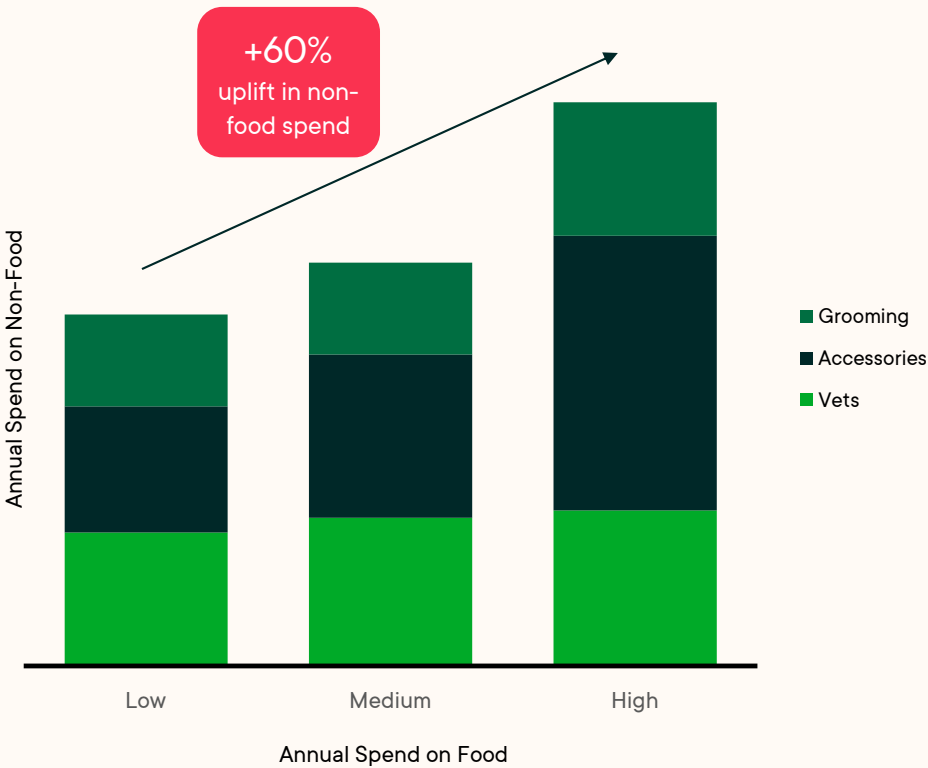


# Food anchors our retail growth strategy, driving frequency and spend

Consumers who spend more on food, engage with us more frequently...

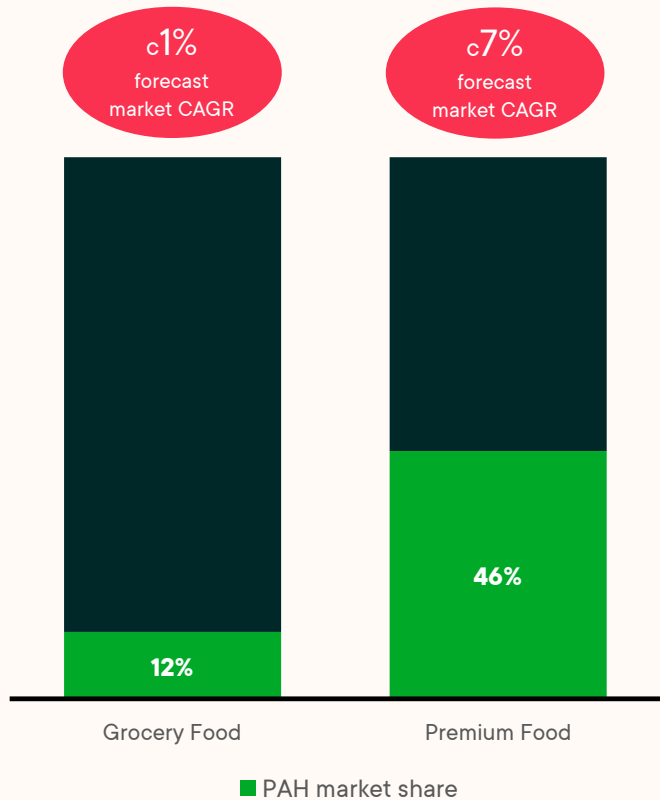


...and spend more with us overall



# We will build on our track record of innovating and growing new and high-value market segments

We already over index in the fastest growing segment...



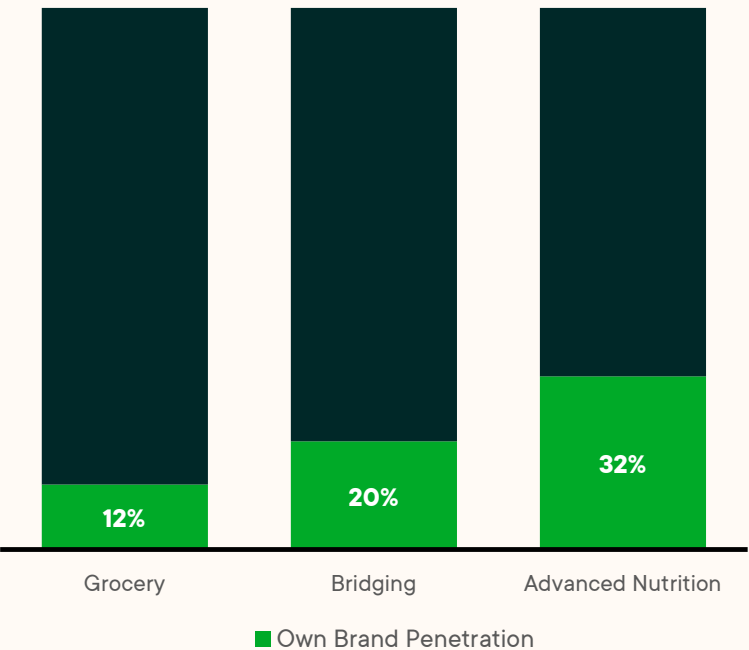
...and we are uniquely placed to open up new premium categories

**Frozen & Fresh**      **+£76m**  
**31% CAGR**

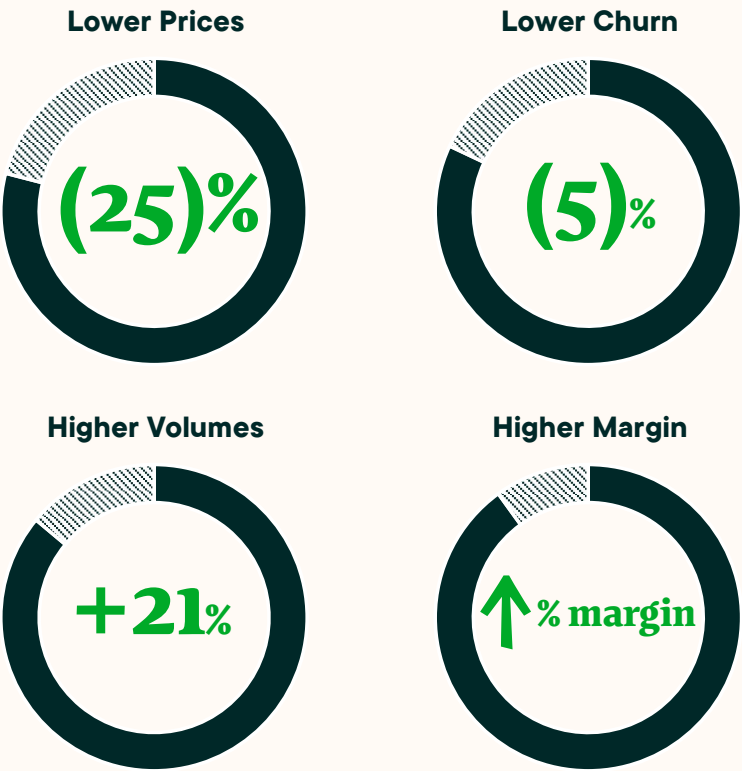


# Our own brands are a winning proposition and will continue to play a critical role

We have strong own brand penetration, with lots of opportunity ahead



Own brand offers a winning proposition to us and to consumers



Our long term supplier partnership will secure supply and drive innovation



# Scale and category authority in accessories gives us clear differentiation and drives superior returns

Own brand products  
designed in-house

c100%

Product SKUs in  
extended range

10,000

Accessories  
market share

c50%

New products  
launched in FY23

c1,500

Colleagues in HK  
sourcing office

c25

Own brand  
participation

>50%



# Our people, and their unrivalled expertise, are at the heart of our business

**10,000**

expert retail  
colleagues

**60%**

of store managers  
have >10yrs service

**85%**

of colleagues are  
pet owners

**10,000**

colleagues awarded  
shares in FY23

**80%**

of colleagues paid at  
least Real Living  
Wage

**9months**

basic training period,  
more available via  
EAYL



# Our new DC is onstream and will support more than a decade of growth

A well executed multi-year project,  
now in operation

Delivering clear operational and commercial  
benefits



- Single purpose-built **670k sq.ft.** facility
- Consolidating legacy infrastructure improves **fulfilment capacity and inventory flexibility**
- **Material reduction** in online fulfilment costs
- **Operational efficiencies** in property overheads, stock holding and warehouse management
- Clear focus on **sustainability**
- **Future proofing** our operations, unlocking growth in frozen, fresh, e-pharmacy and other new categories



# Scale and category authority

- Our physical estate gives us unrivalled reach and scale and we will continue to invest
- We create and drive category growth and new revenue opportunities across both nutrition and accessories
- Our people, and their unrivalled expertise, remain at the heart of our business
- Our new distribution centre is now online and will deliver operational and commercial benefits

**Pets**

# A strong financial framework

Mike Iddon  
Chief Financial Officer



# A year of record profits driven by high quality, sustainable growth

Consumer Revenue

**£1.8bn**

+6.5% YoY



Group Revenue

**£1.4bn**

+6.6% YoY



LFL

**+7.9%**



Underlying PBT

**£136.4m**

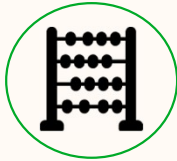
+4.8% YoY



FCF

**£98.2m**

3.5% YoY



Net Cash

**£54.7m**

£(11.3)m YoY



CROIC

**22.7%**

(231)bps YoY



Dividend

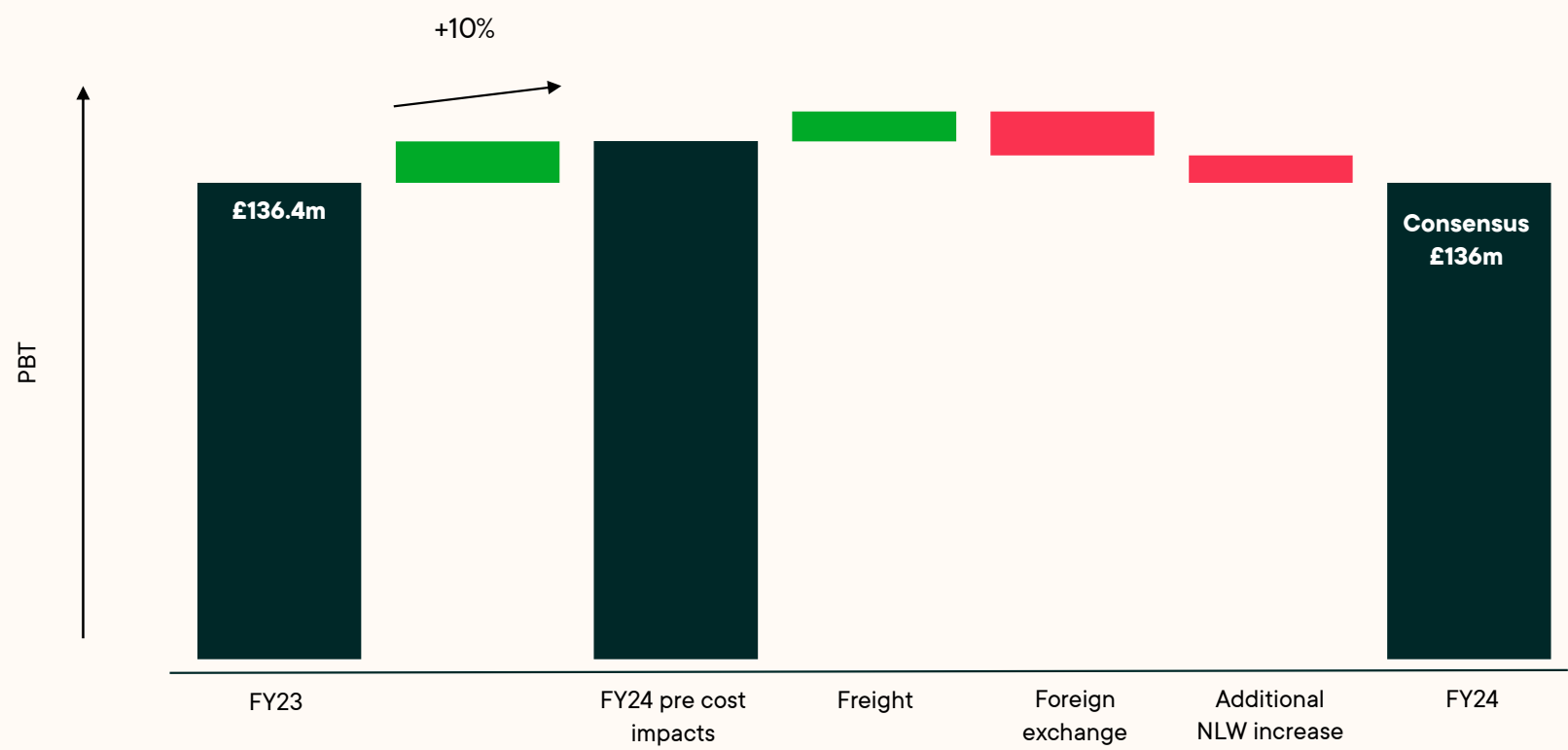
**12.8p**

+8.5% YoY



1. All YoY growth metrics presented on a 52 week vs 53 week basis.

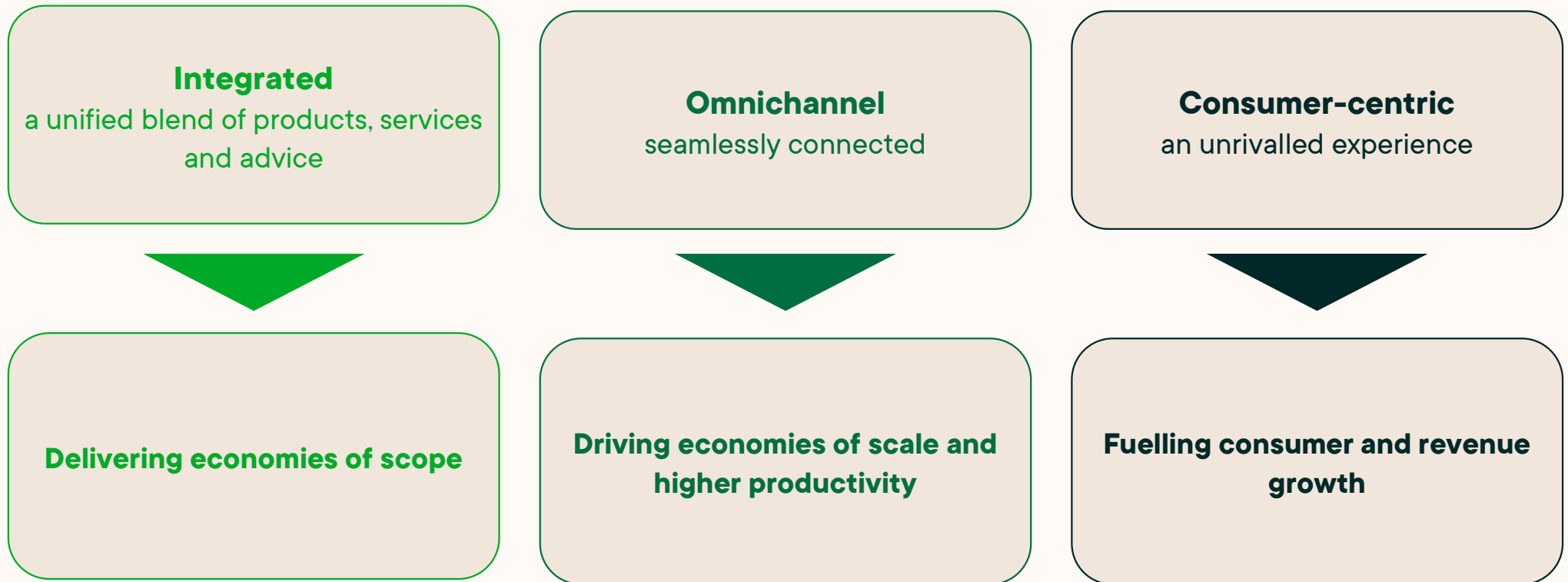
# Profit growth into FY24 held back by external headwinds



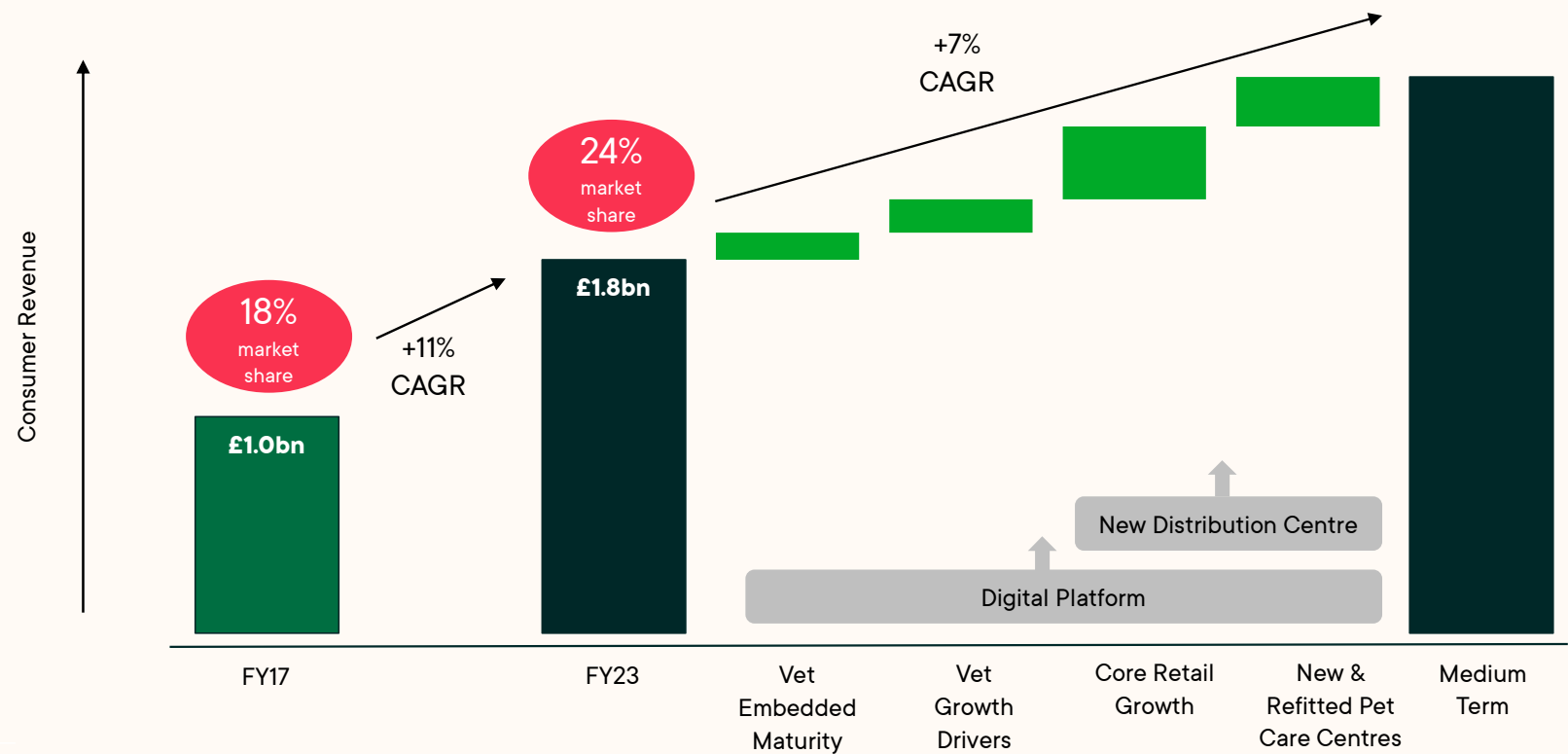


# Our petcare platform strategy drives differentiated economics, delivering attractive returns

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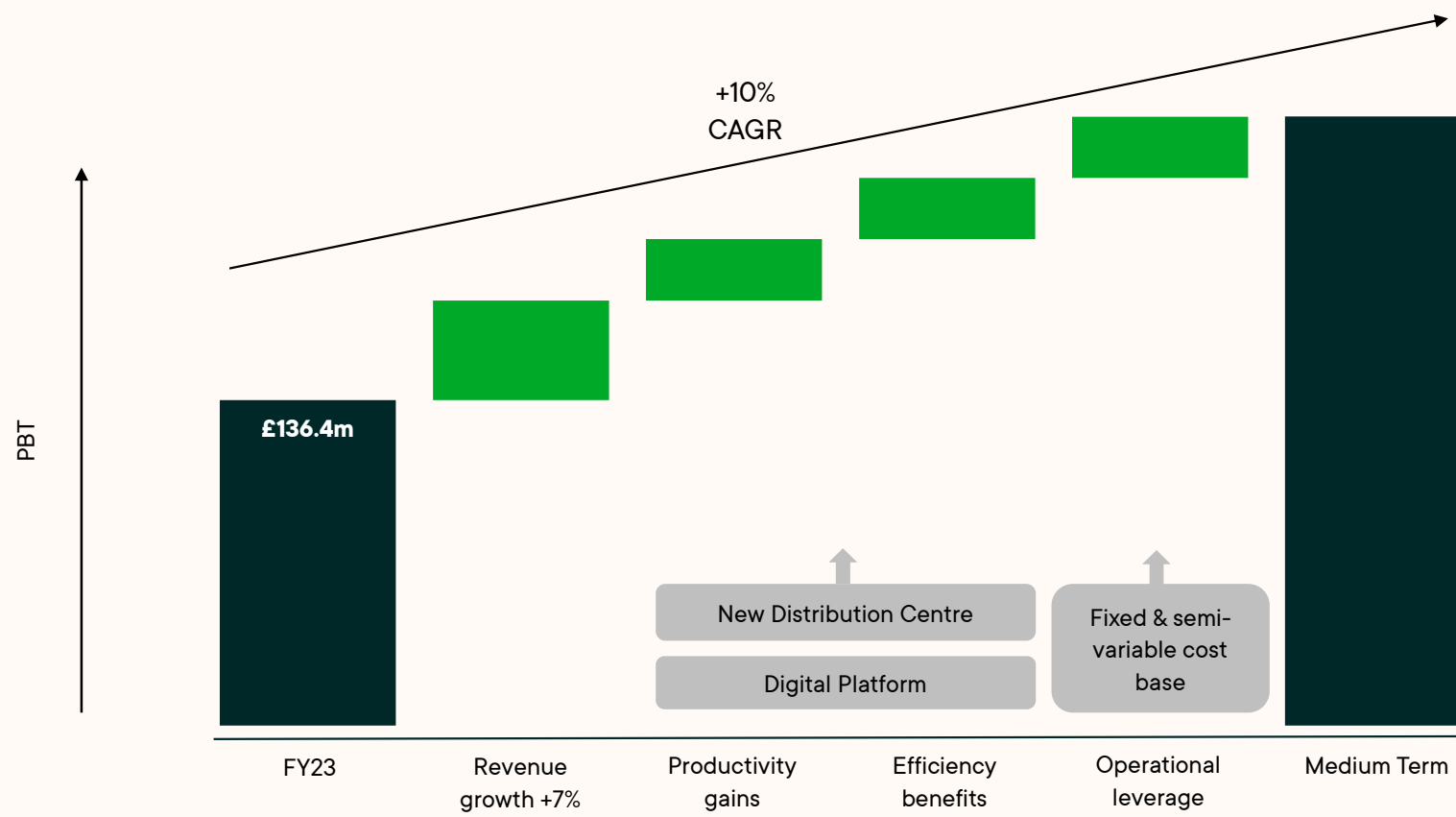


# Our well invested strategy will continue to drive strong revenue growth



c300bps market out performance per year over medium term

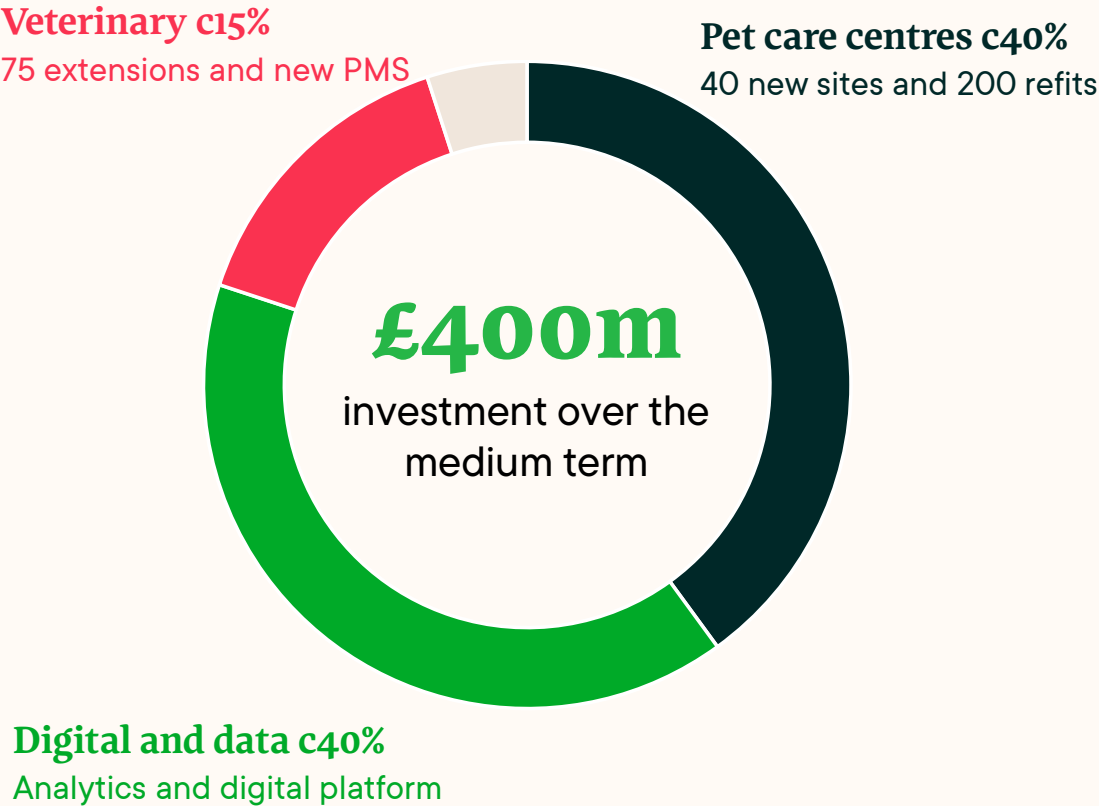
# Profits grow ahead of sales driven by productivity gains, efficiency benefits and operational leverage



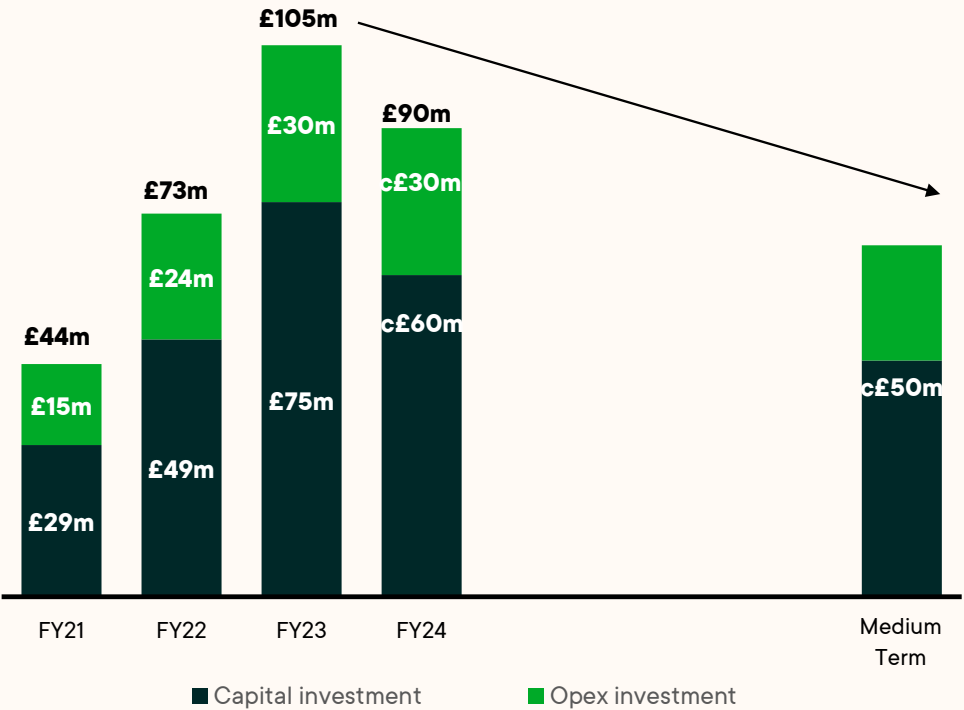
Productivity and efficiency benefits underpinned by economies of scope and scale from investment in our digital platform and distribution centres

# Our growth plan is fully funded by targeted and disciplined investment

c£400m investment over the medium term  
(including capital + digital/opex investment)



Capex tapers to a normalised run rate of £50m pa in outer years



# Our balanced capital allocation is closely aligned to our strategic priorities

## Capital Priorities

### 1. Investment in the business

c£400m investment over medium term, maintaining CROIC at c20%. Run rate of £50m capex pa in outer years.

### 2. Ordinary Dividend

Progressive dividend which approximates to 50% of EPS. e.g. Record 12.8p dividend paid in FY23.

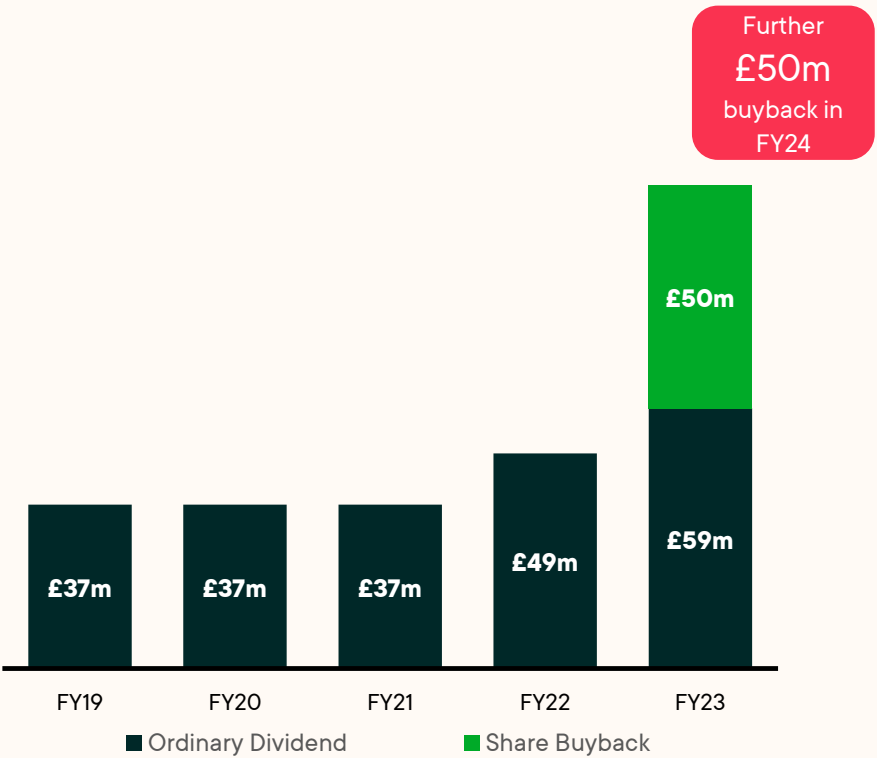
### 3. M&A

Strategic investments and bolt-on M&A. e.g. Acquisition of The Vet Connection for £15m in FY21.

### 4. Surplus Returns

Via share buy backs or special dividends. e.g. further £50m share buy back announced for FY24.

## Over £250m returned to shareholders in the last 5 years



Further returns subject to maintaining a prudent balance sheet whilst not constraining the business

# Our financial framework will reward shareholders with compounding growth and strong cash flow

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**1.**

**Grow sales  
ahead of the  
market**

**+7%**

CAGR sales growth, 300bps  
ahead of market (c4%)

**2.**

**Grow profit  
ahead of sales**

**+10%**

Grow PBT at 10% CAGR over  
medium term

**3.**

**Drive strong,  
improving FCF**

**c70%**

FCF conversion to trend  
towards 70% of PBT

**4.**

**Reward  
shareholders**

**£50m**

Progressive dividend, further  
£50m share buyback in FY24

# Building the world's best pet care platform

Pets





# Questions

Pets



# Appendix

Pets



# FY24 Outlook

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## Revenue

Inline with medium term ambition

## Underlying PBT

Inline with current consensus<sup>1</sup>

## Investment

c£90m (£60m capital + £30m digital/opex)

## Effective Tax Rate

26%

1. Current company-compiled consensus for FY24 full-year underlying pre-tax profit is £136m with a range of £127-£142m.

# FY23 Revenue

## Group

Revenue (£m)	FY23	FY22	YoY
Total <sup>1</sup>	1,404.2	1,317.8	<b>6.6%</b>
<b>Like-for-like</b>	<b>7.9%</b>	<b>15.8%</b>	

## Retail

Revenue (£m)	FY23	FY22	YoY
Food	744.8	668.8	<b>11.4%</b>
Accessories	486.4	490.6	<b>(0.9)%</b>
Other <sup>2</sup>	47.5	47.5	<b>0.0%</b>
<b>Total</b>	<b>1,278.7</b>	<b>1,206.9</b>	<b>5.9%</b>
<b>Like-for-like</b>	<b>7.5%</b>	<b>15.8%</b>	

## Vet Group

Revenue (£m)	FY23	FY22	YoY
Fee income from JV vet practices	77.2	69.9	<b>10.4%</b>
Company managed practices <sup>3</sup>	37.5	31.2	<b>20.4%</b>
Other veterinary income <sup>4</sup>	8.1	7.3	<b>10.8%</b>
<b>Total</b>	<b>122.8</b>	<b>108.4</b>	<b>13.3%</b>
<b>Like-for-like</b>	<b>13.4%</b>	<b>17.1%</b>	

All FY22 figures are presented on a 53-week basis.

1. Includes revenue generated from The Vet Connection within our Central operating segment, not shown here
2. Includes revenue from grooming services, pet sales and insurance commissions
3. Revenue from company managed practices, which is recognised in full from the point they become wholly owned
4. Includes income generated from non-revenue based fees such as those relating to the set up of new practices, income generated from the sale of company managed practices, and other supplier income

# FY23 Profit

£m	FY23	FY22	Change
<b>Underlying PBT</b>	<b>136.4</b>	<b>130.1</b>	<b>4.8%</b>
Non-underlying items <sup>1,2</sup>	(13.9)	18.6	n/a
<b>Statutory PBT</b>	<b>122.5</b>	<b>148.7</b>	<b>(17.7)%</b>
Underlying PBT margin	9.7%	9.9%	(16)bps
Underlying basic EPS (pence)	22.8	21.2	7.6%
DPS (pence)	12.8	11.8	8.5%

All FY22 figures are presented on a 53-week basis.

1. FY23 non-underlying items of £10.1m relate to transition costs relating to our new distribution centre, costs of £2.7m relating to restructuring of certain support functions, and £0.1m relating to aborted project costs, all allocated against non-underlying operating costs. FY23 non-underlying cost of £1.0m relate to transition costs relating to our new distribution centre, recognised within non-underlying interest charge.
2. FY22 non-underlying credit of £0.1m relates to the release of a provision held against property leases allocated against non-underlying gross margin. FY22 non-underlying credit of £19.2m relating to the profit on disposal of the Specialist Group, allocated against non-underlying operating costs. FY22 non-underlying cost of £0.7m relating to loan fees written off upon refinance of our revolving credit facility, allocated against non-underlying interest charge.

# FY23 Investment

£m	FY23	FY22	Spend includes
Investing in our Supply Chain	43.7	10.4	Development of new distribution facility
Digitising the Business	37.8	30.9	Enhancing data capabilities, Project Polestar
Store Refit Programme	17.5	17.2	Ongoing store refurbishment
Vet Group	4.1	5.8	Systems and TVC
New Stores and Groomers	1.8	5.1	2 new groomers opened
Other	0.3	3.7	Includes maintenance
<b>Total Investment</b>	<b>105.2</b>	<b>73.1</b>	
Capital Investment	75.3	49.1	
Digital Investment (Opex)	29.9	24.0	

# FY23 Free cashflow

£m	FY23	FY22
<b>Group operating cashflow<sup>1</sup></b>	<b>205.6</b>	<b>200.3</b>
Tax and interest	(16.0)	(34.2)
Debt issue costs	(0.1)	(3.3)
Net capex inc. ROU assets	(77.2)	(55.5)
Purchase of own shares to satisfy colleague options	(14.1)	(12.3)
<b>Free cashflow</b>	<b>98.2</b>	<b>95.0</b>
Equity dividend	(58.7)	(48.5)
Acquisitions <sup>2</sup>	(0.5)	(1.7)
Disposals <sup>3</sup>	-	19.8
Share buyback	(50.3)	-
Loan drawdown	23.3	-
<b>Net increase in cash and cash equivalents</b>	<b>12.0</b>	<b>64.6</b>
<b>Total indebtedness</b>	<b>(366.7)</b>	<b>(317.0)</b>
<b>Lease adjusted leverage</b>	<b>1.5x</b>	<b>1.3x</b>
£m (excluding lease liabilities)	FY23	FY22
<b>Net cash</b>	<b>54.7</b>	<b>66.0</b>
<b>Pre IFRS 16 leverage</b>	<b>(0.3)x</b>	<b>(0.4)x</b>

1. Operating cashflow is calculated as underlying EBITDA before IFRS2 charges and with any change in working capital added back
2. FY23 and FY22 includes investment in certain company managed practices.
3. FY22 includes the cash proceeds in relation to the disposal of the Specialist Group net of fees and cash held upon disposal.



# Disclaimer

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## Forward-looking statements

This presentation is provided for information only and is solely for use at the Pets at Home Group plc (“Pets at Home”) Full Year Results presentation held on 25 May 2023. It does not contain all of the information that is material to an investor.

This presentation may include or incorporate by reference “forward-looking statements”. An investor can identify these statements by the fact that they do not relate only to historical or current facts. Statements that use forward-looking terminology, including but not limited to the terms “anticipates”, “believes”, “estimates”, “expects”, “aims”, “continues”, “intends”, “may”, “plans”, “considers”, “projects”, “forecasts”, “should” or “will”, or, in each case, their negative or other variations or comparable terminology, are, or may be deemed to be, forward-looking statements. Forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances which may, or may not, occur in the future.

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