

FY24 Interim Results

A woman with dark hair is lying on a dark blue couch, smiling and looking up. She is wearing a grey long-sleeved shirt and bright orange pants. A brown dog is lying on her chest, and she is holding a glass of orange juice. The scene is brightly lit by natural light from a window in the background.

We have a clear strategy to deliver growth

Our purpose

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

Our vision

To build the world's best pet care platform

Integrated
a unified blend of products, services and advice

Omnichannel
seamlessly connected

Consumer-centric
an unrivalled experience

Our values

Pets
To improve the life of every pet in the UK

People
To be the best employer and developer of talent

Planet
To make pet care environmentally sustainable

Successful execution will support 7% revenue CAGR and 10% PBT CAGR over the medium term

A growing market

Consistently taking share

Driving high-quality growth

Reward shareholders

c4%
Forecast market CAGR over the medium term

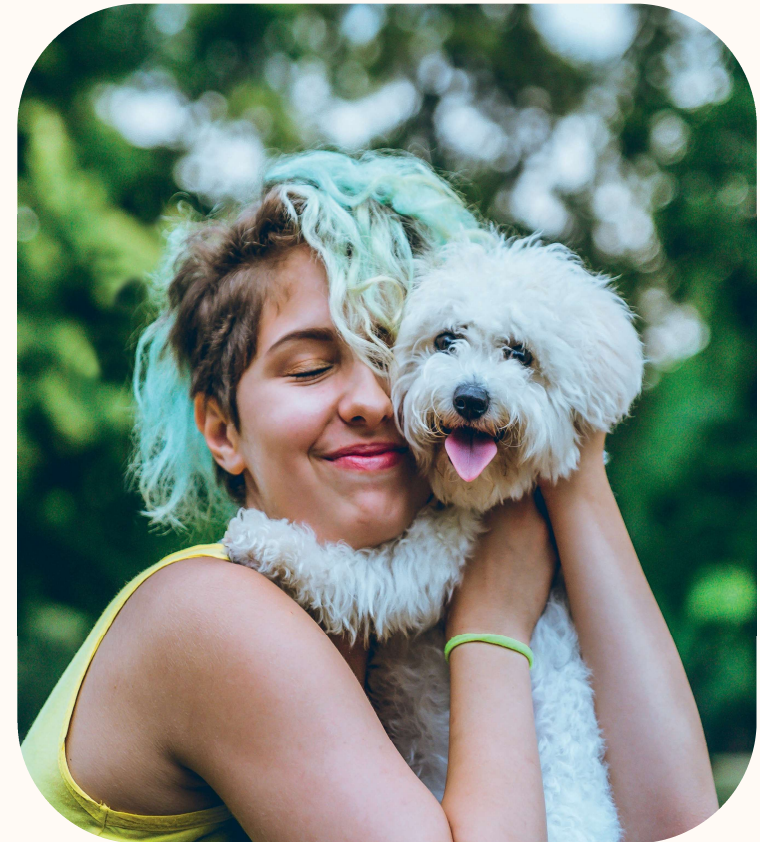
c300bps
Market out performance pa, Pets sales CAGR +7%

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

£50m
Progressive dividend, £50m share buyback in FY24

H1 has been a period of high activity and progress against our strategy

- 1** Launched new DC - Stafford DC launched, now supporting 100% of stores. Online fulfilment next.
- 2** Built digital platform – on track to launch in FY24 as planned.
- 3** Invested in our physical assets – 3 new stores, 24 refits, 2 new JV vets, 5 vet extensions and 5 company managed practices converted to JV.
- 4** Winning on vet talent – improved attraction and retention, more vets driving growth in visits.
- 5** Launched our new Pets brand, bringing together our products and services under one master brand.
- 6** Accelerated innovation across food and accessories, driving growth into own brand and premium categories.
- 7** Responded to the CMA review into the veterinary sector, highlighting the uniqueness of our Joint Venture model.



Our performance has been resilient whilst delivering on our strategy

Consumer Revenue

£1.0bn

+8.6% YoY



Group Revenue

£774m

+6.5% YoY



LFL

+6.2%



Underlying PBT

£47.8m

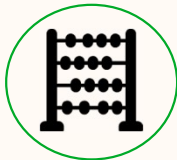
(19.3)% YoY



FCF

£23.1m

(44.3)% YoY



Net Cash

£12.1m

£(31.0)m YoY



CROIC

20.1%

(139)bps YoY



Dividend

4.5p

flat YoY



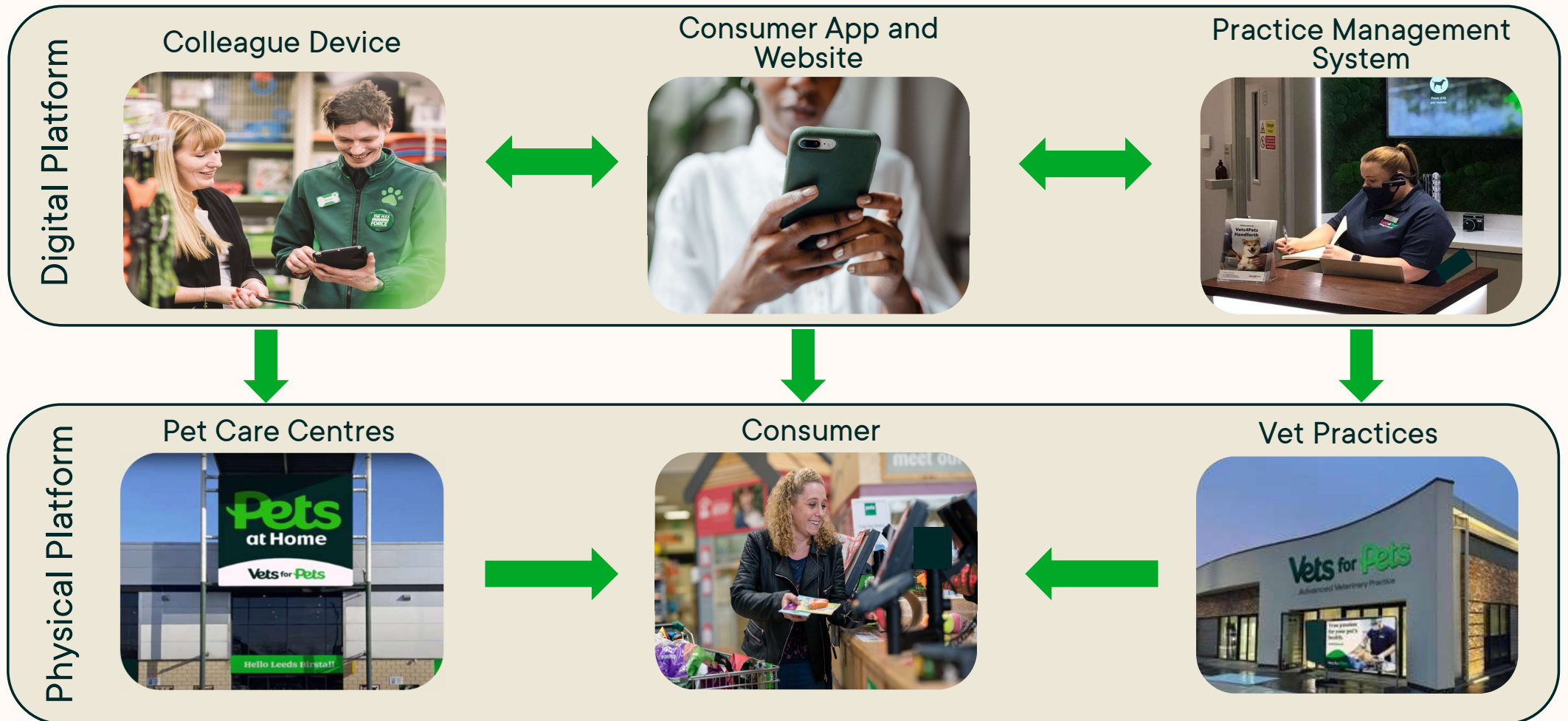
Delivering against our strategy



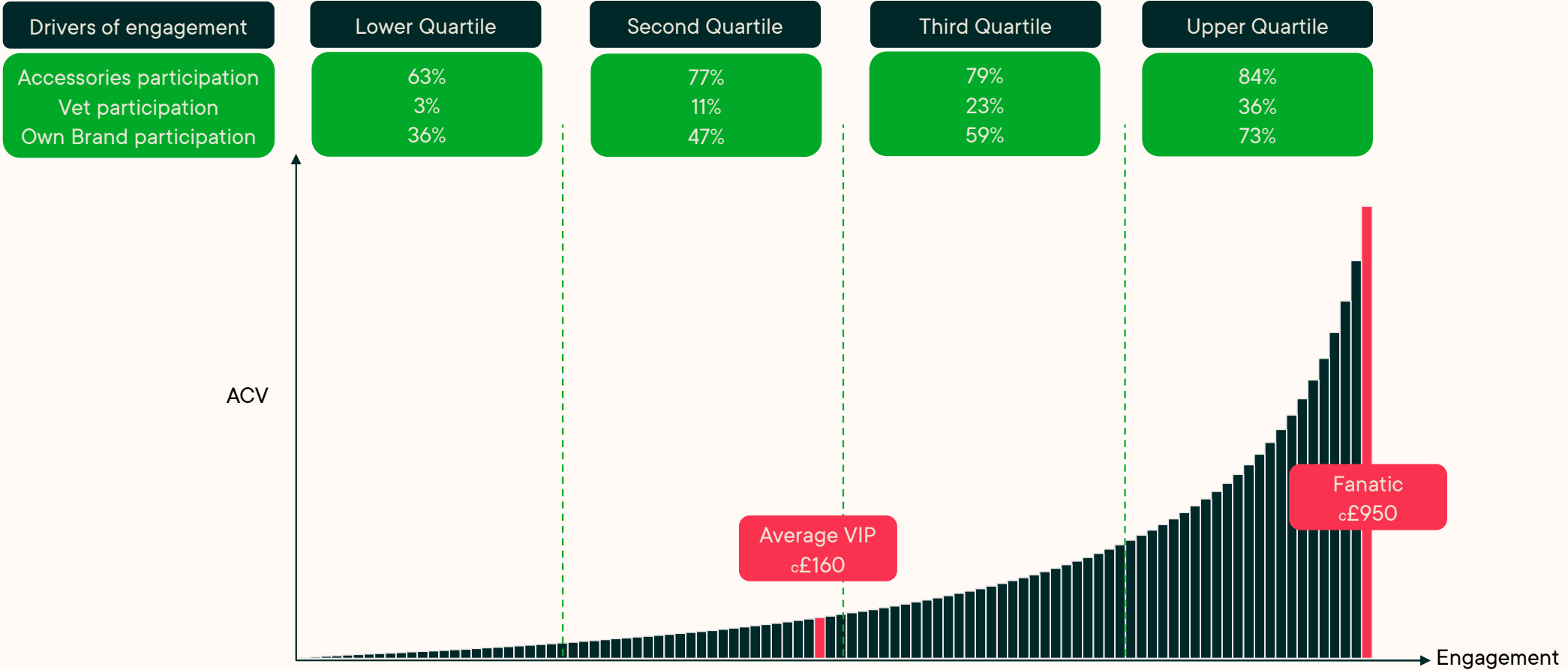
Digital



Our digital investments touch every part of our business



They are key to driving greater engagement and winning share of wallet

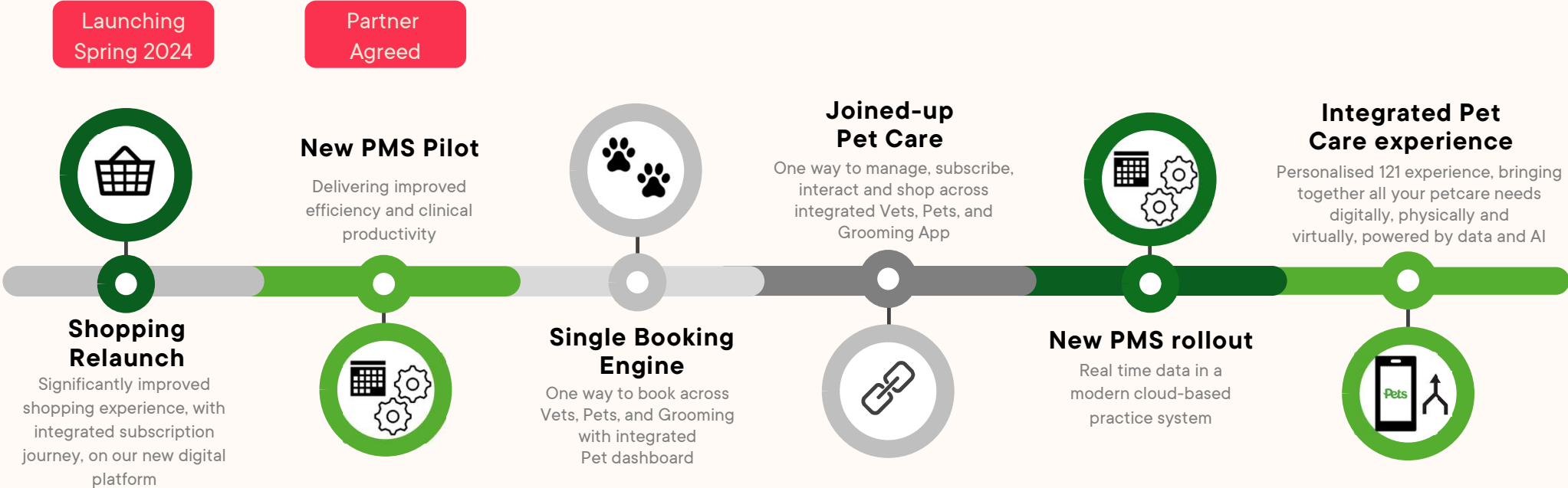


Increasing ACV by just £10 drives £78m of incremental consumer revenue

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



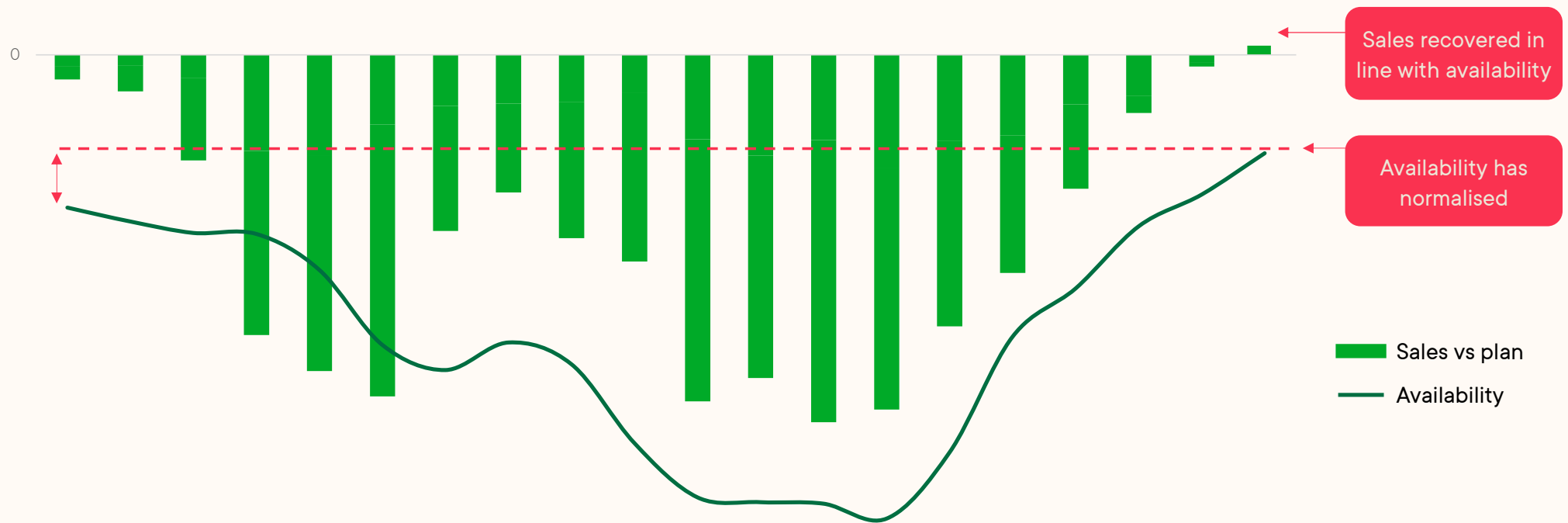
In H1 we have made good progress and will launch our new app in H2



Distribution



We experienced short term disruption during transition but this was contained and we have regained momentum



Our new distribution centre is now onstream and primed to support future growth

+80bps

Improvement in availability
vs pre-transition

+17%

Increase in outbound
volumes YTD

-3%

Q2 LFL impact
due to availability



Delivering clear operational and commercial benefits



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

Retail



We are investing in our stores to offer an engaging and rewarding experience for consumers

New pet care centres in H1

3



Store refits in H1

24



New groomers in H1

4



Food anchors our retail growth strategy, and we are uniquely placed to grow new premium categories

<p>Why food is so important</p>	<p>+4x Uplift in frequency¹</p>	<p>+60% Uplift in non-food spend¹</p>
<p>Why we are best placed to win</p>	<p>46% Share of premium food market</p>	<p>c7% Premium food market forecast CAGR</p>
<p>What we've delivered in H1</p>	<p>>100 Stores with new freezer capacity</p>	<p>16% Freeze dried sales growth</p>

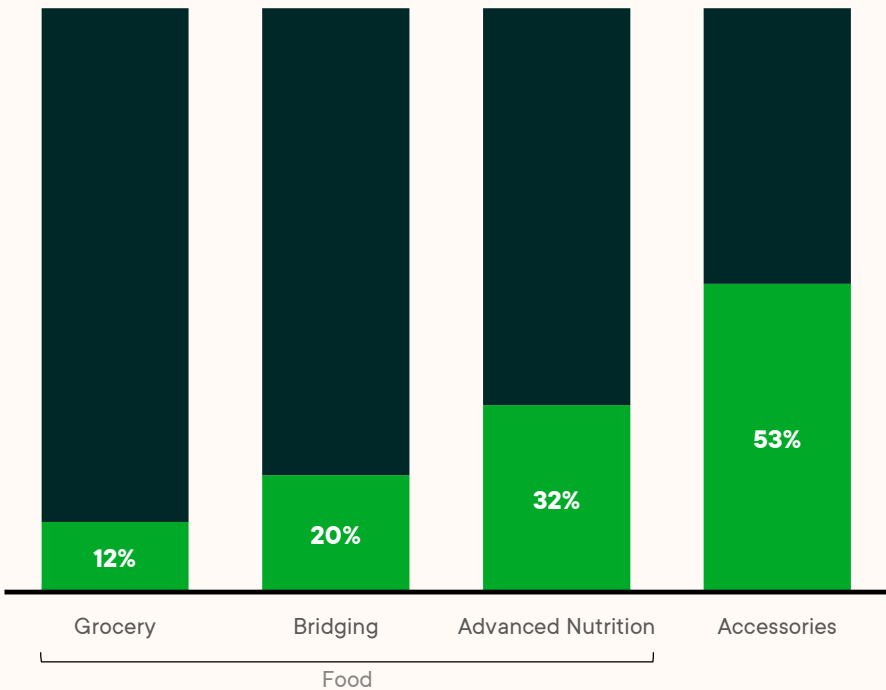


1. Uplift seen in consumers with high annual food spend vs consumers with low annual food spend.

Through H1 we have accelerated innovation with encouraging results

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

Driving innovation to offer an unrivalled proposition to consumers



Own Brand Penetration



Vets



Our vets delivered an excellent performance in H1 as the advantages of our unique model shine through

For our Partners

+17%

Average Practice Revenue

+4%

Practice Visits

For the Group

+17%

Consumer Revenue

+16%

Profit Before Tax

+13%

Average Transaction Value

+3%

New Pet Registrations

+13%

Free Cashflow

↓ £3.5m

Operating Loans

Underpinned by increased vet capacity through improved attraction, retention, and productivity



All metrics are presented on a year-on-year basis, except operating loans which is presented on a year-to-date basis.

We have made good progress investing behind our pillars of growth



We have multiple, complimentary levers of growth, and have made a great start in H1

5
Practice Extensions

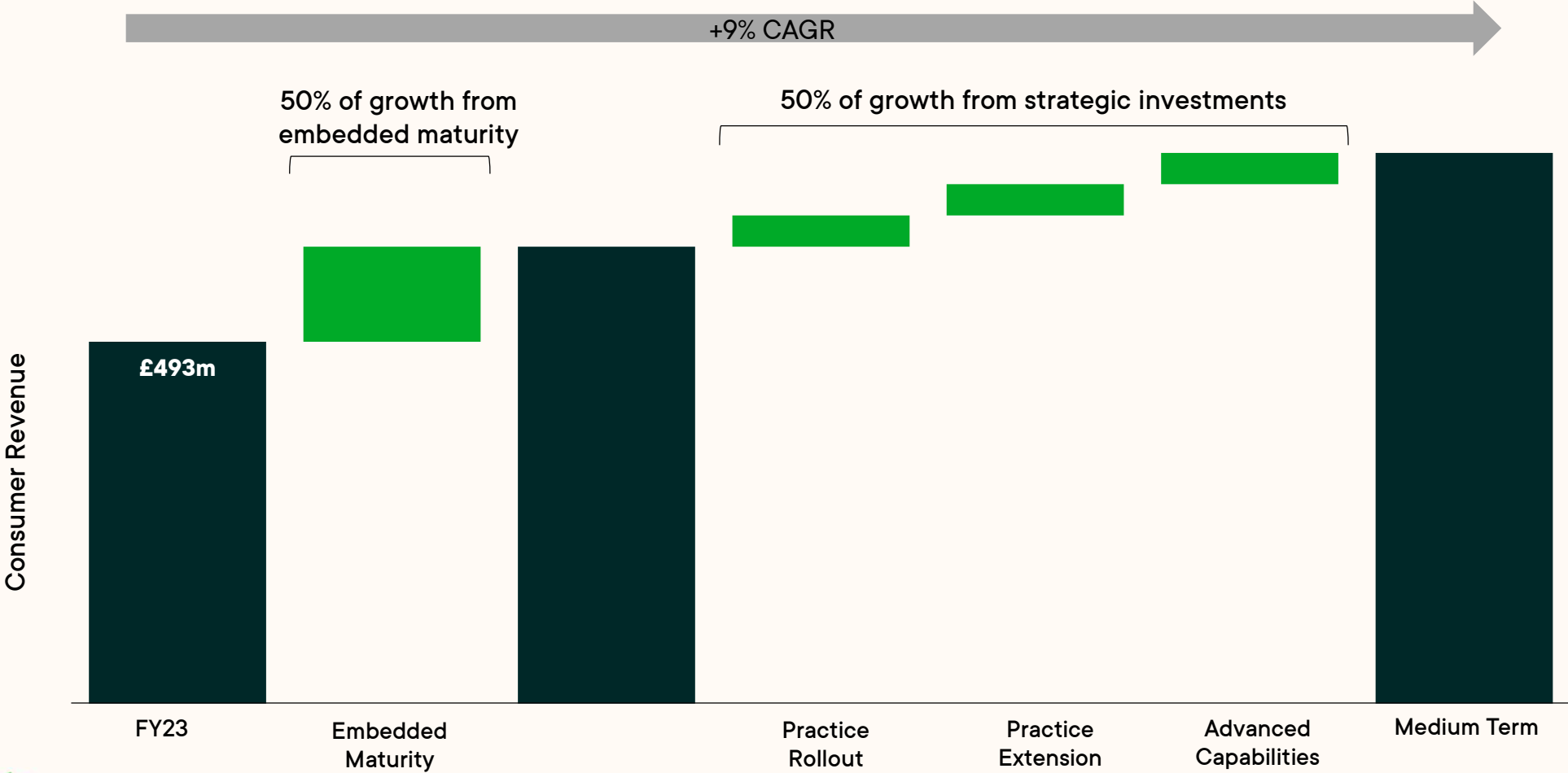
5
JV Conversions



2
New Openings

~10,000
Additional Sq. Ft.

Meaning we are well on track to hit our medium-term ambitions



The CMA announced a review into the UK vet sector on 7 September 2023 citing four areas of focus

1 The cost of vet services has risen faster than the rate of inflation.

2 Pet owners may not find it easy to access the information they need about prices and treatment options to make good choices.

3 It may be unclear to customers whether their vet is part of a larger group which owns multiple other practices.

4 Customers may be unaware that additional services offered to them (e.g. referrals, crematorium) are provided by entities within the same group.



Vet inflation has been driven by unprecedented cost inflation across the UK vet industry

Increased vet salaries driven by low supply

Average vet salaries up >10% in each of the past 3 years, shortage in supply means a more competitive labour market.

Increased locum usage at higher rates

Surgeries have had to rely more on locums where daily rates are higher than full time equivalents.

Increasing CPD expectations & costs

Vets are increasingly expected to progress to certificate holder level, with the associated cost being borne by the practice.

National Living Wage increases

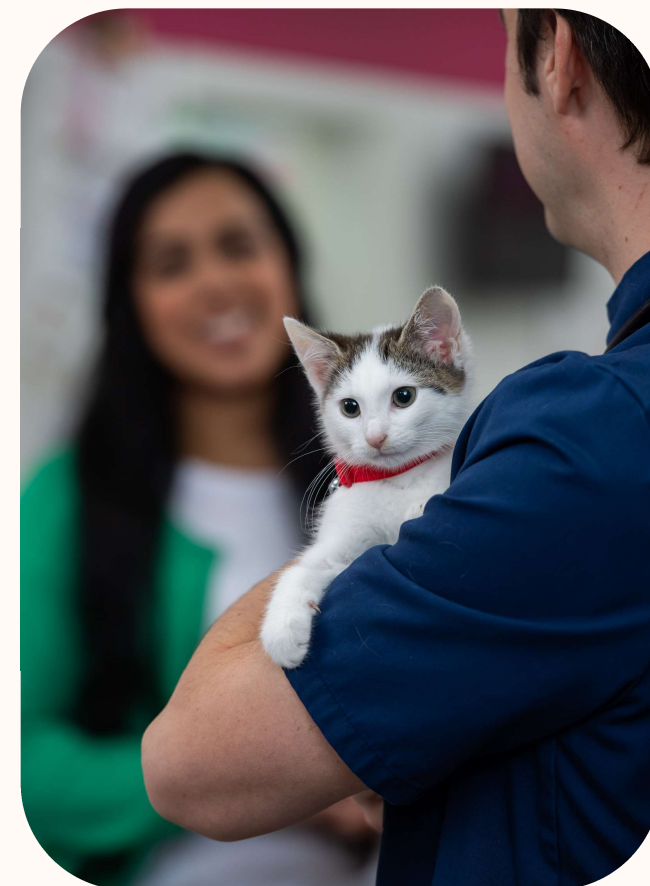
National Living Wage increased 9.7% in 2023, impacting front office colleagues.

High energy and property costs

Energy costs increased almost 200% in the past year, and increasing rents at our standalone practices.

Higher drug prices and other input costs

Cost of pharmaceuticals has increased by 15-25% since the start of 2021.



Our JV model is unique, freeing practice owners to make their own decisions and provide the best clinical care

Clinical autonomy within full-service practices

Vets use their expertise to determine best course of action

Strong national brand – VetsforPets

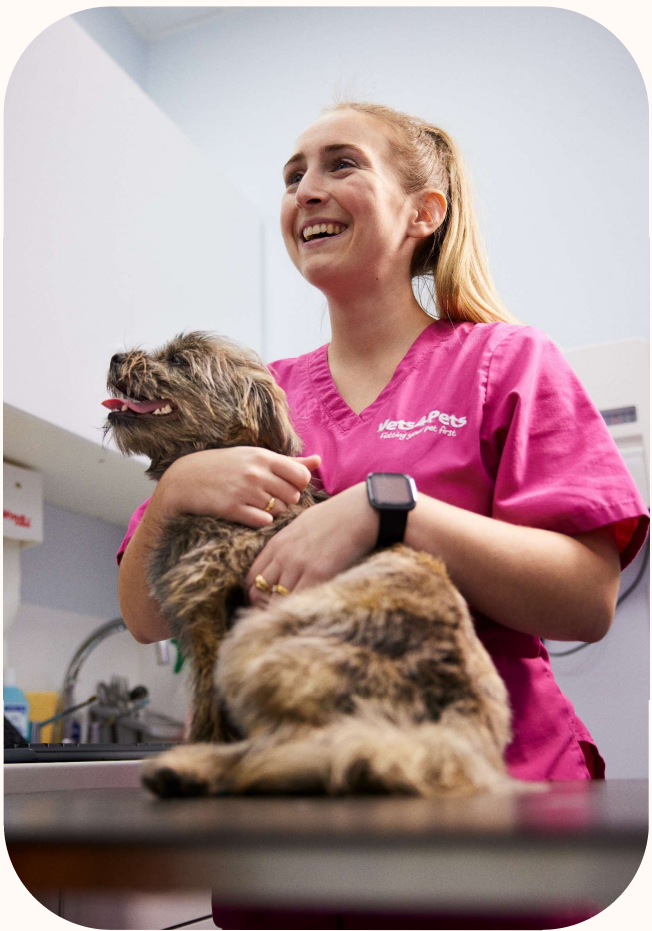
Aligning under a national brand provides quality assurance to clients

Significant scale as one of UK’s largest providers

We provide scale benefits to vets to lower costs and free time to treat pets

Complete operational independence

Practice owners make local hiring and pricing decisions



Our growth strategy is pro-competitive

New Sites

Open 5-15 new practices a year over the medium term bringing new vet capacity to local areas.

Extensions

We will invest to extend existing sites as they reach capacity on their original footprint. More space means more vets, increasing local supply.

Advanced Capabilities

We will invest in advanced capabilities, including new equipment and extra operating theatres, enabling vets to broaden the services they can offer and compete with the specialist referral sector.

24hr Care

We will invest in 24hr care across more sites increasing competition in this area.



H1 Summary

1 H1 has been the period of peak implementation, key projects remain on track.

2 Our performance has been resilient whilst delivering on our strategy.

3 Challenges were controlled, managed effectively, and we are back on track.

4 We are well positioned to deliver growth over the medium term.



Financial review



Our performance has been resilient whilst delivering on our strategy

Consumer Revenue

£1.0bn

+8.6% YoY



Group Revenue

£774m

+6.5% YoY



LFL

+6.2%



Underlying PBT

£47.8m

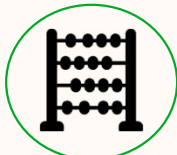
(19.3)% YoY



FCF

£23.1m

(44.3)% YoY



Net Cash

£12.1m

£(31.0)m YoY



CROIC

20.1%

(139)bps YoY



Dividend

4.5p

flat YoY



FY24 H1 Revenue

Group

Revenue (£m)	FY24 H1	FY23 H1	YoY
Total	774.2	727.2	6.5%
Like-for-like	6.2%	6.4%	

Retail

Revenue (£m)	FY24 H1	FY23 H1	YoY
Food	427.5	387.6	10.3%
Accessories	241.6	248.8	(2.9)%
Other ¹	26.9	25.1	6.9%
Total	696.0	661.5	5.2%
Like-for-like	5.2%	5.9%	

Vet Group

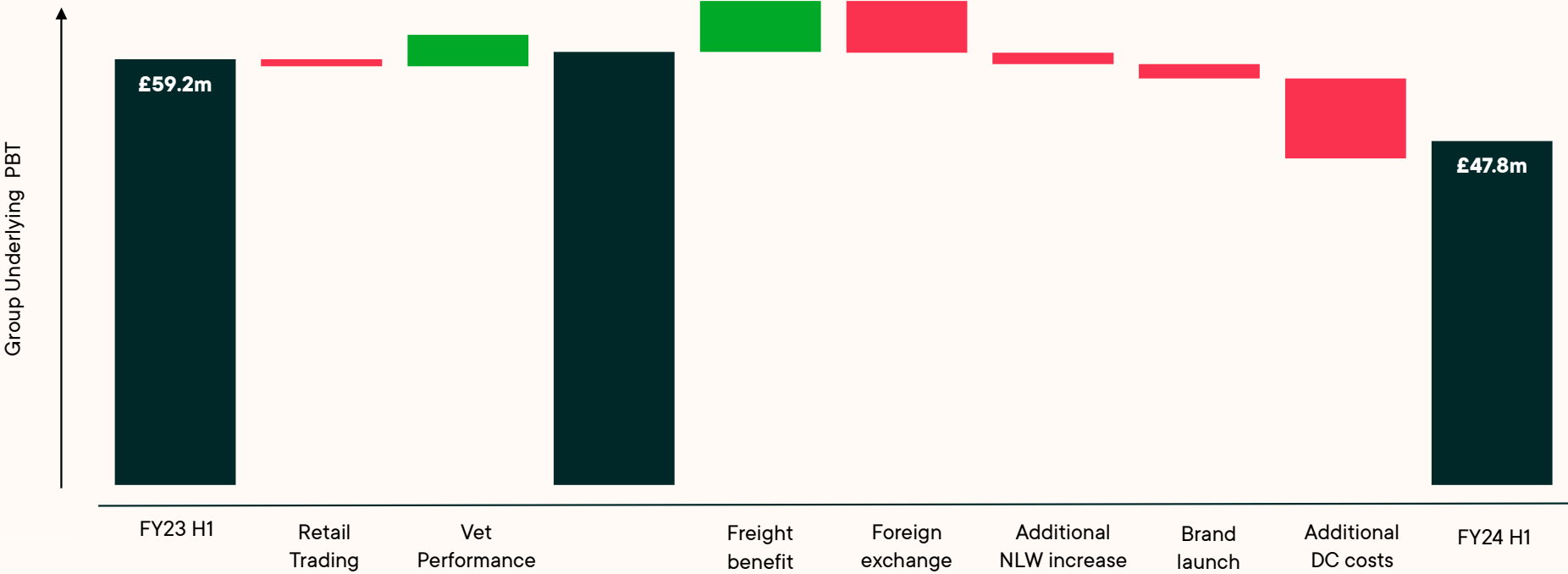
Revenue (£m)	FY24 H1	FY23 H1	YoY
Fee income from JV vet practices	47.7	40.7	17.2%
Company managed practices ²	24.0	19.2	24.7%
Other veterinary income ³	5.0	3.9	28.8%
The Vet Connection	1.5	1.9	(20.4)%
Total	78.2	65.7	19.0%
Like-for-like	17.3%	10.6%	

1. Includes revenue from grooming services, pet sales and insurance commissions

2. Revenue from company managed practices, which is recognised in full from the point they become wholly owned

3. Includes income generated from non-revenue based fees such as those relating to the set up of new practices, income generated from the sale of company managed practices, and other supplier income

H1 profit shape in line with plan; full year PBT flat YoY



FY24 H1 Profit

£m	FY24 H1	FY23 H1	Change
<i>Underlying PBT</i>			
Retail	23.8	39.5	(40.0)%
Vet Group	32.8	28.4	15.7%
Central	(8.8)	(8.6)	(2.7)%
Group Underlying PBT	47.8	59.2	(19.3)%
Non-underlying items ^{1,2}	(13.1)	(5.8)	
Statutory PBT	34.7	53.4	(35.2)%
Underlying PBT margin	6.2%	8.1%	(197)Bps
Underlying basic EPS (pence)	7.4	9.6	(22.9)%
DPS (pence)	4.5	4.5	0.0%

1. H1 FY24 non-underlying items of £9.4m relate to transition costs relating to our new distribution centre, £2.6m relating to the consolidation of our vet and retail support offices, and £1.1m relating to the write down of our investment in Tailster, all allocated against non-underlying operating costs.
2. H1 FY23 non-underlying items of £4.5m relate to transition costs relating to our new distribution centre, and £1.3m relating to restructuring of certain support functions, both allocated against non-underlying operating costs.

FY24 H1 Investment

£m	FY24 H1	FY23 H1	
Investing in our Supply Chain	3.3	19.3	Launched new DC in Stafford, now supporting 100% of stores
Store Refit Programme	10.7	13.4	24 refits completed in H1
Digitising the Business	1.6	3.4	Supply chain and warehouse management systems, enhancing inhouse capabilities
Vet Group	0.4	2.3	5 practice extensions and 2 new practices in H1
New Stores and Groomers	2.5	-	3 new stores and 4 new groomers in H1
Other	-	0.6	
Capital Investment	18.4	39.0	
Digital Investment (Opex)	15.1	16.8	Built digital platform – on track to launch in FY24 as planned
Total investment	33.5	55.8	

FY24 H1 Free cashflow

£m	FY24 H1	FY23 H1
Net cash flow from operating activities	103.1	142.9
Lease payments ¹	(38.1)	(37.2)
Net cash capex ²	(22.4)	(42.4)
Net interest ³	(7.7)	(7.1)
Purchase of own shares for colleague share schemes	(11.8)	(14.8)
Free cashflow	23.1	41.4
Equity dividend	(39.5)	(37.0)
Acquisitions ⁴	(1.1)	(0.1)
Share buyback	(25.1)	(27.2)
Loan repayment	(75.0)	-
Net increase in cash and cash equivalents	(117.6)	(22.9)
Net cash	12.1	43.1
Lease liabilities	(398.1)	(422.8)
Total indebtedness	(386.0)	(379.7)
Pre IFRS 16 leverage	(0.1)x	(0.3)x
Lease adjusted leverage	1.6x	1.6x

1. Lease payments are cash payments for the principal portion of the right-of-use lease liability.

2. Net cash 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.

3. Net interest is interest received less interest paid, interest paid on lease obligations, and debt issue costs.

4. FY24 includes £1.0m investment in Good Dog Food and £0.1m investment in certain company managed practices. FY23 includes investment in certain company managed practices.

Our balanced capital allocation is closely aligned to our strategic priorities

Capital Priorities

1. Investment in the business

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

2. Ordinary Dividend

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

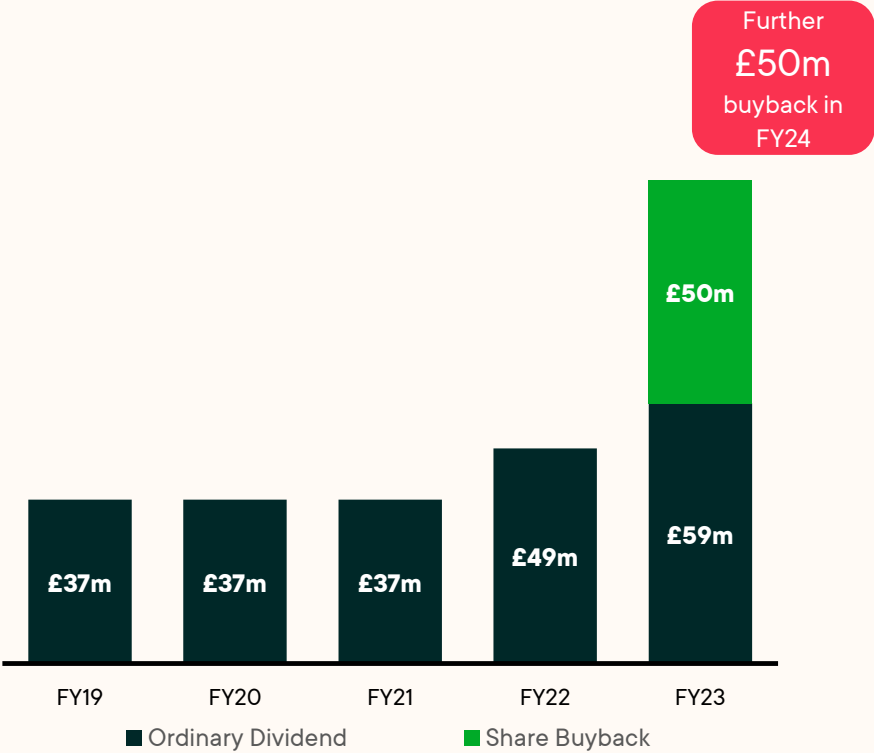
3. M&A

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

4. Surplus Returns

Via share buy backs or special dividends. e.g. £50m share buy back in both FY23 and FY24.

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



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

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

1.	2.	3.	4.
Grow sales ahead of the market	Grow profit ahead of sales	Drive strong, improving FCF	Reward shareholders
+7%	+10%	c70%	£50m
CAGR sales growth, 300bps ahead of market (c4%)	Grow PBT at 10% CAGR over medium term	FCF conversion to trend towards 70% of PBT	Progressive dividend, £50m share buyback in FY24

Appendix



FY24 Outlook

Customer Revenue

Ahead of medium-term ambition (c7%)

Underlying PBT

Flat year-on-year (c£136m)

Non-underlying costs

c£24m

Effective Tax Rate

26%

Investment

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

Cash

Expect to end year in net cash position

Disclaimer

Forward-looking statements

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