

Delivery our strategy

Delivery of our strategy across the PawPrint supports growth in like-for-like sales, space rollout and margins.

Grow like-for-like sales

Multiple opportunities to continually improve our customer offer and deliver resilient growth

Innovation

Evolve our Food offer to give pets better quality diets. Develop new and exciting Accessories to ensure customers are always seeing something different.

Private brands

Expand and grow our private labels in Food and Accessories, which are only stocked in Pets at Home.

Value

Ensure a tight focus on delivering overall value for customers; through pricing, product features, service and convenience.

Omnichannel

Stay relevant to customers' evolving shopping habits through an improved omnichannel experience and convenient delivery & collection options.

Services

Develop our vet, grooming and advisory services, which creates more reasons for customers to engage with us.

Loyalty

Grow the VIP club and personalise our approach to targeted marketing so we can increase our share of customers' spend.

Engagement

Maintain leading levels of customer engagement with our highly trained colleagues, to ensure we are the trusted pet experts.

[→ Read more – page 22](#)

Grow retail and services space

Increase our footprint across the UK to improve convenience to existing customers and access new customers

New stores & services

Open new superstores containing vet practices and grooming salons, in optimal locations, to access unmet market spend.

Retrofit services

Retrofit vet practices and grooming salons to improve the customer offer in stores that do not have pet services.

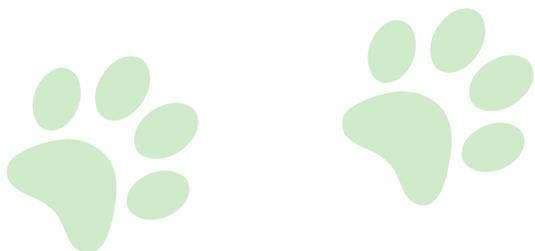
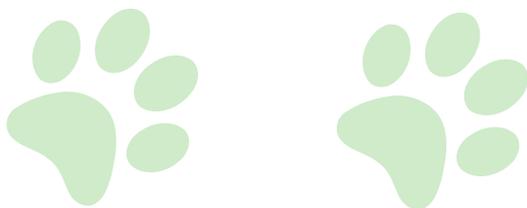
Additional growth

Expand into veterinary market areas that are complementary to our core business and provide additional growth opportunities.

[→ Read more – page 24](#)



→ Key performance indicators – page 26



World class shopping

Friendly experts

At the heart of every community

Grow margins

Focus on strategies that will deliver long term operating margin improvement

Services

Focus on the growth of our vet and grooming services businesses, which deliver premium operating margins when mature.

Private brands

Grow the participation of private brands to increase the mix of premium margin products within the business.

Simplicity

Simplify processes, product management and behaviours to maintain an optimal cost base.

→ Read more – page 25

CSR strategy

Put responsibility at the heart of our business

Our Pets People
Be a great place to work.

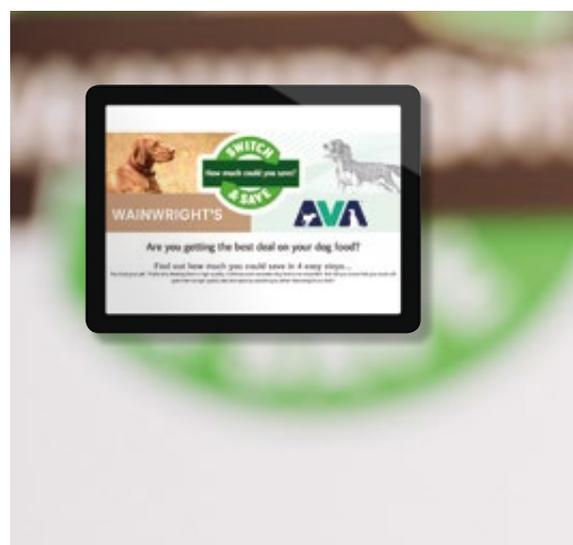
Heart of the Community
At the heart of every local community.

Sourcing with Integrity
Ensure we maintain our number one value, putting Pets Before Profit.

Our Pets Environment
Efficiently use and respect resources.

→ Read more – page 44

Grow like-for-like sales



Highlights of 2017

Value

- Evolved our offer to provide even better product pricing
- Alongside moving to a simpler and consistent pricing approach, away from promotional offers and vouchers
- Repositioned private label dog Advanced Nutrition pricing so it is now the best value in the UK

Omnichannel

- Maximised the convenience of Click & Collect store pickup for online product orders
- Launched major initiatives: a subscription service for flea prevention products, and 'order in-store' where colleagues can place a customer order for the extended online range from their PetPads

VIP

- Launched the VIP App which removes the need for customers to physically carry their VIP card
- Encouraged more VIPs to shop across multiple brands, bringing the number who purchase product and using pet services to nearly 500,000

Engagement

- Maintained our overall rates of colleague engagement and retention

Services

- Maintained growth in mature first opinion vet practices ahead of the market
- Encouraged strong growth in all vet practices through increased TV marketing, extended opening hours and space expansions

Relevant KPIs

1.5%[◇]

Group like-for-like growth[†]

0.8%[◇]

Merchandise like-for-like growth[†]

7.9%[◇]

Services like-for-like growth[†]

Future plans

Deliver even better value for customers; through the repositioning of more price points, enhancing our pet services offer and delivering excellent customer advice.

Continue investing to ensure our customer facing developments and internal systems are sector leading.

Develop a more personalised approach when marketing to and engaging with our VIPs.

Revitalise our colleague Steps programme to ensure more colleagues can train to a higher level, in more areas of pet expertise.

Continuing investing in and developing our veterinary business to grow faster and ahead of the overall market.

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems and information security
- Supply chain/sourcing
- Regulatory and compliance
- Extreme weather

➔ [Read more on KPIs – page 26](#)

➔ [Read more on risk management – page 38](#)

[◇] FY16 comparative information presented on a 52 week basis. For reconciliation to a 53 week statutory basis see page 179.

[†] Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 179.



Best value Advanced Nutrition with our Switch & Save campaign

The Switch & Save campaign encourages customers to purchase our private label foods, Wainwright's and AVA, by highlighting how much customers can save. This could be up to £260 per year when switching from an equivalent branded food.

The prices on our large bag private label dog foods are now 15-25% lower and represent the best value Advanced Nutrition in the UK market.



Growing our veterinary business even faster

Our first opinion business has the highest average revenue per practice in the UK vet market. This has been achieved by giving our vet partners multiple routes to growth, driven by the convenience of practice locations and opening hours, our national TV campaigns, and practice space extensions, which are all driving new client growth.

24.6%[◇]

growth in total Joint Venture vet practice income

Grow retail and services space



Growing our family of specialists

We expanded our presence further this year in the veterinary referrals market, through the acquisitions of Dick White Referrals in Cambridgeshire and the Eye Vet in Cheshire. Specialist referrals represents the premier tier of veterinary medicine, and by acquiring such centres, we gain access to an additional area of the vet market. Our future growth in this area will come through a combination of acquisition, and greenfield development, as we seek to establish a UK network of between 10-15 referral centres.

Highlights of 2017

Optimised store rollout

- Opened 15 new Pets at Home superstores in optimal locations
- Total portfolio of 434 superstores

Services rollout

- Opened 50 new first opinion veterinary practices bringing the total portfolio to 289 practices within stores and 149 in standalone locations
- Acquired two specialist veterinary referral centres, bringing our total portfolio to four centres
- Opened 50 new grooming salons, bringing the total portfolio to 290 grooming salons of which almost all are located within stores

Future plans

Work towards our UK target of around 500 superstores through carefully selected openings in locations that will deliver against our stringent investment criteria.

Work towards our UK targets of 700 veterinary practices and 350 grooming salons through opening in new stores and standalone locations, and also through retrofits into existing stores.

Continue to look for bolt-on acquisitions that are complementary to our existing business, particularly in the veterinary market.

Relevant KPIs

15

new Pets at Home superstores

50

new vet practices

2

new veterinary referral centres

50

new grooming salons

Key risks associated

- Brand and reputation
- Competition
- Our people
- Store and services expansion
- Liquidity and credit risk

→ [Read more on KPIs – page 26](#)

→ [Read more on risk management – page 38](#)

Grow margins



Supporting margins through our high margin veterinary business

Whilst we absorb cost challenges such as a weaker Sterling, National Living Wage increases and the Apprenticeship levy, the growing maturity of our higher margin veterinary business will continue to provide underlying mitigation to these headwinds and will deliver Group operating margin expansion in the medium term.

Highlights of 2017

Services

- Services revenue grew to represent 14.1% of the overall Group, up from 10.5%[◊] in the prior year
- Demonstrated the profit per square foot generated in mature store units with pet services is >24% higher than in a store with no services
- 15 mature store units with pet services within the estate, up from 12 in the prior year

Private brands

- Maintained our participation of private brands at broadly the same level as in the prior year

Future plans

Continue to rollout new vet practices and grooming salons, which generate higher operating margins when mature.

Work to increase the participation of private brands in our business, through active marketing to customers and widening our ranges.

Relevant KPIs

54.2%

Group gross margin, -35bps[◊]

33.3%

Services gross margin, +34bps[◊]

57.6%

Merchandise gross margin, +56bps[◊]

15.6%

pre-exceptional EBITDA[†] margin, -38bps[◊]

Key risks associated

- Brand and reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion
- Regulatory and compliance

→ [Read more on KPIs – page 26](#)

→ [Read more on risk management – page 38](#)

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