Pets

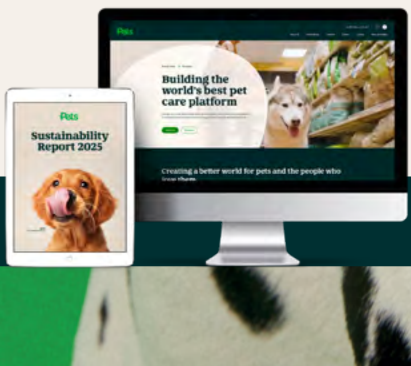
# Bringing together the very best in pet care

Annual Report and Accounts 2025

Our Purpose

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






For more information:
Please visit our 2025 Sustainability Report

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

## We are the UK's leading pet care business, offering a unique blend of pet care solutions seamlessly connected across all channels, delivering an unrivalled experience to consumers.

## Highlights

### Sustainability highlights

**250+**
own brand complete cat and dog food products carbon footprinted

**1.6m**
pet meals donated at our pet food collection points

**60,000+**
children attended a Pets workshop

### Financial highlights

Group Statutory Revenue (£m)

**£1,482.1m** +0.1%

| | |
|---|---|
| 2025 | £1,482.1m |
| 2024 | £1,480.2m |
| 2023 | £1,404.2m |

Group Underlying PBT[1] (£m)

**£133.0m** +0.7%

| | |
|---|---|
| 2025 | £133.0m |
| 2024 | £132.0m |
| 2023 | £136.4m |

Group Statutory Profit Before Tax (PBT) (£m)

**£120.6m** +14.1%

| | |
|---|---|
| 2025 | £120.6m |
| 2024 | £105.7m |
| 2023 | £122.5m |

Dividend Per Share (pence)

**13.0p** +1.6%

| | |
|---|---|
| 2025 | 13.0p |
| 2024 | 12.8p |
| 2023 | 12.8p |

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, on pages 143 to 145.

## Chair’s Statement

# Delivering our strategy.

> FY25 has been a challenging but important year for the business. Our two major projects, the optimisation of our distribution network and our digital platform, have been delivered against the backdrop of subdued and volatile consumer demand. With these projects complete our business is well set up for the future.
>
> **Ian Burke, Chair**

### Strategy

A clear purpose runs through Pets at Home – ‘to create a better world for pets and the people who love them’ – and a clear strategy is in place to deliver this.

This strategy is to build an integrated, omnichannel, consumer-centric platform which unifies our unique blend of products, services, and advice, connecting them seamlessly across all channels to deliver an unrivalled experience for consumers. In what has been a challenging year, two key milestones have been delivered that will underpin the business for many years to come.

In March 2024, we initially launched our new digital platform to consumers. While initially disruptive, the team has focused on building functionality through FY25 and enters FY26 with a well-functioning app and website that is expected to drive growth in the business. Early progress has already been seen in subscriptions which represent an important part of the strategy and where the headroom for growth is significant.

In early 2025, the business began the final part of the distribution network optimisation – moving our online sales across to our Stafford DC. By March this was complete and since that point the business has been operating from a single DC.

While significant strategic progress has been made in the year, it has not been without challenge. Across the globe, the pet market has been through a period of subdued growth, while the UK economic backdrop has also been more challenging than many anticipated.

This has impacted our business, but we remain fundamentally strong. We remain the industry leader, the only business that truly integrates product and service, and we finished FY25 with more Pets Club customers, more vets clients and higher customer satisfaction meaning we are well placed for the future.

Our commitment to running a sustainable business is unwavering. Our values and sense of responsibility run deeply through our business and ensure we continue to generate long-term sustainable growth for all stakeholders.

### Colleagues

Our colleagues, and their unrivalled skill, passion, and expertise, remain a key strategic advantage. They are the face of our business, and work tirelessly every day to help guide pet owners through their pet care journey.

The last 12 months represent another critical period for the business with important progress made, but also with some challenges. Our colleagues have been central to successfully navigating this and positioning the business well for the future. Personally, and on behalf of the Board, I would like to thank them for their ongoing hard work and dedication.

### Governance

During the year, we were delighted to welcome Garret Turley to the Board as an independent Non-Executive Director. Garret is a qualified veterinarian who co-founded and built Pet Doctors, after which he transitioned into private equity focusing on health and education investments. He also has significant board experience. His experience will be of great value to the business.

We also saw Angelique Augereau step down from the Board as an independent Non-Executive Director.

### Dividend

The business continues to be highly cash generative, and despite strong levels of investment, we finish the year in an ‘adjusted net cash’ position.

As such, the Board has recommended a final dividend of 8.3 pence per share, taking the total dividend for the year to 13.0 pence per share. The final dividend will be payable on 16 July 2025 to shareholders on the register at the close of trading on 6 June 2025.

### Looking ahead

Looking ahead, the pet care sector remains an attractive market with growth prospects supported by pets increasingly being seen as part of the family. Pets at Home, through our fully integrated omnichannel model, is well positioned to benefit. The significant investments we have made in the business in recent years are now largely complete, but the benefits lie ahead of us. We therefore look to the future with much optimism, and I remain confident that our unique pet care strategy will continue to deliver long-term sustainable value to all our stakeholders.

**Ian Burke**
**Chair**
28 May 2025

Market overview

# A growing pet care market.

## The pet care market remains attractive and in growth.

### Market driver:
**A stable UK pet population**

The UK is a nation of pet lovers, with the pet population now expected to remain stable after a period of significant growth in 2020-22, as it was for many years prior.

**Our approach:**
We cater for a variety of pet types at accessible locations nationwide and online and offer a wide range of pet products and pet care services. We are increasingly focused on providing a personalised proposition to pet owners, throughout their pet life, catering to all their pet care needs.

### Market driver:
**Humanisation of pets**

Pets are increasingly being treated as a member of the family with a continued trend of selecting higher quality diets, an increased focus on gifting and wellness, and a greater desire to use the very best health care treatments and supplements.

**Our approach:**
Through our in-store colleagues and online content, we are able to explain the health benefits of feeding your pet a better quality diet. With many colleagues being pet owners themselves, they understand the emotional bond between pets and their owners and we support this with high quality, leading own brands such as Wainwright's and AVA.

### Market driver:
**Continued channel shift to online**

Online penetration of the pet products market continues to increase. Price competitiveness and convenience remain important to the online shopping experience, driven by ease of price comparison and the different delivery options typically offered.

**Our approach:**
The recent launch of our digital platform and investment in fulfilment capability, are critical in unlocking future growth. However, it is our omnichannel capabilities that differentiate us and our pet care centres play a critical role enabling us to offer products and services to customers however it is most convenient for them.

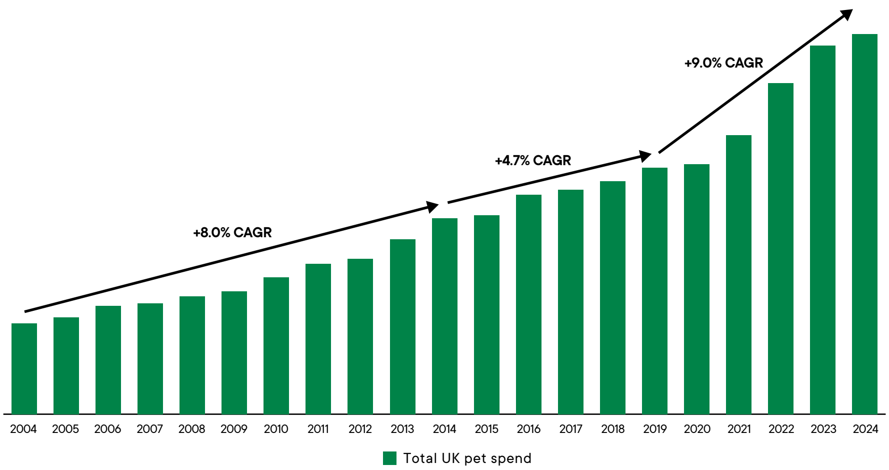
### Market driver:
**Advances in veterinary care**

The veterinary care market continues to advance through scientific research, and the range of healthcare options available to pet owners is increasing. Together with a growing awareness and affordability of pet insurance, more pet owners are able to do what is best for their pet throughout their lifetime.

**Our approach:**
We aim to partner with the very best veterinarians and vet nurses through our unique Joint Venture model to deliver the best possible care to clients. By locating vet practices across the UK, both inside Pets at Home stores and in standalone locations, and offering 24/7 access to trusted advice through our telehealth business, we make access to this high quality care easy and convenient for pet owners.

For more information:
Please visit www.petsathomeplc.com

## UK Pet Market




Source: ONS household spending data

## Chief Executive Officer's review

# Our platform to deliver future growth is now in place.

> **The past two years have seen a profound transformation at Pets at Home. We have moved from a business with a strong presence in pet retail and vets, to a true pet care platform.**
>
> **Lyssa McGowan, CEO**

**I am tremendously proud of our colleagues and partners for navigating this challenging but critical period which leaves us in a position to look to the future with confidence. While FY26 comes with its own challenges as we digest externally imposed cost headwinds and heightened macro uncertainty, our objective is clear – to deliver outperformance against our underlying markets, across our business.**

**Our strategy is clear.** We are the UK's only complete pet care provider, and our recent transformational investments will provide a platform for outperformance through unlocking new areas of growth in existing and adjacent markets, generating long-term sustainable value for all stakeholders.

**FY25 has been a critical year in the delivery of our strategy,** completing and bedding in two major investment programmes, our distribution network optimisation and our digital platform. This investment has been critical to futureproof the business and has required significant focus and resource to deliver, against a challenging and uncertain trading backdrop.

**With these two key programmes now complete, our focus is now firmly on delivering the omnichannel benefits of these investments across our 8.2m Pets Club members.** We will continue to improve our experience and broaden our appeal as we fully integrate vets, grooming and insurance going forward. Our vision is on track to build the world's best pet care platform, bringing together a best-in-class omnichannel retail proposition with our unique blend of services, through an integrated and consumer-centric experience.

### An integrated consumer experience

Our new digital platform is now live, completing a key building block of our strategy.

As consumers interact with our platform, we are seeing increased conversion as consumer journeys are simplified, and higher average baskets as consumer engage with new features.

While FY25 was impacted by the transition to the new platform, we have a long track record of growing our online sales. We expect to return to market outperformance in FY26 and beyond as we leverage our improved capability with a particular focus on subscriptions growth and improved mix through growing own brand and accessories participation.

Our Pet Care Centres remain central to our omnichannel experience. High quality assets in their own right, and also providing an important digital halo, with online sales increasing over 25% in areas with a new Pet Care Centre opening. Our new format stores have performed well, with stronger subscription and Pets Club sign-ups, supporting a broader rollout, with 30 refreshes planned for FY26.

Consumers will continue to benefit as we further enhance our experience, truly integrating our unique blend of products, services and advice. Most importantly, we can begin to use our best-in-class, first party data much more effectively to better meet consumer needs and drive incremental demand.

### Growing our recurring revenue streams

Our revenues are increasingly predictable as our business mix improves, with more of our revenues coming from areas such as vets, grooming, and subscriptions. We plan to continue to grow this further with subscription participation still fairly low across our 8.2m Pets Club members and 0.6m non-Pets Club vet clients (of 1.7m total active vet clients).

## Spotlight on Sustainability

Acting responsibly has always been at the heart of our business. Our sustainability agenda is fully integrated into our strategy, centred around a shared purpose of creating a better world for pets and the people who love them.

We are proud of the progress we have made this year:

- We have carbon footprinted over 250 of our own brand complete cat and dog food products representing over 65% of own brand complete cat and dog food sales, this is a key enabler to understanding our Scope 3 emissions and prioritising where we take action.
- We have Pet food bank collection points in all our Pet Care Centres, in partnership with the Blue Cross, helping to keep pets in loving homes. In FY25 we collected 1.6m meals bringing the total since this initiative was launched to over 4 million.
- Over 60,000 children attended one of our 'My Pet pals' or 'Scout Association' Pet Care Centre workshops over the course of the year.

For more information:
**Please visit our 2025 Sustainability Report**

# Chief Executive Officer's review continued

The new digital platform has already unlocked strong growth in Easy Repeat subscriptions, which are +35% YoY. These consumers are showing c50% higher frequency and c50% higher ACV than prior to taking out a plan.

We have also recently launched Easy Repeat sign up in store, with over 1,000 sign-ups a day so far. 75% of these in-store sign-ups are opting for 2-4 weekly frequency vs 80% of online sign-ups being 4-12 weeks. In addition, over 90% of new sign-ups are opting for Click & Collect.

Our headroom for growth remains significant, with only c3% of our 8.2m Pets Club members having an active Easy Repeat subscription compared to over 50% of our vet clients who have a Care Plan. Each 1% of consumers moved onto Easy Repeat would add £10m to our revenues.

Our relaunched Care Plans have been a success in driving practice revenue growth. Our Care Plans contributed 9% to Vet Consumer revenue* growth as our relaunched plans resonated well with consumers and we sold more, higher value plans, increasing the stickiness and predictability of our vet revenues.

### Differentiated, sector-leading vets

Our unique JV model has delivered another year of double-digit growth and market share gains. Our vet group is a clear #2 in the UK First Opinion sector and is responsible for 33% of our consumer revenues, over 50% of Group underlying PBT* and the majority of Group Free Cash Flow*.

The Nation's Local Vet. The success of our vets business begins with delivering the best outcomes for consumers and their pets. Our practice owners operate with clinical freedom, build their business with a long term, community focus and compete effectively to grow their consumer base, supported by our national brand, platform and industry leading support.

This shows up in differentiated economics for us and our partners. In FY25:

- We increased our brand consideration by 7pts and delivered a 4pts increase in customer satisfaction from already high levels.
- Average practice revenues grew 12.8% to £1.4m.
- Our JV practices reduced total indebtedness by £6.4m to £24.8m and paid c£46m out to partners in dividends, averaging over £150k per debt-free practice.

This year we surpassed our vets FCF* target of £60m. But the ambitions of us and our partners are not satisfied. We will deliver further growth through embedded maturity, the rollout of new practices, and investments in advanced capabilities and extensions. While we expect recovery in Retail FCF* in future, we expect Vets to continue to contribute the majority of Group FCF*.

Practice maturity is not a constraint on our growth, in FY25 sales growth in our 10+ year old practices was 11%. We have a clear track record of growing practice revenues beyond 10-years old through extensions and advanced capabilities and plan for c15 further extensions in FY26 and c100 over the medium term.

We also plan to accelerate our openings, delivering >10 in FY26 and c100 over the medium term.

We remain confident and consistent in our view that our unique JV model still insulates us from many areas of the CMA's concern and await the CMA's provisional findings in July 2025.

### Insurance

Our new insurance venture will bring a disruptive, Pets branded proposition to the c£2bn pet insurance market. Pet insurance is the largest vertical outside of Pets at Home's current core operations. It is expected, by Mintel, to grow at c4% per annum reaching c£2.5bn by 2029.We have secured an experienced team, who have a 20% minority stake, to build a capital light, Pets at Home insurance proposition leveraging our brand, data and leading consumer base. We will deliver a disruptive consumer experience by leveraging AI to remove key areas of consumer friction.

We expect to incur start-up losses for around 2 years as we move towards launch and begin building our book of business. We expect to reach break-even point during FY28 before generating meaningful profits thereafter. We believe over time the business is capable of contributing c10% of Group Profits.

## Strategic highlights

## Key elements of our strategy are now complete.

### Distribution optimisation complete

**All sales channels now being serviced by our single site distribution centre in Stafford.**

### Winning on vet talent

**Improved attraction and retention, more vets driving growth in visits.**

### Digital platform complete

**Fully cut over and functioning well providing the foundations to leverage our Pets Club data to drive an increasingly personalised consumer experience.**

### Subscription revenues up +30%

**Growth across Easy Repeat and Care Plans, our improved offer and functionality is resonating well.**

### Vet footprint growth & continued investment in Pet Care Centres

**3 new vet practices, 15 practice extensions, 4 new Pet Care Centres and 32 Pet Care Centre refits.**

### Pet Club member growth continues

**8.2m active members are now in the Club, up +5%.**

# Business model & investment case

## Our consumer focused business model and strategy.

Our Vision

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

| Integrated | Omnichannel | Consumer-centric |
|---|---|---|
| A unified blend of products, services and advice | Seamlessly connected | An unrivalled experience |

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

**Omnichannel**
- Physical Pet Care centres and practices
- Virtual consultations
- Digital advice and support
- E-commerce, click & collect
- E-pharmacy and telemedicine

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

**Delivering economies of scope**

**Driving economies of scale and higher productivity**

**Fuelling consumer and revenue growth**

## A clear and compelling investment case.

**As we look forward, we have refined our medium-term framework reflecting the shape of growth and profits we expect to deliver over the medium term.**

| Mid-single digit consumer revenue growth | Profits growing ahead of sales | FCF conversion of Profit After Tax at c90% | Excess cash returned to shareholders |
|---|---|---|---|
| Winning market share through vets and omnichannel growth | Driving efficiency and operating leverage | Delivering cash profit growth on normalised capex | A clear and consistent capital allocation policy |

For more information:
www.petsathomeplc.com

## Key performance indicators

# Another year of strategic progress.

### To support delivery of our strategy, we have a clearly defined set of key performance indicators.

We are committed to generating shareholder value and financial returns, and therefore focus on three financial metrics we believe are the best measure of our performance. Alongside financial KPIs, we also have KPIs aligned to our strategic progress to ensure we can track delivery against our key objectives.

Financial KPIs shown represent those used by the business to monitor performance. Management recognise that as Alternative Performance Measures[1] they differ to statutory metrics, but believe they represent the most appropriate KPIs.

For more information: www.petsathomeplc.com

## Financial performance

### Group Consumer Revenue[1] (£m)

**£1,961.9m +2.7%**

| | |
|---|---|
| 2025 | £1,961.9m |
| 2024 | £1,909.9m |
| 2023 | £1,782.4m |

**What we are measuring**

Group consumer revenue[1] is statutory Group revenue, less Joint Venture veterinary practice fee income, plus gross consumer sales made by Joint Venture veterinary practices. This is an important measure as it includes revenues from practices whether they be under the Joint Venture or Company managed model.

**Why is it important?**

By growing Group consumer revenue[1] across all parts of our business ahead of the market, we are able to gain market share. In particular, this means focusing on the sales made by general vet practices, whether they be under the Joint Venture or Company managed model.

**FY25 Result**

Growth driven by Vets, with Vets consumer revenue up 13.0%. Growth driven by higher visits, average transaction values and significant growth in Care Plan revenues. Retail consumer revenue down 1.8%, mainly impacted by a challenging UK consumer backdrop.

**Future plans**

We expect our strategic initiatives to deliver Group like-for-like[1] revenue growth ahead of the market across both the Retail and Veterinary segments.

### Group Underlying PBT[1] (£m)

**£133.0m +0.7%**

| | |
|---|---|
| 2025 | £133.0m |
| 2024 | £132.0m |
| 2023 | £136.4m |

**What we are measuring**

Group underlying profit before tax[1] (PBT) is based on pre-tax profit before the impact of certain costs or incomes that are excluded as they are not generated from ordinary business operations, infrequent in nature and unlikely to reoccur in the foreseeable future in order to reflect management's view of the performance of the Group. Statutory PBT in FY25 was £120.6m, up 14.1% year on year.

**Why is it important?**

By generating strong levels of underlying profit, we are able to demonstrate that our strategy remains the right one, and that we are delivering against our strategic objectives.

**FY25 Result**

Vet Group underlying PBT[1] of £75.9m up 23.3%, driven by the increase in fee income year on year whilst maintaining a broadly flat cost base. Retail underlying PBT[1] of £72.9m down 16.6%, driven by the impact of lower revenues with gross margins* broadly stable.

**Future plans**

We expect Group underlying PBT[1] of between £115m-£125m in FY26.

### Free Cash Flow[1] (£m)

**£83.8m +21.5%**

| | |
|---|---|
| 2025 | £83.8m |
| 2024 | £69.0m |
| 2023 | £98.2m |

**What we are measuring**

The cash available for return to shareholders after investing in the needs of the business.

**Why is it important?**

Delivering free cash flow[1] allows us to make strategic investments in the business to fuel further growth, whilst providing an appropriate return to shareholders.

**FY25 Result**

Vet Group free cash flow[1] £67.5m up 23.3% due to double digit consumer revenue growth flowing into JV fee income. Retail free cash flow[1] £30.6m up 14.6% due to lower non-underlying costs YoY offsetting the reduced Underlying PBT[1].

**Future plans**

Generating free cash flow[1] from our vet business remains a significant value creation opportunity. This, alongside profit growth in Retail, will enable Group free cash flow[1] to grow sustainably in the medium term.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, on pages 143 to 145.

# Key performance indicators continued

## Strategic performance

### Number of active Pets Club members

**8.2m +5.0%**

| | |
|---|---|
| 2025 | 8.2m |
| 2024 | 7.8m |
| 2023 | 7.7m |

**What we are measuring**

Growth in the net number of active members of our Pets loyalty club. An active member is defined as a consumer who transacted across the group in the last 365 days prior to the end of the reporting period.

**Why is it important?**

By providing complete pet care through a trusted brand, we will attract more pet owners to engage with the Group, increasing our market share.

**FY25 Results**

Increased growth supported by new digital platform user journey alongside Pet Care Centre colleague sign ups.

**Future plans**

We will continue to leverage our integrated omnichannel pet care model to make it convenient and rewarding for consumers to engage seamlessly across our full platform of products, services and advice.

### Average Consumer Value

**£175 -1.7%**

| | |
|---|---|
| 2025 | £175 |
| 2024 | £178 |
| 2023 | £168 |

**What we are measuring**

The average annual spend from our Pets loyalty club members across the Group. This includes all spend across both the Retail and Vet Group businesses.

**Why is it important?**

Our Pets loyalty club is a unique asset providing data and insight to help us increase share-of-wallet, engagement and loyalty, encouraging further spend across our full pet care platform.

**FY25 Result**

Faster customer growth than anticipated diluted our overall ACV but our retained customer ACV is growing 1.3% to £216.

**Future plans**

Continuing to leverage our data capabilities is a key underpin of our future growth plans. We are harnessing our deep actionable insights to better serve the needs of pet owners and deliver more personalised content and offers relevant to each individual pet.

### % of consumer revenue[1] from subscriptions

**13.0% +30.0%**

| | |
|---|---|
| 2025 | 13.0% |
| 2024 | 10.0% |
| 2023 | 6.7% |

**What we are measuring**

The proportion of total consumer revenue contributed by our three core subscription offerings, namely veterinary health care plans, flea and worm subscriptions and our Easy Repeat service.

**Why is it important?**

The ability to offer consumers convenient pet care through subscription services is a key competitive differentiator for the Group.

**FY25 Result**

Strong growth across Easy Repeat and Care Plans as our improved offer and functionality resonates with customers.

**Future plans**

Generating sales from subscriptions is an essential part of being a pet care platform and not solely a retailer. We will continue to focus on growth in this area aided by our new digital platform.

### Clinical FTE

**3.5k 6.0%**

| | |
|---|---|
| 2025 | 3.5k |
| 2024 | 3.3k |
| 2023 | 3.0k |

**What we are measuring**

The number of full-time-equivalent vets and nurses working across our vet practices whether employed directly by the Group or not.

**Why is it important?**

By creating additional clinical capacity in our vet practices, it enables us to meet the growing demand from pet owners, and further grow our vet business through new practice openings and practice extensions.

**FY25 Result**

Successful recruitment and retention of clinical talent supported by presence at London vet show and national marketing campaign.

**Future plans**

By driving improvements in recruitment, retention, and wellbeing, we will ensure we remain the employer of choice for vets and nurses, helping to underpin continued growth across our vet business.

# Engaging with our key stakeholders.

Section 172(1) of the Companies Act 2006 requires each Director to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to the:

- Likely consequences of any decisions in the long term;
- Interests of the Company's employees;
- Need to foster the Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and environment;
- Desirability of the Company maintaining a reputation for high standards of business conduct; and
- Need to act fairly between members of the Company.

Stakeholder engagement takes place at all levels within Pets and is an integral part of how we are delivering on our purpose of creating a better world for pets and the people who love them. The Board engages directly and indirectly with its priority stakeholders with different processes across the business to ensure stakeholder considerations are fully embedded into Board decision-making.

This engagement helps provide a better understanding of stakeholder's points of view and the impact the Group has on them.

The Board has identified its key stakeholder groups as being: (1) Colleagues including Joint Venture Partners, (2) Customers, (3) Charities and Community, 4) Government and Industry Regulators, (5) Investors and (6) Suppliers.

An overview is provided on engagement with all key stakeholders on the following pages 9-12 and more information is contained in the annual report as below.

Responsibility for engagement at an operational level sits with members of the Executive Management Team (EMT) and the oversight is with the Board of Directors.

- Page 25 provides more information on engagement with customers
- Page 24 and 61 provide more information on engagement with colleagues
- Pages 13-15 provides more information on engagement with communities
- Page 71 provides more information on engagement with Government through lobbying

## Colleagues

### FY25 priorities

- Our Purpose
- Values and Behaviours
- Reward and Benefits
- Training and Development
- Change management
- Engagement and Wellbeing
- Safe and inclusive workplaces

### Lead Executive accountability

Chief People and Legal Officer

### Board and Day to Day Engagement

- Designated Board member for colleague engagement. Focus during FY25 on active listening to colleagues across the group at all levels through listening sessions and spending time in business areas
- Board members spend time with colleagues in-person at events and on store, practice, office and distribution visit
- 24/7 whistle-blowing line providing confidential pathway for concerns
- Board discussions on key people metrics (e.g. retention, gender pay)
- Multiple channels for colleague communication including refreshed and relaunched intranet, regular news updates, support office, retail and DC townhalls (with virtual dial-in)
- Periodic EMT diary launched following success of CEO diary
- Annual Colleague Conference in May 2024 featuring relaunch of values and behaviours
- COO 'ask email' for retail and vet open to all colleagues
- A Joint Venture Council representing our Joint Venture Partners meets regularly to discuss strategic, operational and clinical matters. It is attended by members of the Vet leadership team. Board members have also attended as guests on two occasions during the year
- Colleague surveys are conducted on specific topics to gain feedback, For example in FY25 a survey on colleague reward was conducted with over 2000 responses.

### Key results and decisions FY25

- The board have considered the impact on colleagues as part of restructuring activity that has taken place during the year. This is in relation to the completed head office restructure (project compass) and the store restructuring
- Early stage discussions at the Remuneration Committee in relation to the planned reward and benefits review in FY26 have been informed by the colleague survey and insights gathered during listening sessions
- Practice owners have been engaged in the process of selecting a new practice management system (PMS) and planning the overall project. The Board have considered the practice owner perspective and what practice owners are expecting from the PMS as part of board discussions

### Looking ahead

- Change Management inc. technological innovation (e.g. AI)
- Reward and Benefits
- Safe and inclusive places to work
- Culture and values
- Training and development

# Stakeholder engagement & S172 statement continued

## Customer

### FY25 priorities
- Consumer value proposition
- Loyalty and personalisation
- Subscriptions
- Omnichannel
- Expertise credentials
- Digital capability

### Lead Executive accountability
Chief Consumer Officer

### Board and day to day engagement
- Ongoing listening programme with key insights shared with EMT and Board at regular intervals. Quarterly insights on customer satisfaction platform review (290k customers/clients), brand and ad tracking programme focused on priorities and annual survey to 5000 pet owners.
- Consumer value proposition focus with detailed input from Board and Executives to ensure offering to customers enhanced.
- Programme to understand consumer usage and attitudes towards own-brand pet nutrition to shape future portfolio. Included speaking to over 4,000 pet owners via focus groups and surveys.
- Face to face listening sessions with EMT and groups of lapsed consumers to understand barriers to choosing Pets.
- Pets Club data helping us understand how our customers are shopping.
- Detailed consumer research conducted pre and post new pet care centre and refits. The interventions allowed us to assess the impact on brand perception and customer experience.

### Key results and decisions FY25
- Engagement informs our responses to the key issues impacting our customers, including selecting products and seeking advice to care for their pets, convenience and price.
- Investing further in what matters for customers, including our national distribution centre to provide fulfilment for customers in store and online shopping; the development of our Pets Club loyalty club and easy repeat development, pet expert advice and differentiated own brand products.
- Customer and practice owner perspectives have been taken into account in the development of the new insurance offering and what will be important to both as we start to shape the proposition.

### Looking ahead
- Loyalty and Personalisation
- Omnichannel and app development
- Own brand
- Easy Repeat (subscriptions)
- Expert pet care advice

## Charity and Community

### FY25 priorities
- Pet relinquishments
- Strategic partnerships with national rescues on mutual priorities
- Supporting local communities through volunteering

### Lead Executive accountability
Chief People and Legal Officer

### Board and day to day engagement
- Through our Pets Foundation charity work we engage with and support local and national charities across the UK. As the biggest grant giver to UK pet charities we have invaluable insight into the pet charity sector in the UK.
- Chair of the Board and Sustainability Committee Chair spent time with the Foundation team on and off site with charity partners.
- Attendance at industry events, including roundtables, conferences, Government events enables the Foundation team and trustees to continually listen and engage with all key stakeholders in our sector .
- The Foundation Trustee Board appointed two new external trustees to bring a greater diversity of thought and experience to the Board.
- Our Pets Foundation adoption centres provide a safe space for people to relinquish small pets they can no longer care for and our teams find loving homes for them. We remain the largest re-homing organisation for small pets in the UK.
- All salaried colleagues are given a day to volunteer each year at a cause of their choosing which supports our purpose of creating a better world for pets and the people who love them. 13k+ hours were donated in FY25 from across the business, including the EMT, these days help to connect colleagues at all levels of the business with local community issues.

### Key results and decisions FY25
- Insight from the sector on the key reasons for pet relinquishment supported the strategy to fund and support programs such as the installation of pet food collection points in pet care centres to donate to local food banks.
- Engagement with charities on need for pet rescue provision when relinquishment can't be avoided supported decision for ongoing funding of this sector and presence of small animal adoption centres in our pet care centres.

### Looking ahead
- Ongoing support of pet rescues
- Strategic partnerships and grants to keep pets with the people who love them
- Community support led by our colleagues who know their communities best

# Stakeholder engagement & S172 statement continued

## Government and Industry Regulators

**FY25 priorities**
- Employment and business legislation and policy
- Animal welfare
- Veterinary legislation
- Health and safety
- Technology including AI
- Sustainability

**Lead Executive accountability**
Chief People and Legal Officer

**Board and day to day engagement**
- We engage through select MP meetings, official consultation responses to government departments and select committees and hosting visits to veterinary practices or pet care centres.
- Areas of priority include
  - Engaging with policymakers on the importance of a new Veterinary Surgeons' Act. We are calling for legislation that better supports the veterinary profession and enhances their ability to treat animals in their care above the current law which was passed in 1966. A parliament roundtable organised by us supported this call.
  - Feeding back to Government on the Employment Rights Bill to ensure this works as intended for colleagues as well as businesses.
  - Following and engaging on animal welfare specific legislation, such as the Puppy Smuggling Bill and working with bodies like the Animal Sentience Committee to feed back the expert view of Vets for Pets colleagues as policy is considered.
- We also engage through our industry representatives including, the British Retail Consortium (BRC) and British Veterinary Association (BVA). We are represented on working groups including the climate action roadmap.
- We engage on technological innovation such as AI and its impact on the future of work, operational efficiencies and customer experience.
- The CMA's review of the veterinary services sector for household pets continues to provide us with opportunity to articulate and present the benefits of our unique joint venture model. We have represented our and our practice owner views at all relevant opportunities throughout the review.

**Key results and decisions FY25**
- The board have stayed close to the CMA market investigation and key decisions considering our engagement with the CMA, key updates and decision points in terms of our responses to the market investigation.

**Looking ahead**
- Employment and business legislation and policy
- Animal welfare legislation advancements
- Veterinary legislation changes
- Technology including AI

## Investors

**FY25 priorities**
Providing context and clarity around the performance of the Retail and Vets business. Alongside making them aware of key events throughout the year. Namely, the CMA investigation into the veterinary sector as well as progress updates on both the new digital platform and distribution network optimisation projects.

**Lead Executive accountability**
Chief Executive Officer and Chief Financial Officer

**Board and day to day engagement**
- The CEO, CFO and Investor Relations team are involved in ongoing interactions throughout the year via conference calls, meetings, small round table events, hosting site visits to our pet care centres and vet practices as well as attending investor conferences both in the UK and overseas.
- The CEO, CFO and Investor Relations team have a positive, ongoing and transparent dialogue with our shareholder base and value feedback and insight which is then shared.
- The board regularly receives updates on investor relations, which includes feedback from our principal shareholders to ensure that these views inform decision making throughout the year.

**Key results and decisions FY25**
- Key issues that matter to shareholders include, the outcome and clarification from the CMA investigation, seeing our two key strategic investments in distribution and digital deliver the benefits which have been spoken about and awaiting to see the Retail business return back into positive LFL territory.
- The investor perspective has been taken into account by the Board in relation to their approach to capital allocation (including buyback) and dividend decisions.

**Looking ahead**
- As we continue to execute our strategy in the year ahead, it is crucial we keep investors informed of any significant developments within any of our key strategic pillars.

# Stakeholder engagement & S172 statement continued

## Suppliers

### FY25 priorities
- Development of long-term partnerships
- Supplier agreements
- Focus on margin
- Supply chain security and technological innovation
- Growth and innovation opportunities
- Responsible product manufacturing and sourcing
- Supplier climate action programme maturity

### Lead Executive accountability
Chief Operating Officer

### Board and day to day engagement
- A focus of FY25 was getting the right team structures and leadership in place for our supplier engagement strategy. The trading team are set up to focus on building long term relationships with terms and security that work for us, our customers and set our suppliers up for success.
- The Board receives regular feedback on substantive supplier and partner matters via the CEO and Chief Operating Officer. Trading showcases provide platforms for Board members to engage with the trading team on key priorities and opportunities.
- Key Supplier meetings were hosted by our Chief Operating Officer to reset and align priorities with suppliers for FY25 onwards. This included sessions on innovation and sustainability.
- The supplier engagement strategy includes regular touchpoints including on-site at suppliers, at our offices and pet care centres.
- In September 2024, our largest suppliers attended a one day event in our offices hosted by the COO to receive an overview on strategy, digital developments and sustainability. A Q&A session was held.
- Continued focus on our long term partnership with Cranswick and investment in Meatly, the cultivated meat pet food company.
- Responsible sourcing and manufacturing in our supply chain from a human rights, raw materials and carbon and nature-based impacts perspective remains a key priority and the Sustainability Committee received updates throughout the year.
- Our responsible sourcing handbook details our requirements from a raw material, climate action, packaging and human rights perspective.
- Supplier Climate Action Programme supports supplier climate action and Pets progress on scope 3 emissions.

### Key results and decisions FY25
- Building stronger relationships to manage short term issues and deliver our long term strategy.
- Our ongoing collaborative approach to delivering our sustainability commitments has resulted in a deeper understanding of our scope 3 emissions.
- Suppliers covering 76% of retail and vet spend are now registered with our supplier climate action programme and we have seen an increase in the number of suppliers who have carbon reduction plans in place from 14 in FY24 to 25 in FY25.

### Looking ahead
- Mutually beneficial partnerships which work for all parties
- Supply chain security
- Growth and innovation opportunities
- Responsible product manufacturing and sourcing
- Supply chain decarbonisation

## Sustainability review

# Our Better World pledge.

### Strategy overview

We call our sustainability strategy 'Our Better World Pledge' and it articulates how we deliver our purpose 'to create a Better World for Pets and the People who love them'. FY25 was the second year of implementation of the refresh of this strategy and we are really proud of the progress that we have made across our new initiatives alongside the ongoing achievements of more established programmes. We believe that this work creates value for all of our stakeholders and sets us apart from other pet care and veterinary businesses.

Our materiality assessment ensures that we prioritise and focus on issues that are important for environmental or social reasons, where we are best placed to act and where we can make a significant impact. We have aligned our strategic priority areas with our business strategy to make sure we are integrating our approach. Our strategic focus on sustainable pet food, advocating for pet welfare, and creating rewarding and sustainable careers in pet care for everyone, are good for the planet, pets and people but also integral to the business' financial sustainability. This alignment is key to driving engagement and action and ultimately achieving our goals.

### Embedding our strategy in our business

We continue to have a fantastic response to our volunteering programme called Our Better World Pledge Days, which has remained an underpin to annual bonus for relevant colleagues. Over 13,000 hours have been donated this year and over 2,000 colleagues have participated. Over 50,000 hours have been donated since we launched the scheme in FY22.

In FY24 and FY25, the annual bonus criteria has included a sustainability target representing 10% of the maximum award. The Directors' Remuneration Report from page 61 contains more details.

During the year our planet advocates from across the business have met three times providing collaboration and education opportunities for the advocates and a listening channel for ideas and feedback.

Our revolving credit facility, agreed in March 2022, is linked to sustainability targets. We have financial incentives (or penalties) to accelerate our work on pets, people and planet through targets focused on carbon reduction, supporting pets in need and community action. In the third year of this scheme we have achieved two of the three targets as summarised in the table below. We have missed our target on volunteering hours which was impacted by significant over achievement in the previous year making the target (which is set as 10% growth vs prior year) difficult to achieve. This was exacerbated by headcount reductions which took place during the year reducing the number of eligible colleagues. More details on our sustainability linked loan (SLL) performance can be found in a separate PDF summary available on the Pets at Home Group investor website.

### Sustainability linked revolving credit facility: summary of FY25 performance against Sustainable Performance Targets (SPTs)

| SPT | ESG Topic | SPT description | Measurement | FY25 target | FY25 actual | Achieved |
|---|---|---|---|---|---|---|
| SPT 1 | Scope 1 and 2 carbon emissions performance | location-based (Scope 1 and 2 $tCO_2e$) intensity | Tonnes $CO_2e$ divided by Group statutory revenue | 17.6 | 15.7 | Yes |
| SPT 2 | Lifelines pet charity scheme | Monies raised through the Pets club lifelines scheme | £m | £3.1m | £3.4m | Yes |
| SPT 3 | Community volunteering | Total hours donated through 'Better World Pledge Days' programme | Hours | 18,098 | 13,314 | No |

Sustainability review continued

# Sustainability strategy.

Our Purpose

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

## 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.

**Highlights**

- First UK launch, at our Brentford Pet Care Centre of a pet food product containing cultivated meat produced by Meatly in partnership with ‘The Pack’.
- Over 250 complete own brand dog and cat food products have been carbon foot printed representing over 65% of complete own brand dog and cat food sales.
- Over 88 priority suppliers registered with our supplier climate action programme in its first full year.
- Woodland Trust pet memory scheme has completed its fourth year, over £1m donated to date which has created, restored and protected over 8,000 acres of UK native woodland.
- Successful launch of our anaesthetic gas stewardship programme with over 300 practices registered and over 800 anaesthetic ambassadors in place.

For more information about the Planet pillar progress see our sustainability report

## 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, service and advice.
- Using our voice and expertise to advocate for pets.
- Being the largest grant giver to pet charities in the UK.

**Highlights**

- Our charity ‘The Pets Foundation’, raised over £5.7m during FY25 and reached a cumulative total over £60m of funds raised since forming in 2006.
- The ‘Pets Club’ loyalty scheme raised ‘lifelines’ worth over £3.4m. ‘Lifelines’ are points earned through spending in our pet care centres, vets or groomers that are then converted into vouchers and donated to local and national pet charities.
- Pet food collection points are in all stores, in partnership with the Blue Cross. During the year we dedicated a specific fundraising event to this initiative which contributed to us donating pet food which has enabled over 1.6 million pets to be fed for one day in FY25 and over 4 million since the pet food bank initiative was first introduced in FY22.

For more information about the Pets pillar progress see our sustainability report

## People

**To be the best employer and developer of pet care talent.**

**By creating rewarding, sustainable careers in pet care for everyone:**

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

**Highlights**

- Increase of 10% in our vet nurse apprentices, and our vet graduate programme has 304 graduates across both cohorts.
- 1044 colleagues have been trained to pet care expert level and we have over 2000 suitably qualified persons (SQP) working in our pet care centres.
- Over 6,000 colleagues have completed the four modules of our nutritionist core training programme and over 1,500 have completed the five modules of the intermediate level nutritionist training.
- Development of our diversity data, exceeding our target with over 86% data completion rates for support office and retail based colleagues.
- Over 13,000 volunteering hours donated, bringing the cumulative total to over 50,000 hours since the scheme launched in FY22.

For more information about the People pillar progress see our sustainability report

Sustainability review continued

# Looking ahead.

## As we look ahead to this year we have some clear priorities outlined which will enable the implementation of our strategy.


For more information:
Please visit our 2025 Sustainability Report

### Planet Pillar

In the current unprecedented global political and economic situation there remain challenges in delivering our ambitious carbon emissions reduction targets where broader national and international systems changes are required. For example the development of battery technology and supporting charging infrastructure for heavy goods vehicles, the continued decarbonisation of the grid and the adoption of regenerative and more sustainable agricultural practices. While we acknowledge that we won't be able to meet our targets without progress in these complex areas, we are committed to focussing on where we have the opportunity to make the biggest impact, as the UK's leading pet care business.

Within our planet pillar we will prioritise opportunities in our business and our broader value chain to reduce our emissions and understand our impact on nature. Our supplier climate action programme will continue to be extended to more suppliers and we will start to track their progress across our carbon maturity framework. We have prioritised suppliers in our retail supply chains where the majority of our Scope 3 emissions sit. Going forward we will extend this to our priority vet and goods not for resale suppliers. We will look to extend the carbon foot printing of our own brand complete cat and dog food products to the majority of our ranges; we have already completed over 250 by the end of FY25. This data is now being used to inform new product developments and new product lists and to feed into reformulations of existing ranges. We have also got sufficient insight to start to educate our colleagues so that they can support pet owners who seek to include sustainability considerations into their decision making criteria.

### Veterinary specific planet initiatives

Within the Vet Group we will continue to promote our anaesthetic gas stewardship programme to our practices and roll out our successful trial of reusable surgical textiles and flexible plastics recycling schemes to practices.

Antimicrobial stewardship is an area on ongoing focus following the launch of guidance to practices and our continued involvement in a multi- year ground-breaking antimicrobial usage research project in partnership with the Royal Vet College and Vet Compass. This project focuses on improved stewardship in veterinary antimicrobial usage across all of our practices using a blended qualitative and quantitative approach.

### Pet pillar

Good things happen every time our pets club customers shop with us and their loyalty earns lifelines which are converted into vouchers donated to local and national charities.

The Pets Foundation will continue to be there for pets when they need us through our fundraising and grant programme and to support programmes that support people through pets. We will measure and report on the impact that donations from the Foundation and other charitable activity has on pets and people.

### People pillar

From a people perspective we will be further developing our market leading pet expertise and clinical programmes. After the first full year with our three clinical academy hubs and on line offering, we will continue to develop our offering to meet the needs of our clinical colleagues.

We are focused on increasing the representation of ethnic diversity amongst our colleagues to better connect with diverse pet owners and reflect the communities we operate in. Although we have seen a material increase from 3% to 5.6% in two years, we have significant opportunity ahead. We will be further developing our inclusive recruitment processes, and inclusive leadership education to enable our leaders and managers to fulfil new representation goals in an authentic and credible way. We'll be monitoring progress through our enhanced diversity data capture and reporting.

We will also continue to consider gender diversity at all levels across the Group. For the purposes of section 414C(8) of the Companies Act 2006, as at the end of FY25, the gender split of colleagues was as set out below:

| | Male | Female | Non binary/ prefer not to say/ unknown |
|---|---|---|---|
| Directors of Pets at Home Group plc | 4 | 3 | 0 |
| Senior managers[1] | 63 | 69 | 1 |
| Total colleagues[2] | 4,336 | 13,368 | 362 |

1 Senior managers includes Executive Management Team and colleagues at functional director and head of level.

2 Includes colleagues employed by Group entities and joint venture practices.

Our Sustainability Report provides stakeholders with an overview of our sustainability strategy and performance against our targets. The Sustainability Committee report (including our TCFD statement) is on page 47.

Chief Financial Officer's review

# Resilient profits and solid cash generation.

> **In an environment that presented many challenges in FY25, we have shown great discipline to deliver resilient profits and improved free cash generation alongside delivery of two key elements of our strategy.**

**Mike Iddon, CFO**

### Financial review of FY25

The FY25 period represents the 52 weeks from 29 March 2024 to 27 March 2025. The comparative period represents the 52 weeks from 31 March 2023 to 28 March 2024.

The Group's results are shown as three segments that represent the size of the respective businesses and our internal reporting structures; Retail (includes products purchased online and in-store, pet sales, grooming services and insurance commissions), Vet Group (includes general practices and our veterinary telehealth business) and Central (includes Group costs and finance expenses).

### Revenue

Group consumer revenue* grew 2.7% to £1,961.9m (Vet Group up 13.0% to £655.1m, Retail down 1.8% to £1,306.8m).

Group statutory revenue grew 0.1% to £1,482.1m with like-for-like (LFL*) revenue down 0.4%.

Vet Group statutory revenue was up 16.8% to £175.3m with LFL* revenue up 16.2%.

– LFL* growth was higher than Joint Venture fee income which grew by 15.2% to £103.4m.
– Revenues from company managed practices increased by 17.7% to £52.5m.
– The Vet Connection (our telehealth business), generated revenue of £4.0m, +24.7% YoY
– During FY25 it became necessary to reappraise our approach to Care Plan recognition due to changes in the consumer proposition that resulted in a mismatch between cash receipts and revenue recognised using the previous approach. Under the new approach cash receipts and revenue recognised are closely aligned.
– This change resulted in a £19.9m increase in consumer revenues* recognised in FY25 and a £4.9m increase in underlying PBT*. The £4.9m increase in underlying PBT* is greater than previously expected due to a higher level of consumer revenues* from Care Plans and a higher proportion coming through our full consolidated company managed practices than previously expected.

Retail statutory revenue was down 1.8% to £1,306.8m with -2.0% LFL* growth.

– Throughout FY25 our LFL* performance was impacted by a subdued UK consumer backdrop, a deflationary environment and the impacts of normalisation of new pet ownership.
– We also experienced some disruption in our online revenues from transitioning to our new digital platform and, in the latter part of the year, in moving our online sales across to our Stafford distribution centre, which was expected.
– By category, Food sales declined 1.2% where we saw elements of deflation due to higher promotional participation across the industry. Accessories was down 3.5%. Discretionary accessories remains the most impacted area due to the subdued consumer backdrop, down 5.9%. Consumable accessories was up 0.7% reflecting strong volume performance.

## FY25 Financial Highlights

**Group Statutory Revenue**
**£1,482.1m**
+0.1%

**Group Underlying PBT***
**£133.0m**
+0.7%

**Group Statutory PBT**
**£120.6m**
+14.1%

**Dividend Per Share**
**13.0p**
+1.6%

* Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, on pages 143 to 145.

# Chief Financial Officer's review continued

## Gross margin

Group gross margin[1] increased YoY by 17bps to 46.9%. Vets contributed 22bps towards the Group movement, with Retail down 5bps.

- Gross margin[1] within the Vet Group increased by 118bps to 52.6%. The main contributor being strong sales performance within our Joint Venture estate leveraging a relatively fixed cost base and we also saw strong sales and profit conversion within our Company managed practices.
- Gross margin[1] within Retail was 46.1%, a 7bps YoY reduction due to adverse mix due to faster growth in food and non-discretionary accessories. FX partially offset this due to a favourable FX contracted rate in FY25 ($1.26) vs FY24 ($1.19). For FY26 we are currently hedged at a rate of $1.27.

## Operating costs

We managed our cost base tightly in FY25. Operating costs[2] of £558.3m were 2.4% lower, driven by a £13.9m reduction in non-underlying costs. In FY25, we incurred a total of £12.4m of non-underlying operating costs (FY24: £26.3m). Before non-underlying costs, underlying operating costs[2] were flat YoY despite the headwinds of National Living Wage increases (c£16m) and the removal of business rates relief (c£2m).

For FY26 we will continue to keep a tight grip on our costs. FY26 will be another year where we face higher than usual cost inflation including externally imposed cost headwinds of:

- +6.7% National Living Wage increase and higher National Insurance contributions – c£18m in FY26 taking the cumulative cost of NLW and NICs absorbed over the last 3 years to c£48m.
- New plastic packaging regulations – c£2m.

In addition, we have made choices to continue to invest in the future of the business in the form of higher marketing (c£3m) and the rebuild of bonuses (c£10m).

Where possible we will be mitigating these costs as well as other cost headwinds we face through our ongoing productivity initiatives, our investments in automation and our ongoing programme of lease renegotiations totalling c£30m in FY26.

As a result of our productivity actions, in FY26 our operating costs[2] will grow no more than 5%, against gross cost inflation closer to 10%. The extent to which we can further mitigate cost inflation will depend on the rate of sales growth we are able to deliver, which is dependent on how consumer demand evolves and how inflation comes through.

## Finance expense

The net finance expense, including interest charged on lease liabilities, increased to £15.8m (FY24: £13.6m). Of this, £13.2m (FY24: £13.3m) related to interest expense on lease liabilities.

## Profit before tax (PBT)

Group statutory PBT of £120.6m increased £14.9m (14.1% YoY) due to a £13.9m reduction in non-underlying costs. The bulk of non-underlying costs were due to the completion of our distribution network optimisation programme. No non-underlying costs are expected to be incurred in FY26.

Group underlying PBT* was £133.0m (FY24: £132.0m), with underlying PBT margin[3] of 9.0%, up 5bps YoY, due to a greater profit contribution from the Vet Group, which has now overtaken Retail contribution.

Vet Group statutory PBT was £75.9m (FY24: £58.8m). Vet Group underlying PBT* was £75.9m (FY24: £61.6m) with underlying PBT margin[3] of 43.3% (FY24: 41.0%), driven by a strong sales performance leveraging a broadly flat cost base.

Retail statutory PBT was £66.9m (FY24: £64.8m). Retail underlying PBT* was £72.9m (FY24: £87.4m) with underlying profit margin[3] of 5.6% (FY24: 6.6%). With gross margins broadly stable and operating costs held flat, the profit decline was driven by the decline in sales.

Central costs of £15.8m (FY24: £17.0m) includes payroll costs for Group functions, professional fees, and Plc- related costs. Central costs also include the initial Insurance set up costs of £0.4m which were incurred in FY25, with c£3m expected to be incurred in FY26.

## Taxation, profit after tax, and EPS

- Total tax expense was £32.4m for the period. The effective tax rate for FY25 is 26.7% (FY24 25.1%), which is higher than the UK corporation tax rate due to prior year adjustments in relation to deferred tax which is expected to unwind in future years with no future impact on cash tax.
- Statutory profit after tax increased by 11.4% to £88.2m.
- Statutory basic earnings per share (EPS) were 19.0 pence (FY24: 16.6 pence) and underlying basic EPS* were 21.0 pence (FY24: 20.7 pence).

## Working capital

The cash flow movement in working capital[4] for FY25 was an outflow of £3.3m, (FY24: £4.6m outflow).

Compared to FY24 last year:

- Inventories increased by £9.4m YoY as we intentionally built up online stock levels to support the operation as we transitioned to Stafford DC, which is expected to unwind in FY26.
- Trade and other receivables increased by £0.9m YoY, driven by the reducing Vet Group operating loan balance offset by timing differences in supplier-funded marketing activity.
- Trade and other payables have increased by £10.7m YoY linked to higher levels of inventory.
- Provisions decreased by £3.7m YoY as we unwound the restructuring costs provided for in FY24 linked to the now complete Distribution network optimisation programme.

## Investment

Capex was £45.9m (FY24: £42.9m/FY23 £75.4m) signalling an end to peak investment in our strategy.

Investment remained focused on three strategic growth areas;

- £12.1m (FY24: £9.5m) digitising the business via our new digital platform.
- £5.0m (FY24: £6.4m) investment into distribution via our network optimisation.
- £27.9m (FY24: £25.9m) investment into our Pet Care Centre estate including new Pet Care Centres and refits.

# Chief Financial Officer's review continued

### Free cash flow*

Free cash flow* (FCF), was £83.8m (FY24: £69.0m) represents an 86% FCF* conversion against underlying profit after tax.

– Vet Group FCF* £67.5m up 15.8% due to double digit consumer revenue* growth flowing into JV fee income.
– Retail FCF* £30.6m up 14.6% due to lower non-underlying costs YoY offsetting the reduced Underlying PBT*.

| Free cash flow* (£m) | FY25 | FY24 |
|---|---|---|
| **Underlying PBT*** | **133.0** | **132.0** |
| interest (net) | 15.8 | 13.4 |
| Depreciation (underlying) | 98.8 | 101.7 |
| **Underlying EBITDA** | 247.6 | 247.2 |
| Share-based payment charge | 5.9 | 5.9 |
| Non-underlying cash costs[5] | (11.3) | (18.3) |
| Lease payments[6] | (80.1) | (82.2) |
| WCAP | (3.3) | (4.6) |
| **Operating cash flow** | **158.8** | **147.9** |
| Capex[7] | (48.4) | (48.0) |
| Bank Interest (net) | (1.8) | 1.0 |
| Debt issue costs | 0.0 | (0.9) |
| Tax | (20.9) | (20.2) |
| Purchase of own shares (employee share schemes) | (3.9) | (10.8) |
| **Free cash flow*** | **83.8** | **69.0** |

| Divisional free cash flow | FY25 | FY24 |
|---|---|---|
| Retail | 30.6 | 26.7 |
| Vet Group | 67.5 | 58.3 |
| Central | (14.3) | (16.0) |
| Group* | 83.8 | 69.0 |

– The cash generation described above, enables us to invest to grow our business as well as fund our dividend payment and £25m buyback programme. Our closing net cash position* at the end of the period was £6.2m (cash £39.5m, debt £33.3m), and total indebtedness* was £342.1m post lease liabilities (£348.3m). This represents a leverage ratio* of 0.0x underlying EBITDA or 1.4x on a lease adjusted basis.

| Net cash* (£m) | FY25 | FY24 |
|---|---|---|
| Opening net cash* | 8.8 | 54.7 |
| Free cash flow* | 83.8 | 69.0 |
| Equity dividends paid | (59.7) | (60.7) |
| Share buyback | (25.1) | (50.3) |
| Acquisitions | (2.3) | (2.4) |
| Disposals | 0.7 | (1.5) |
| **Closing net cash*** | 6.2 | 8.8 |
| **Pre-IFRS 16 leverage*** | 0.0x | (0.1)x |
| **Lease adjusted leverage*** | 1.4x | 1.5x |

The Group's underlying cash return on invested capital (CROIC)* in the period decreased to 18.5% (FY24: 19.4%) having been through a period of peak investment as we built our digital platform and optimised our distribution network down to a single site, with the cash benefits to come in future years.

### Capital allocation

Our capital allocation policy prioritises investing cash in areas that will expand the Group and deliver attractive returns. These areas include organic investment (into our digital capability, our infrastructure, and our store refit programme), our dividend policy (targeting a payout of 50% of earnings per share over the medium term) and value-accretive opportunities including M&A (which are strategically aligned to expanding our platform in core and adjacent markets).

We will return to shareholders any surplus cash after these items, and it is the Board's intention to review this on an annual basis. Having completed £125m in share buybacks over the past three years, reducing the shares in issue by c8%, we plan a further £25m buyback in the current financial year.

### Dividend

The Board has recommended a final dividend of 8.3 pence per share, taking the total dividend for the year to 13.0 pence per share (FY24 12.8 pence per share). The final dividend will be payable on 16 July 2025 to shareholders on the register at the close of trading on 6 June 2025.

**Mike Iddon**
**Chief Financial Officer**
28 May 2025

* Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, on pages 143 to 145.

1 Gross margin is calculated as gross profit as a percentage of revenue.
2 Operating costs are the sum of selling and distribution expenses, administrative expenses, other income and non-underlying costs.
3 Underlying PBT margin is calculated as underlying profit before tax as a percentage of revenue.
4 Working capital is the sum of YoY movements in trade and other receivables, inventories, trade and other payables, and provisions.
5 Non-underlying cash costs excludes income from disposal of investment (£2.3m) and non-underlying depreciation of right-of-use asset (£3.4m).
6 Lease payments are cash payments for the principal portion of the right-of-use lease liability, they also include costs to acquire right-of-use assets and the right-of use asset costs.
7 Capex is proceeds from the sale of property, plant and equipment less costs to acquire right-of-use assets and acquisition of property, plant and equipment and other intangible assets. It also includes investment capital contributions and proceeds from repayment of partner loans.

## Risk review

# A practical approach.

**Effective risk management is an integral part of running our business and is fundamental to us achieving our strategic objectives, implementing core business initiatives, and protecting long-term stakeholder value.**

### Risk management

The Board is responsible for the nature and level of the principal risks we are willing to take and have overall responsibility for the Group's risk and internal control frameworks and for reviewing the effectiveness of these at least annually. As such they have approved our principal risks as set out on pages 21 to 29.

### Risk governance

The diagram below provides an overview of our risk governance framework and responsibilities for risk management that support this.

**Top down**
Oversight, identification, assessment and mitigation of principal and corporate risks

**Escalation**

**Principal risks and uncertainties**

**Board**
- Sets strategy
- Collectively responsible for managing risk
- Sets tone from the top
- Sets risk appetite, risk tolerance and determines the nature and level of principal risks
- Horizon scans for emerging risks

**Corporate risks**

**Executive Management Team (EMT)**
Collectively responsible for identifying and managing risk, and monitoring risk exposure

**Audit and Risk Committee (ARC)**
- Oversees the Group's internal control and risk management frameworks
- Provide oversight and challenge to the assessment of principal, corporate, and emerging risks
- Advises the Board on risk appetite

**Bottom up**
Identification, assessment and mitigation of risk across key business areas

**Business risks**

**First line of defence**

**Operational senior management & risk champions**
Ensure risk management process is adhered to

**Management Committees**
Provide a strategic, operational and Group-wide lens to the management of corporate level risks

**Second line of defence**

**Business assurance functions**
Monitor compliance with policies and procedures and provide assurance over business controls to the management committees and the EMT

**Operational risk**
Monitor adherence with risk appetite framework implement risk management processes and risk framework improvements

**Third line of defence**

**Group Internal Audit**
- Provides objective assurance to the Board and ARC on the effectiveness of the risk management framework
- Risk-based internal audit plan approved through a direct reporting line to the ARC
- Respond to new areas of risk or change and re-prioritise plan throughout the year

For further details about key roles and responsibilities within our governance structure, please see the Governance Report on page 34.

# Risk review continued

### Risk management process

Our risk management process has five steps, integrated across the three lines of defence and our governance framework. Having a top down, bottom-up approach gives us a comprehensive view of risks, either current or emerging, their status and the effectiveness of mitigation plans. An appropriate level of oversight and assurance is provided through this process.

**1 & 2. Identify and assess –** Each business, function and key project team identify their current and emerging risks considering their strategic plan, objectives, and external environments. A standardised risk scoring methodology is used across the Group to analyse risks. This helps the escalation and consolidation of risks into a Group-wide view. Horizon scanning exercises are conducted with the senior management team as part of the annual strategy and business planning cycles and risk management processes.

**3. Manage –** Each business, function and key project maintain detailed risk registers and mitigation plans which are reviewed and approved by their leadership teams and the appropriate EMT member three times a year. Each principal, corporate and emerging risk is owned by a member of the EMT who is accountable for confirming that adequate controls and necessary mitigation plans are in place to bring the risk within an acceptable tolerance. A range of risks which are not currently considered significant enough to be included on the corporate risk register are managed on an ongoing basis.

**4. Monitor –** Each risk register is reviewed by the relevant senior management team at least three times a year before submission to the EMT. Threats on the watch list are reviewed alongside the risk registers. Risk scoring and key risk indicators are also reviewed to track the risk and progress of mitigation plans. Assurance is obtained from across the three lines of defence to support this process. Risks are also reported to relevant management committees.

**5. Report –** The corporate risk register is reported to the EMT, Board and ARC three times a year. Risks are considered both independently and collectively alongside emerging risks to fully understand their dependencies and potential impact on the business. The ARC conducts deep dives in key risk areas with the EMT and functional leadership teams. The principal risks and uncertainties are submitted to the ARC ahead of final review and approval by the Board.

### Emerging risks and opportunities

We define emerging risks as those that can potentially have a significant impact on the Group in the medium to long term, where the full extent of the scale, impact, or likelihood may not be fully understood but needs to be tracked. Identification and review of emerging risks and opportunities follows our risk management process described above. Emerging risks considered a priority are summarised against each principal risk.

### Climate risks

Climate change risks are also integrated into our risk management process. Actions identified are captured on the Group's risk register and are monitored by the Sustainability Committee (supported by the ARC). Details of this and our overall approach can be found in our Sustainability review on page 13.

### Material Controls

The ARC receives bi-annual updates on internal controls. During the year, we have made progress in planning for compliance with the requirements of the UK Corporate Governance Code 2024. Key activities include:

- Defining material controls
- Enhancing our Risk and Control framework with particular focus on data governance, AI, pet welfare and improvements in the operation of some key IT operational controls
- Agreeing our assurance approach

These will remain key areas of focus as we continue to embed control improvements ahead of our March 2027 compliance date.

# Risk review continued

**Risk Profile/Risk Appetite:** L Low M Medium H High **Change on previous year:** <> Stable ^ Increased v Decreased

## Brand & reputation

**Owner:** Chief Consumer Officer
**Risk Type:** Strategic

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** H | **Risk appetite** L | **Change on previous year:** <>

### Description

Protecting and enhancing our strong brand value and holding pet welfare as our number one priority is essential in attracting and retaining our consumers and clinical talent and the trust and value our stakeholders place in us. This is the responsibility of every colleague. We are aware that trust and reputation can quickly be lost so we continuously monitor and ensure that our business actions align to pet welfare and consumer and clinical expectations.

### Key responses

- The Pet Welfare Committee upholds and drives animal welfare standards within our own operations including the quality and welfare considerations of our products and services.
- The majority of practices are accredited or working towards being accredited under the RCVS Practice Standards Scheme (PSS).
- Rigorous pet welfare standards are in place and operationalised through quarterly unannounced audits across stores, in-store adoption centres, and grooming salons. Quarterly announced audits and three separate, external, independent veterinary-led audits each year for each animal supplier.
- Risk-based product safety and integrity testing and inspection programme to monitor ongoing safety compliance of our own label products.
- Own label products developed with the support of the Group's internal veterinary expertise and external behavioural experts.
- Dedicated Compliance Team to monitor customer reviews and customer complaints.
- Tested product recall procedures.
- Conducted monthly research with our consumers and wider market to understand their changing needs and expectations and understand their opinions and expectations on our brand to drive business action.
- Third party media, digital and social media monitoring service in place to track corporate and consumer brand references. Ongoing horizon scanning to identify and track emerging themes and threats.
- Onboarded an integrated corporate affairs agency to support with media engagement and corporate reputation management.

### Outlook and further actions planned

- Protecting, enhancing, and communicating our strong brand value will remain our focus in FY26, with core messages around pet welfare and clinical expertise.
- We will continue to support the CMA enquiry through to their conclusions during FY26 and ensure that outcomes are put into practice with the best interest of consumers.
- A new Clinical Governance and QI Framework will be rolled out over FY26. We are committed to continual monitoring, improving capability, and supporting our colleagues and supply partners to maintain high pet health and welfare standards.
- Review of clinical complaints processes and management reporting.
- Implementing a comprehensive brand and consumer tracking programme to continually monitor our consumer expectations, brand health and consumer reputation. The results will drive business action where required.
- Establish stronger processes for managing digital and social media risks.
- Continue to build a credible and visible evidence-based active leading voice on pet health and welfare with consumers and the pet care industry to drive the highest standards and change where required. Provide expert opinion to decision makers around potential changes to the Veterinary Surgeons Act 1966.
- Review of Non-Traditional Companion Animals (NTCA) and how we respond and educate.
- Introducing new data-driven platforms to identify and monitor product safety risk and improve reporting on raw material source.

### Emerging risks

- New and emerging animal diseases particularly associated with imported pets.
- Veterinary professional regulatory changes.
- Veterinary professional and public opinion around the keeping and selling of NTCA.

### Risk appetite

We place the welfare of pets and the value of our brand at the front and centre of all we do, along with our societal responsibilities in relation to the planet and people. The Group has low appetite for any risk which may compromise the trust and value which our communities and stakeholders place in our brand.

**Link to strategy**

1. Grow system capacity behind vets joint venture model
2. Supercharge omnichannel subscriptions
3. Align and target (using data) marketing spend and GTM behind Pets and Pets Club
4. Evolve our pet care centres and colleague model, with expertise at the heart
5. Drive omnichannel nutrition share through own, owned and exclusive nutrition brands at all price points
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# Risk review continued

## Information security and business critical systems

**Owner:** Chief Information Officer
**Risk Type:** Operational

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

The availability and security of our IT systems and accurate data is vital for us to operate safely whilst maintaining the security of customer, colleague, and Company confidential data.

### Key responses

- Continued to invest in our cyber security position delivering the cyber security strategy.
- Continued to invest on colleague awareness and training across the business.
- Expanded out detection and response capabilities, launched our third-party risk management process to reduce third-party risk.
- Updated colleague authentication controls to reflect industry best practices including Multi Factor Authentication and passwords.
- Provided six monthly updates to the ARC.

### Outlook and further actions planned

- Our Cyber Security strategy, that began in FY23, is designed to take a risk-based approach to improve our security maturity, minimise the likelihood of and increase the ability to identify and respond to a cyber-attack.
- We continue to measure our security maturity and identity improvements in line with industry best practices.
- The strategy includes colleague awareness and training, improved third-party risk management and privilege account management.
- We continue to monitor for emerging and changing threats to ensure we appropriately respond and protect against an ever-adapting threat landscape.
- We are continuing to invest in a programme of activity to improve our IT controls framework and identity and access management, which will further support our Cyber Security strategy and system resilience.

### Emerging risks

- Artificial Intelligence has been observed in increasing the complexity and volume of attacks such as phishing as the threat actors automate processes.
- Geopolitical situations are creating more advanced attacks, which may inadvertently impact our business or be repurposed by organised cybercrime gangs.
- As more companies become victims of cyber-attacks, customers and colleagues who reuse emails and passwords become an attack vector.

### Risk appetite

The Group has zero tolerance for cyber security risk which may compromise our reputation, our technology solutions, and the personal data within them. We endeavour to protect our data in line with legislation and best practice. The Group accepts a balanced level of operational technology risk to protect and enhance our operations. We have plans in place to minimise the likelihood and impact of any business-critical technology failure.

## Omnichannel consumer proposition

**Owner:** Chief Consumer Officer
**Risk Type:** Strategic

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

A key part of the Group's strategy is to grow and strengthen our omnichannel pet care platform, which offers a wide range of pet product and services through both physical and digital channels. If we fail to deliver our planned growth and maintenance in our footprint, or fail to invest sufficiently in our digital and consumer capacity and capability, our expected growth and financial performance could be adversely impacted.

### Key responses

- Opened 4 new pet care centres and completed 32 pet care centre refits.
- Opened 3 new vet practices and completed 15 practice extensions; and significantly enhanced our practice partner pipeline.
- Completed the transition of our multichannel operations to our single-site distribution centre.
- Continued to enhance our digital pet care platform, across seven themes: 'attract' (driving traffic to the platform), 'engage' (ensuring customers find what they need), 'convert' (turning platform sessions into sales), 'retain' (increasing customer satisfaction and loyalty), 'platform' (optimising the platform infrastructure and underlying processes), 'insights' (equipping business teams with actionable insight to drive improvements), and 'customer service' (equipping the team with the capability to serve customers).
- Made progress in our consumer data utilisation, offering much improved, personalised user experience and functionality across app and website.
- Maintained flexibility across our entirely leased store estate.

### Outlook and further actions planned

- The Group is in a strong competitive position through our unique omnichannel pet care model.
- We will continue to invest in our physical locations (both pet care centres and vet practices), including new sites, refits and extensions, as well as in the key enabling infrastructure, in particular our supply chain and digital pet care platform.
- We will continue to evolve our consumer value proposition based on consumer insights, offering ever more personalised and bespoke consumer journeys to enable us to maximise our share of wallet across our consumers' pet care spend.

### Emerging risks

- Speed of change in innovation and advances in pet care and clinical technology.
- Cost increases seen in materials and labour.
- Material changes in customer behaviour and needs, driven by concerns around affordability, sustainability, and the environment making pet ownership less attractive.

### Risk appetite

We have a higher appetite for risk in the creation of long-term value, developing our strategy and taking advantage of opportunities. In the execution of our strategic initiatives, where we need to maximise benefits realisation, we will only accept a moderate level of risk.

**Link to strategy**

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2. Supercharge omnichannel subscriptions
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# Risk review continued

## Sustainability and climate change

**Owner:** Chief People and Legal Officer
**Risk Type:** Operational

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

The success of our business over the long term depends on the Group operating sustainably in financial, environmental, and social terms. Our stakeholders, including investors, colleagues and customers need to be assured that we are acting responsibly across our business operations and supply chains. If we do not meet these expectations the Group's brand reputation, licence to operate and financial performance could be threatened. This includes progressing towards our 2040 net zero target across our own operations and our value chains and over the long term managing the physical risks from climate change and the transition risks from failing to effectively decarbonise our business.

We have a sustainability programme 'Our Better World Pledge' with governance covering the different areas of the business in relation to environmental responsibilities. This is important as we navigate the need to balance commercial decisions with environmental and regulatory requirements and management of potential increased costs of sustainable materials. This governance also oversees consideration to potential future disclosure requirements such as The Taskforce on Nature-related Financial Disclosures (TNFD).

### Key responses

- Long-term SBTi approved (2040) net zero and medium-term (2030) carbon reduction targets in place.
- Assessment of physical and transitionary climate change-related risks (see TCFD statement page 49).
- Allocation of capital across our five year strategic planning horizon to enable the delivery of further operational carbon reductions. In FY25 this has been used to finance the instalment of solar panels on the roof of our new distribution centre in Stafford.
- Development of decarbonisation programmes including :
  - Successful launch of Supplier Climate action programme to support our suppliers' decarbonisation plans.
  - Focus on pet food sustainability with a sustainability analyst in place who is leading the carbon foot printing of our own brand complete dog and cat food products.
  - Establishment of the sustainable anaesthesia programme with vet practices to enable them to manage their use of anaesthetic gases within a framework of clinical excellence.

### Outlook and further actions planned

- Our progress in delivering our updated sustainability strategy, 'Our Better World Pledge' can be found in summary on page 13 and in our separate Sustainability Report. This includes our performance against our targets relating to sustainability and climate change.
- We will continue to progress the initiatives that we launched during FY25 including:
  - supplier decarbonisation support.
  - carbon foot printing all our priority complete own brand cat and dog products.
  - expanding our vet practices specific programmes including anaesthetic gas stewardship, surgical textiles and flexible plastics recycling.

### Emerging risks

- Our TCFD scenario analysis identified 'declining pet ownership in a warming world' as an emerging risk. Our TCFD statement on page 49 explains this risk in more detail.

### Risk appetite

The Group takes its responsibilities in relation to sustainability seriously, not only because it is the right thing to do, but because it is critical to ensuring the sustainability of the business. We define sustainability as achieving environmental sustainability, social sustainability as well as financial sustainability and all three of these dimensions are critical to creating value in the long term.

# Risk review continued

## People and organisational capability

**Owner:** Chief People & Legal Officer
**Risk Type:** Strategic

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** < >

### Description
Our 18,000+ colleagues and Practice Owners are fundamental to the success of our business. It is essential that we attract, retain, develop, and reward our talent across the Group. Having the right talent with the right skills, capabilities and expertise, alongside succession planning will help us meet the needs of our customers, drive our customer-centric, omnichannel pet care ecosystem and deliver our business strategy.

### Key responses
- Carried out a company-wide survey on rewards and benefits to gain better understanding of our colleague preferences. This is to inform and guide our thinking on our reward strategy for FY26.
- Changed focus to colleague engagement and listening through face to face sessions with a Board member.
- Continued development of career pathways to retain talent groups and develop internal capability. Programmes such as 'Leading the Way' and the launch of 'Clinical Academy' positively impacted this progress.
- Continued the promotion of our national tactic to recruitment with 'always on' approach.
- Optimisation of social media sites and careers website.
- Made a number of improvements to support our practice's way of working with locums.
- Investment in ED&I workshops across retail.

### Outlook and further actions planned
- We will focus on the attraction and retention of diverse and critical talent, continuing to reduce colleague turnover.
- Development and increased visibility of colleague skills ensuring we have the right skills and organisational capability to deliver the business strategy.
- Identifying skills gaps and core competencies by role to support capability and expertise in all areas.
- Support the delivery of the strategy through a focus on people management and leadership capability.
- FY26 will also focus on organisational capability and the effectiveness of our people systems to be an enabler to this.
- People data and analytics will continue to be key in ensuring the People strategy supports the delivery of the business strategic pillars, supporting key commercial drivers.
- Focus on enhancing our employer brand to attract and retain top talent in a competitive market.
- By highlighting our commitment to diversity, equity, and inclusion, we aim to build a workforce that reflects diverse perspectives.

### Retail
- We will continue to ensure that within our Pet Care Centres, roles are fit for purpose and encapsulate the skills and capability needed for the future.
- We will continue to drive knowledge and expertise along with providing transparent career pathways.
- We will launch 'Leading the Way', prioritising existing managers and high potential colleagues on the path to management.
- We have reviewed and listened to colleagues in relation to our total reward and wellbeing offering for colleagues and managers.

### Vet
- We will deliver a suite of career and personal development activities to practice colleagues via our 'Clinical Academy'.
- Improve our Extra Mural Studies ('EMS') bursary programme working within the community and early careers partners to increase social mobility and broaden our talent pool and raise the profile of our employer brand within the clinical profession.
- Support our Practice Owners and their teams to leverage the uniqueness of our JV model to attract and retain colleagues who are the right fit for their practice.

### Emerging risks
- The level of uncertainty and change across the political landscape in the UK and globally and the pace at which this may emerge.
- The potential for overall increased employment costs in relation to government policy.
- The impact of new legislation through the Employment Rights Bill.
- Continuing restrictions and challenges in the specialist and clinical talent market.
- The continued impact of increased salary requirements for skilled worker visas.

### Risk appetite
We expect our colleagues and Practice Owners to act in line with our culture, values, and behaviours. The business has no appetite for risk relating to the health, safety, and wellbeing of our colleagues. We do however accept that there is an inherent level of risk in attracting and retaining critical talent across the business.

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# Risk review continued

## Competition and consumers

**Owner:** Chief Consumer Officer
**Risk Type:** Strategic

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

The Group competes in a wide-ranging competitive market including other pet specialists, pure play online competitors, online marketplaces, direct to customer businesses, supermarkets, discounters, online pet healthcare platforms, veterinary groups, and independent practices. There continues to be strong online competition including new start-ups, and those focused on subscriptions. We must continue to offer an attractive model for our future veterinary Practice Owners while keeping ahead of, and responding to, developments by our competitors around price, range of services offered, clinical care, and experience. There also remains a level of uncertainly around the UK economy and consumer confidence. Failing to be aware and manage all these factors could have an adverse impact on the Group's financial performance and opportunities for growth.

### Key responses

- Completed the transition of our multichannel operations to our single-site distribution centre.
- Continued to enhance our digital pet care platform, across seven themes: 'attract' (driving traffic to the platform), 'engage' (ensuring customers find what they need), 'convert' (turning platform sessions into sales), 'retain' (increasing customer satisfaction and loyalty), 'platform' (optimising the platform infrastructure and underlying processes), 'insights' (equipping business teams with actionable insight to drive improvements), and 'customer service' (equipping the team with the capability to serve customers).
- Made progress in our consumer data utilisation, offering much improved, personalised user experience and functionality across app and website.
- Continued optimisation of our Pets Club member offers utilising proprietary propensity modelling.
- Continued focus on new product development and innovation, including our exclusive partnerships with innovative brands.
- Monthly consumer research and brand sentiment tracking to understand changes to consumer behaviour, identify opportunities and to monitor the effectiveness of our brand marketing communications.
- Deepened our consumer and competitor insight reviews, which our EMT use to shape and evolve the businesses' priorities.

### Outlook and further actions planned

- We will remain within a highly competitive market and there remains ongoing uncertainty for our consumers as to the impact of the economic backdrop on household budgets. However, we have the strategies, processes, and structures in place to monitor this and review our consumer propositions as required.
- Continued investment into our consumer experience – both in our pet care centres and within our digital pet care platform.
- Further enhancements to our subscription propositions, including the expansion of our Easy Repeat proposition to stores.
- Well established product development processes, which will ensure we launch new or enhanced products/ranges to our core food, health, and accessories categories.
- Developing and expanding our veterinary services by continuing to open new practices, extending existing practices, investing in our practice infrastructure (including our new Practice Management System), and enhancing the omnichannel journeys for our vet clients.
- Regular monitoring of the market and competitor pricing to ensure we continue to provide competitive value and provide the best options for our consumers.
- Monitoring the effectiveness of our processes by regularly tracking our business and competitors against the measures our consumers tell us are important to them and drive their behaviour.
- Continue the development of impactful consumer propositions which meet consumers' pet care needs and deliver differentiated value.

### Emerging risks

- Disruption from new competitors taking advantage of new market dynamics and/or existing competitors receiving greater investment.
- Increased competition from generalist retailers putting greater focus on the pet category.
- Macroeconomic weakness and low levels of consumer confidence.
- Material changes in consumer buying behaviour driven by concerns around affordability, sustainability, and the environment making pet ownership less attractive.

### Risk appetite

The Group recognises that to successfully compete and grow the business we need to take an acceptable level of risk, whilst staying within our overall Group risk appetite. We have a higher appetite for risk in the creation of long-term value, developing our strategy and taking advantage of opportunities. In the execution of our strategic initiatives, where we need to maximise benefits realisation, we will only accept a moderate level of risk.

**Link to strategy**

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# Risk review continued

## Responsible sourcing and supply chain

**Owner:** Retail Chief Operating Officer and Vet Group Managing Director
**Risk Type:** Operational

**Links to strategy** 1 2 3 4 5 6 7 8 9 **Risk profile** L M H **Risk appetite** L M H **Change on previous year:** <>

### Description

As we source our products and raw materials globally, we are exposed to the risks associated with international trade, such as supplier failure or disruption, inflation, changing regulatory frameworks and currency exposure. Failing to meet our responsible sourcing commitments could damage consumer confidence and our business reputation, which could have a negative impact on business performance. Disruption in the end to end supply chain, from international tariffs, through to global freight instability, to disruption at our distribution centre or the wholesaler for veterinary products may result in significant interruption to the supply of stock to stores, essential products to our practices and in the fulfilment of online orders.

### Key responses

- Our Responsible Products Committee is responsible for developing the strategy for managing the environmental and ethical impacts of our products on our value chain.
- A comprehensive Supplier Code of Conduct provides clear supplier expectations in relation to human rights, environmental, ethical, and legal standards. This is supported by a Responsible Sourcing Handbook which brings our Supplier Code of Conduct to life with detailed implementation requirements, guidance, and signposting to additional resources. Our responsible sourcing requirements form a key part of our contractual agreements with suppliers.
- Engagement with industry bodies and external experts for collaboration, sharing and development of industry best practice.
- Qualified Internal Ethical Auditors across both the UK and Hong Kong.
- Modern slavery awareness training forms a key part of our mandatory colleague training for Support Office colleagues.
- Dedicated whistleblowing reporting mechanism for workers within our supply chain.
- Robust onboarding and ongoing monitoring programme of own label supplier standards including announced and semi-announced audits of production facilities conducted by Pets at Home colleagues or third-party audit bodies. Suppliers are supported to remediate non-conformances.
- Data systems are used to manage our supplier audits, enabling us to better track the resolution of issues and understand more about our suppliers, their workforce, and their risk profile.
- Vaccine supply and freight costs for veterinary products managed through close interaction with the supplier. Agreed ring-fenced stock has partially protected us from market shortages of products.
- Business continuity plans are in place for the distribution centre.

### Outlook and further actions planned

- Rising production, material and labour costs, potential changes to shipping routes and the disruption of raw material supply chains puts pressure on suppliers and means normal levels of due diligence could be bypassed to ensure the continuity of labour and materials for the fulfilment of customer orders. This increases the risk of human rights violations and environmental damage occurring undetected in lower tiers of supply chains. We work in partnership with our suppliers and in collaboration with industry to understand and mitigate these risks together and include, where relevant, contingency plans.
- Potential risk of supplier failure, either through insolvency or through an inability to deliver products due to global supply chain challenges and macro-economic barriers to trade.
- Our overseas supplier audit programme continues. We have invested in the team and from April 2024 we have increased the frequency and depth of supplier compliance and ethical audits, whilst proactively reviewing risk profiles from other countries before we engage.
- We are working with our own label suppliers to map lower tiers of the supply chain and to support them in conducting risk assessments. Where there is a high risk commodity, industry, sourcing location or vulnerable workers, we will work with them to ensure we have full visibility of ethical standards.

### Emerging risks

- Geopolitical uncertainty and disruption including international tariffs through to global freight instability.
- Continuing labour shortages in the UK manufacturing, logistics and agricultural sectors.

### Risk appetite

The Group does not tolerate any breach of Company policies, local laws, or regulations in our supply chain. We have clear expectations of our suppliers in relation to upholding human rights, providing safe working conditions, meeting acceptable labour standards, and protecting the environment. The safety and integrity of our products is of paramount importance so we will not compromise standards. We always collaborate with our suppliers to help them achieve our requirements but where standards are persistently not met or we encounter a zero-tolerance issue, we will end our business relationship.

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# Risk review continued

## Liquidity and credit

**Owner:** Chief Financial Officer
**Risk Type:** Financial

**Links to strategy** 1 2 3 4 5 6 7 8 9 **Risk profile** L M H **Risk appetite** L M H **Change on previous year:** <>

### Description

The Group requires adequate cash resources to enable it to fund its growth plans through its capital projects, capital allocation policy, and working capital requirement. Without adequate cash resources, the Group may be unable to deliver its growth plans, with a consequent impact on future financial performance. The Group's growth plans in respect of Joint Venture veterinary practices are predicated on the availability of finance for new Joint Venture Practice Owners to fund both the capital cost and working capital requirement for each new practice opening or capacity extension. The Group also provides additional financial support to veterinary practices to underpin their working capital requirements and growth in clinical capacity. This investment is a particular feature of the Joint Venture operating model and in making this investment the Group considers its total returns across all practices on a portfolio basis.

### Key responses

- The Group's finances are continually monitored in the context of its growth plans and of the wider economic landscape. The Group's core financing facilities are in place until September 2028. The Group maintains close working relationships with its banking partners to ensure sufficient liquidity and credit is available. The Group monitors a range of potential cash flow sensitivities to ensure the banking facilities in place remain sufficient and adequate considering evolving macro and micro-economic factors.
- The Group ensures that all cash surpluses are invested with banks that have credit ratings and investment criteria that meet the requirements set out in the Group Treasury Policy, which is Board approved and linked to our risk appetite.
- The Group's key suppliers are exposed to credit risk and the business has identified alternative suppliers where appropriate and developed contingency plans in respect of own label and private label food products.
- The Group has from time to time bought out and consolidated Joint Venture veterinary practices. As part of these acquisitions, the Group has settled any liabilities for third party bank loans and leases within these practices on behalf of the Joint Venture Practice Owner, with all such liabilities being written off.
- For the practices which the Group continues to operate under a Joint Venture Agreement, the Group has an established credit impairment provision to reflect the assessment of extended loans and investments being repaid over different lengths of time, with different risks of return, to provide for any potential shortfall. The Group has facilities in place with recognised lenders that give us confidence that our medium-term growth plans are financed adequately.

### Outlook and further actions planned

- The Group's liquidity headroom, and the length of time to expiry of the Group's core financing facilities, will continue to be monitored periodically.
- The evolving political and macro-economic situation is likely to lead to sustained uncertainty in relation to forecast cash flows, liquidity, and credit requirements. We will continue to monitor our finances and build relationships with our finance providers to ensure that the business is well positioned to manage its cash flows effectively and ensure sufficient liquidity is available.
- We recognise the value in supporting some of our Joint Venture veterinary practices with additional funding during the year ahead to enable and support their growth. Such funding will be available for those businesses that remain viable over the longer term, considering resilience evidenced within the sector throughout the last financial year.

### Emerging risks

- The evolving supply chain and inflationary factors.

### Risk appetite

We apply a cautious and balanced approach to funding, liquidity, and credit risks to safeguard access to funding whilst maintaining sufficient liquidity to meet our current financial obligations and future financial forecasts. The Group does not tolerate any breach in liquidity and credit contracts or Group liquidity and credit financial policies.

**Link to strategy**

1. Grow system capacity behind vets joint venture model
2. Supercharge omnichannel subscriptions
3. Align and target (using data) marketing spend and GTM behind Pets and Pets Club
4. Evolve our pet care centres and colleague model, with expertise at the heart
5. Drive omnichannel nutrition share through own, owned and exclusive nutrition brands at all price points
6. Overhaul accessories to significantly improve value, pace of innovation and online growth
7. Create a better world for planet, pets and people
8. Launch and scale a differentiated insurance proposition
9. Automation and AI to enhance performance

# Risk review continued

## Treasury and finance

**Owner:** Chief Financial Officer
**Risk Type:** Financial

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

The Group has an exposure to exchange rate risk in respect of the US dollar, which is the principal purchase currency for goods sourced from Asia. The Group also faces risks from changes to interest rates due to its exposure to debt facilities with floating interest rates linked to SONIA. The Group has an exposure to potential tax compliance issues which could lead to financial or reputational loss. If we do not manage these exposures, there could be an impact on the Group's financial performance with a consequential impact on operational and growth plans.

### Key responses

- We manage our exposure to exchange rate fluctuation based on our risk appetite via forward foreign currency contracts that are designated as cash flow hedges. The Group has an established guiderail for foreign exchange hedging in terms of both percentage forecast foreign currency purchase coverage and time horizon hedged out to.
- Our exposure to interest rate fluctuation is managed via floating to fixed interest rate swap contracts that are designated as cash flow hedges. The Group has an established guiderail for interest rate hedging in terms of both percentage forecast debt coverage and time horizon hedged out to, based on our risk appetite.
- All hedging activity is undertaken by the Treasury function in accordance with the Treasury Policy that sets out the criteria for counterparties with whom the Group can transact, which states that all hedging activities are undertaken in the context of known and forecast cash flows, with speculative transactions specifically prohibited.
- The Group operates within the Tax Policy framework which maintains a low risk appetite approach to its tax affairs.

### Outlook and further actions planned

- The political and macro-economic environment has resulted in ongoing foreign currency volatility and interest rate uncertainty, and we may see this continue for some time.
- Ongoing currency movements between the USD and GBP may result in further exchange risk.
- These risks are appropriately mitigated through the Group's Treasury Policy, Tax Policy and Tax Strategy. We do not expect any increased threat from other significant macro-economic changes in the short to medium term.

### Emerging risks

- Continued macro-economic and geopolitical uncertainty.

### Risk appetite

The Group has a low appetite for treasury and finance risks. We apply a cautious approach to safeguard the strength and resilience of the balance sheet. We also take an ethical and low risk approach to tax. The Group does not tolerate any breach in key financial policies, such as the Treasury Policy and Tax Policy and Strategy.

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# Risk review continued

## Legal and compliance

**Owner:** Chief Financial Officer
**Risk Type:** Financial

**Links to strategy** 1 2 3 4 5 6 7 8 9 | **Risk profile** L M H | **Risk appetite** L M H | **Change on previous year:** <>

### Description

Many of the Group's activities are regulated by national and international legislation, applicable industry regulations and standards including, but not limited to, consumer and competition laws and regulations, trading, advertising, packaging, product quality, health and safety legislation and guidance, pet shop licensing, National Minimum Wage and National Living Wage, Equality Act, modern slavery, anti-bribery and corruption, data protection, environmental regulations, the Corporate Governance Code, the RCVS Code of Professional Conduct for Veterinary Surgeons, and the off-payroll regulations (IR35).There have also been significant global developments in artificial intelligence technologies and a regulator-led approach to AI regulation, together with the upcoming implementation of the EU AI Act which has extra-territorial effect. Failure to comply with the obligations set out in this paragraph and other applicable legislation or recommendations of any regulatory investigations may lead to financial penalties and reputational damage and other consequences for the business and its Directors.

### Key responses

- We actively monitor regulatory developments in the UK and Europe (as applicable) and our existing obligations where we have internal policies and standards to ensure compliance where appropriate. Training is provided for colleagues.
- We operate a confidential whistleblowing hotline for colleagues, Practice Owners, suppliers, and people working within our supply chain to raise concerns regarding any potential breach of legal or regulatory obligations in confidence.
- Our suppliers commit to comply with all relevant business regulations for the territories in which they operate and to meet international labour standards which are laid out in our Supplier Code of Conduct. We reinforce this by placing contractual obligations on our suppliers and support where necessary.
- The Group's Data Protection Officer and Executive sponsored Steering Committee monitors Group compliance with legal requirements relating to personal data, ensuring relevant policies are up to date and works with our Information Security Steering Committee which monitors data security.
- We understand the value of ongoing training and communication to raise awareness of the personal data handled by the business, how to keep it safe and how to help prevent personal data incidents. We carry out regular induction, awareness, and refresher training for all our colleagues in Retail, Vets, and the Support Office.

### Outlook and further actions planned

- We continue to monitor legal and regulatory developments across the UK and Europe and will plan accordingly.

### Emerging risks

- New and amended regulations.
- Significant strengthening of UK consumer laws and regulations including those on the use of digital information, and increasingly stringent environmental regulation.
- Sector review and market investigation by the CMA into veterinary services for household pets in the UK.
- Increasing AI use and regulation.

### Risk appetite

The Group is committed to acting ethically, lawfully, and always in the best interests of our stakeholders and therefore has an extremely low appetite for compliance breaches, either regulatory or of our principal internal polices, including for example, our Health and Safety policy and our Code of Business Ethics and Conduct. Anyone who acts on our behalf is expected to act in line with our policies, values, and behaviours and to take the necessary steps to comply with applicable laws and regulations.

**Link to strategy**

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# Going Concern and Viability

In accordance with the UK Corporate Governance Code 2018 (the Code) the Directors assessed the prospects of the Company and potential threats to its resilience.

### Approach to Going Concern and Viability

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group and Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review. The Group has developed a detailed strategic and business planning ('SBP') process, which comprises a Strategic Plan containing financial projections for a 5 year period and covers assessment of markets, consumer demand and competition, and a Business Plan which forms a detailed near term one year plan for the upcoming financial year. The SBP process produces standard outputs in respect of the key financial performance metrics of the Group which deliver consolidated financial plans at both Group level and at a number of levels within the Group.

### Short term

The Directors of the Group have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, despite taking account of reasonably possible downsides, the Group will have sufficient funds, through its revolving credit facility, to meet its liabilities as they fall due for that period.

### Medium to longer term

The Strategic Plan is reviewed each year by the Board as part of the strategy review process. Once approved by the Board, the Strategic Plan is cascaded across the Group and provides the basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The SBP process covers a five-year period. The five-year plan provides a robust planning tool against which strategic decisions can be made in making their viability assessment.

### Material uncertainties and assumptions

In preparing the forecasts for the Group, the Directors have carefully considered the impact of consumer confidence, geopolitical tensions including emerging risks such as tariffs, and the actual and potential impact on supply chains, as well as energy cost inflation on liquidity and future performance. The Group has also considered the impact of climate change and the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis conducted in undertaking this assessment. The Group expects to be able to refinance external debt and renew committed facilities as they become due, which is the assumption made in the viability scenario modelling.

### Risk management

The Group and Company's approach to risk management and risk governance, along with the principal risks and uncertainties, are set out on pages 21 to 29. The Board conclude that, given the level of headroom, none of the changes in the risk profiles, risk appetites or risk scores based on the likelihood and impact had a significant impact on the Group and Company's viability.

### Sensitivity and stress testing

The Group has access to a revolving credit facility of £300m which expires on 30 September 2028 and a £23.3m asset backed loan which expires on 27 March 2030. The Group had £33.3m drawn down at 27 March 2025 and cash balances of £39.5m. The lowest level of headroom forecast over the next 12 months from the date of signing of the financial statements is in excess of £329.0m in the base case scenario. On a sensitised basis, the lowest level of headroom forecast over the next 12 months from the date of approving of the financial statements is £301.9m due to the removal of the dividend payment in a scenario 3.

The Group has been in compliance with all covenants applicable to this facility within the financial year and is forecast to continue to be in compliance for a period of 5 years from the date of signing of the financial statements.

A number of severe but plausible downside scenarios were calculated compared to the base case forecast of profit and cash flow to assess headroom against facilities over the next 5 year period. These scenarios included:

- Scenario 1: Reduction on Group like-for-like sales growth assumptions of 1% in each year throughout the forecast period, but ordinary dividends continue to be paid.
- Scenario 2: Using scenario 1 outcomes and further impacted by a conflated risk impact of £64.8m on sales and £25.1m on PBT per annum (using specific financial risks taken from Group risk register with sales and PBT financial impact quantified), with dividends held at 13.0p per share per annum.
- Scenario 3: Group like-for-like sales growth at 0% in each year and a conflated risk impact of £144.8m on sales and £44.2m on PBT is applied (using the top risks from Group risk register with sales and PBT impact quantified), with dividends cut to nil to conserve cash.

Against these negative scenarios, adjusted projections showed no breach of covenants. Further mitigating actions could also be taken in such scenarios should it be required, including reducing capital expenditure.

### Going concern and viability statement

Despite net current liabilities of £135.2m at Group level and £922.8m in the Company, the Directors of Pets at Home Group Plc, having made appropriate enquiries including the principal risks and uncertainties on pages 20 to 29, consider that the Group and Company will have sufficient funds to continue to meet their liabilities for a period of at least 12 months from the date of approval of these financial statements and throughout the strategic planning horizon period of 5 years, and therefore, it is appropriate to adopt the going concern basis in preparing the Group consolidated financial statements and the Company only financial statements as at and for the period ended 27 March 2025.

# Non-financial and sustainability information statement

Non-financial measures are an important part of our business. The table below constitutes the Company's non-financial and sustainability information statement as required by sections 414CA and 414CB of the Companies Act 2006. Our Sustainability Report and corporate website (https://www.petsathomeplc.com/investors/) contain non-financial information, including actions, to manage our environmental and social impact and look after our colleagues.

Copies of our policies are available on our investor website: www.petsathomeplc.com

Information relating to our business model is included on page 6

Our non-financial KPIs are detailed on page 8

Information relating to how the business manages risk is set out on pages 19 to 29

| Risk | Relevant policies and documents | | Impacts and metrics |
|---|---|---|---|
| **Environmental** | – Packaging Policy<br>– Environmental Policy<br>– TCFD statement and climate financial disclosures pages 49 to 60<br>– Sustainability Report | – Supplier Code of Conduct<br>– Responsible Sourcing Handbook<br>– Raw Materials Sourcing Policy | – Impacts on climate, environment, deforestation in our operations, supply chains and product impacts<br>– Climate change risk management & mitigation |
| **Colleagues** | – Diversity and Inclusion Policy<br>– Whistleblowing Policy<br>– Sustainability Report | – Health and Safety Policy<br>– Colleague Handbook<br>– Annual Report pages 14 to 15, 37 to 38 and 41 | – Culture, engagement, safety and wellbeing<br>– Pay and reward, training and development<br>– Diversity and Inclusion |
| **Social matters** | – Responsible Sourcing Handbook<br>– Anti-bribery and corruption<br>– Sustainability Report | – Tax Strategy<br>– Pets Foundation Impact Report | – Working with suppliers on supply chain ethics and environmental impact<br>– Community & charity impact<br>– Responsible business |
| **Respect for human rights** | – Human Rights Policy<br>– Supplier Code of Conduct | – Whistleblowing Policy<br>– Modern Slavery Act Statement<br>– Annual Report pages 48 | – Human rights in our business & supply chains<br>– Supplier expectations<br>– Grievance mechanisms |
| **Anti-corruption and anti-bribery matters** | – Anti-Bribery Policy<br>– Code of Ethics and Business Conduct | – Responsible Sourcing Handbook<br>– Supplier Code of Conduct<br>– Annual Report page 36 | |

This Strategic Report has been approved by the Board of Directors and is signed on its behalf by:

**Mike Iddon**
**Chief Finance Officer**
28 May 2025