22 MAY 2018, THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Pets at Home Group Plc: Preliminary Results FY18 for the 52 week period to 29 March 2018

Back on a stronger competitive footing

GBPm	FY17	FY18	Change
Group like-for-like revenue growth#	**1.5%**	**5.5%**	
Merchandise LFL#	0.8%	5.0%	
Services & other LFL#	7.9%	8.5%	
Group revenue	**834.2**	**898.9**	**7.8%**
Merchandise revenue	716.7	765.4	6.8%
Services & other revenue	117.5	133.5	13.7%
Group gross margin	54.2%	51.7%	(249) bps
Underlying profit before tax[a], #	**96.4**	**84.5**	**(12.3)%**
Statutory profit before tax	95.4	79.6	(16.6)%
Free cashflow#	**64.6**	**55.8**	**(13.6)%**

a. Non-underlying items in FY18 include £2.7m associated with the closure of Barkers, £1.6m accounting charge for the acquisition of minority stakes owned by vet partners in Specialist Referral Centres, and £0.6m of other expenses. Non-underlying items in FY17 include £1.0m of expenses for the disposal of Farm Away Limited, the Group's equestrian retailing business.

- Strong trading in Merchandise with FY18 like-for-like revenue# growth of 5.0% (Q4 LFL#: 7.5%) and market share gains in food and accessories
- Omnichannel revenues# of £51.4m grew at 75.1%, ahead of the online pet market and key competitors
- Total fee income from First Opinion Joint Venture vet practices up 16.1% to £53.1m and double digit revenue growth in Specialist Referral Centres
- Group PBT position: reflects our c£13m price investment in Merchandise, which remains on track and is delivering positive results faster than expected, and a £5.0m increase in the provision held for practice loans in our veterinary business
- Net openings completed: 13 superstores, 25 vet practices and 27 grooming salons. Closed seven Barkers stores as previously announced
- Total dividend payable of 7.5 pence per share, maintained at the prior year level

Peter Pritchard, Group Chief Executive Officer, commented:

"I'm proud and excited to be taking over as CEO. The value of our business is much greater than being a retailer, or a vet care provider. It's the way we can give pet owners a breadth of products, grooming, vet care and other services. Combined with the way we can serve them through stores, the website and our pet professionals, the colleagues and vets who genuinely care about customers and their pets.

Our plans to reposition retail are working, more customers are coming back to shop with us, and we are committed to returning the business to profit growth. But it hasn't been easy. We took decisive action, threw passion and energy into it, and delivered targeted pricing changes to give customers the products that mattered most to them, with the service and value they expect from us. Our product innovation this year has been the best I can remember and the investment we made in the development of a subscription service is bringing some excellent results, as is Order In-Store, which brings our full online range to every store in the business.

The veterinary services market is a very attractive space in which we can grow. We have a profitable business delivering strong returns, achieved largely through our preference to work in partnership with vets who share in the success of their practice. The shortage of qualified vets in the UK remains an industry wide problem, so we have chosen to slow our practice rollout to be sure we open practices in quality locations for the best vet partners. With slower rollout we can, and need to, focus more on strategies to accelerate growth in our existing practices, where we know there is still huge potential. About 84%[b] of our First Opinion practices are relatively young and whilst they require more funding from us over the next 4-5 years, the long-term prize for us and our vet partners is substantial.

We have a bright future. Year one of our three-year strategy has delivered, and as a business we are on a stronger competitive footing to return to sustainable profit growth. But the job isn't done yet. As our new CEO, my plan has a bigger focus on digital, tapping into the vast potential of our customer and pet data, and taking action to ensure our vet business reaches its potential. Our market has a track record of resilience in a downturn and as we adapt to a changing environment, we will emphasise the things that make Pets at Home unique and best placed to serve the UK's pet loving owners."

b. Refers to vet practices younger than 10 years

Outlook and guidance

The pet care market remains resilient, with growth in pet products estimated at c2% in 2017, and veterinary services at c5%. We again grew our market share in the vet segment and are pleased to say that following our price repositioning work in retail, we have won back share in the food and accessories markets.[c]

FY19 will be the second of our three year financial transition back to sustainable profit growth, and following our progress in FY18, we are determined to achieve our plan. In the coming financial year we are targeting like-for-like revenue growth ahead of the market in both Retail and our Vet Group, and a transition back to low single digit underlying Group profit[#] growth. We remain a cash generative business with a priority to invest in our core capabilities, particularly our Vet Group.

c. Market information sourced using internal data and UK pet market reports

FY19 guidance

- Rollout: up to five superstores, 20-25 vet practices, 10-20 grooming salons
- Group gross margin down (75-125) bps, reflecting the annualisation of last years price investment, mitigated by the growing margin of our vet business
- Underlying operational cost[#] growth (excluding depreciation and amortisation) of 3-3.5%
- Depreciation and amortisation £37-38m

- Net interest £3-3.5m
- Effective tax rate 20%
- Capital investment £39-41m
- Group working capital outflow of c£20m to support vet practice growth
- Intention to maintain ordinary dividend payment at the prior year level
- Non-underlying items: accounting treatment of the minority stakes owned by vet partners in the Specialist Referral Centres is likely to lead to a non cash operating expense charge of £1.5-2m. See page 12 for further detail

New financial reporting disclosure

In FY19 our financial reporting will change to two segments that better represent the size of the respective businesses and our internal reporting structures; Retail (includes products purchased online and in-store, pet sales and grooming services) and Vet Group (includes our First Opinion practices and Specialist Referral Centres). In order to familiarise readers of the accounts, and provide a basis for comparability, we show a pro-forma unaudited segmentation for the 52 weeks to 29 March 2018.

£m	Retail	Vet Group	Central costs	Total Group
LFL revenue growth #	4.6%	15.0%		5.5%
Revenue	804.9	94.1		898.9
Gross margin	52.2%	47.1%		51.7%
Underlying EBITDA#	97.3 [d]	31.9 [e]	(5.8)	123.3
Underlying EBIT#	65.1 [d]	29.6 [e]	(5.8)	88.8

d. Non-underlying items: £2.7m associated with the closure of Barkers
e. Non-underlying items: £1.6m accounting charge for the acquisition of minority stakes owned by vet partners in Specialist Referral centres, and £0.6m of other expenses

Board appointments

Tessa Green, Independent Non-Executive Director, has decided to step down from the Board at the Annual General Meeting on 12 July 2018. Tessa will be succeeded by Professor Susan Dawson, Dean of the Institute of Veterinary Science at the University of Liverpool and council member of the Royal College of Veterinary Surgeons. Professor Dawson will Chair the Pets Before Profit and Corporate Social Responsibility Committees.

Results presentation

A presentation for analysts and investors will be held today at 10am at Goldman Sachs, River Court, 120 Fleet Street, London EC4A 2BE, attendance is by invitation only. An audio webcast and statement of these results will be available at http://investors.petsathome.com

Investor Relations Enquiries

Pets at Home Group Plc: +44 (0)161 486 6688
Amie Gramlick, Director of Investor Relations

Media Enquiries

Pets at Home Group Plc: +44 (0)161 486 6688
Brian Hudspith, Director of Corporate Affairs
Maitland: +44 (0)20 7379 5151
James McFarlane, Joanna Davidson

About Pets at Home

Pets at Home Group Plc is the UK's leading pet care business; our commitment is to make sure pets and their owners get the very best advice, products and care. Pet products are available online or from our 448 superstores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK leading small animal veterinary business, with 461 First Opinion practices located both in our stores and in standalone locations, as well as four Specialist Referral centres. For more information visit: http://investors.petsathome.com/

Disclaimer

This statement of preliminary financial results does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Pets at Home Group Plc shares or other securities nor should it form the basis of or be relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial adviser.

Certain statements in this statement of preliminary financial results constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this statement. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Chief Executive Officer's Review

Operational Highlights

ROLLOUT		FY17	FY18
Stores	Number of stores[f]	442	448
	New superstores (net)	15	13
Vets	Number of vet practices (total)	436	461
	Number of standalone vet practices	147	152
	Number of in-store vet practices	289	309
	New vet practices (net)	48	25
Groomers	Number of groomers[f]	290	309
	New groomers (net)	50	27
	% of stores with a vet practice & grooming salon	54%	58%
VIP CLUB			
	VIP Club active members (m)[g]	3.7	3.9
	VIP swipe as % revenue[h]	68%	70%
PRODUCT			
	Proportion of product SKUs refreshed	39%	31%

f FY17 included seven Barkers stores with grooming salons, which have now closed
g Active defined as customers who have purchased during the past twelve months
h Average swipe rate of the card at store tills over latest quarterly period

Strategic update

Drivers of our like-for-like growth

Home of all things pet
Our biggest competitive asset is the ability to give pet owners the full breadth of pet care; customers who shop across retail, grooming and vet have around three times the spend of those who are just retail customers.

Puppy owners are an opportunity to develop a relationship at one of the most important milestones – the first puppy shop. With that in mind, we gave a complete overhaul to our range and also launched the VIP Puppy Club. By joining the club, customers receive 10% off their first puppy product shop, a free bag of Advanced Nutrition food, their first month for free with a flea product subscription, a free puppy groom and a free vet nurse check. We have seen some great results from our initiative, where we have seen a 25% spending increase by Puppy Club customers.

Home of value and convenience
During the year, we invested c£13m in pricing to deliver better value for our customers. We have taken a targeted approach, which began with a campaign that lowered prices and highlighted the value in our private label Advanced Nutrition. This was followed by price adjustments across branded Advanced Nutrition, more food categories and pet essentials. We are confident this is driving a positive reaction with customers, having seen such a strong rebound in Merchandise trade during the year. Advanced Nutrition also performed very well, with 12.7% volume growth and significantly increased private label participation. Looking forward, maintaining a

competitive price position will always be part of everyday strategy but this will not be to the same scale as the prior financial year.

Delivering better value for customers is also a priority in our grooming business, where we experienced some slower trading during the year. We are set to launch a trial package in selected salons where for an annual fee, customers can bring their dog for unlimited bath and brush treatments.

Whilst price has been an important part of our improved trading, it doesn't present the full story. Investing in digital helped deliver omnichannel revenue growth of 75%. The two initiatives driving such strong growth are order in-store, and subscription for flea products. We have also improved our website experience with a faster checkout process across mobile, tablet and desktop, and have started to trial repeat order across food products. Looking to the year ahead will see ongoing upgrades to our website look, content and navigation, with more subscription products in our plan.

Home of veterinary excellence

We have a successful veterinary business growing ahead of the market in both First Opinion practices and Specialist Referral Centres. The Vet Group generates cash returns on invested capital[#] of 24% despite the majority of practices (c84%[b]) being relatively young.

We can attribute the strong revenue growth in our First Opinion practices to a number of competitive differences; but also to the drive of our vet partners in the JV model, who share in the success of the practice. Our model provides vets with business services and cashflow support as they grow, in return for management fees.

The revenue progression for practices, and therefore our fee income, has been relatively consistent. In coming years, as our rollout profile swings more to standalone, rather than in-store practices, we may see some variations in revenue performance, although we still expect the standalone practices to deliver strong returns for the Group.

The path to profit growth for some practices is lengthening as a result of the upward pressure on payroll costs. This factor, combined with the large number of young practices in the business, is leading to increased funding requirements from Pets at Home in the form of working capital operating loans. We expect the overall funding level to continue to grow for the next 4-5 years, after which we expect to see the balance decline, and are comfortable this is mainly a feature of the immaturity of our estate.

With a long term view of growing our practices to maturity, the prize remains; for us in the mature profits from a mainly fixed cost business, and for our vet partners in the form of dividends and the capital value of their practice. We currently have 87 such practices that have fully repaid all debts and we are focusing more on strategies to accelerate growth in our existing practices, to ensure we can deliver the inherent potential of the business.

Retail space evolution and vet practice rollout

With a total of 448 superstores, our store estate is nearing its optimum size. In the coming year we will open only a small number of stores in carefully selected areas, in up to five new locations. At the same time, we will continue to rollout grooming salons amongst the existing store estate and expect to open 10-20.

In our veterinary business we opened a net number of 25 new practices to bring our total to 461. We also transformed more practices to give them extra consulting space, or longer opening hours, so that we have 10 ‘super surgeries’ and six practices opening 24/7. The challenging supply of veterinarians has long been a feature of the UK market and was exacerbated after the Brexit vote (around 30% of vets in the UK are thought to be EU domiciled). In addition, our practice rollout has always been heavily weighted towards the end of our financial year, which has placed an excessive burden on the business and we are taking an active decision to spread this profile more evenly through the year. The supply of veterinarians is unlikely to change in the short term and our priority is to open practices in quality locations for the best vet partners. We expect to open 20-25 practices in the year ahead and have already opened four in the new financial year to date.

Strategic evolution in the year ahead

FY19 will be the second of our three year financial transition back to sustainable profit growth. Delivering the financial plan does not require adhering to our historical strategic priorities of growing like-for-like, space, and margins. Our strategy should evolve with the market and competitive changes, our challenges, and our ambitions.

Our immediate priorities are to address the few remaining areas of our price repositioning programme and taking action to ensure the vet business can deliver on its potential. But in the coming months, we will evolve our longer term strategic plan to become the best pet care business in the world; a bigger focus on digital, data, more services and changing the shape of our stores in an ongoing environment of channel shift.

Peter Pritchard
Group Chief Executive Officer
22 May 2018

Chief Financial Officer's Review

The FY18 audited period represents the 52 weeks to 29 March 2018. The audited comparative period represents 52 weeks to 30 March 2017.

Financial Highlights

FINANCIALS		FY17	FY18	*Change*
Revenue	Revenue Split (£m)			
	Food	395.1	421.9	*6.8%*
	Accessories	321.6	343.5	*6.8%*
	Total Merchandise	716.7	765.4	*6.8%*
	Services & other[a]	117.5	133.5	*13.7%*
	Total Group	834.2	898.9	*7.8%*
	Like-For-Like growth#	1.5%	5.5%	
	Merchandise LFL #	0.8%	5.0%	
	Services & other LFL #	7.9%	8.5%	
	Revenue Mix (% of total revenues)			
	Merchandise	85.9%	85.1%	*(79) bps*
	Services & Other	14.1%	14.9%	*79 bps*
Gross Margin	Merchandise Gross Margin	57.6%	54.8%	*(285) bps*
	Services & Other Gross Margin	33.3%	34.1%	*78 bps*
	Total Gross Margin	54.2%	51.7%	*(249) bps*
EBITDA	Underlying EBITDA[b, #] (£m)	130.5	123.3	*(5.6)%*
	Underlying EBITDA margin[b, #]	15.6%	13.7%	*(194) bps*
Other Income Statement	Underlying PBT [b #] (£m)	96.4	84.5	*(12.3)%*
	Statutory PBT (£m)	95.4	79.6	*(16.6)%*
	Underlying basic EPS[b,#] (p)	15.3	13.5	*(11.2)%*
	Statutory basic EPS	15.1	12.6	*(16.6)%*
	Dividend (p)	7.5	7.5	*0%*
Cashflow & Leverage	Free cashflow# (£m)	64.6	55.8	*(13.6)%*
	CROIC#	20.6%	19.4%	*(89) bps*
	Leverage (ND/ Underlying EBITDA) #	1.2x	1.1x	

a. Includes veterinary Joint Venture fees & other veterinary income, specialist referrals revenue, grooming salon revenue, revenue from live pet sales & insurance

b. Non-underlying items in FY18 includes £2.7m associated with the closure of Barkers, £1.6m accounting charge for the acquisition of minority stakes owned by vet partners in specialist referral centres, and £0.6m of other expenses. Non-underlying items in FY17 includes £1.0m of expenses for the disposal of Farm Away Limited, the Group's equestrian retailing business.

Sales and revenue

Group revenue grew by 7.8% to £898.9m (FY17: £834.2m) and Group like-for-like revenues[#] (LFL) grew 5.5%.

Merchandise revenue, which includes food and accessories, grew by 6.8% to £765.4m (FY17: £716.7m), with LFL revenue[#] of 5.0%. This reflects particularly strong performance from our omnichannel business, which grew its revenues by 75.1% to £51.4m, but also from store sales, which grew by 3.9%. Food revenue grew by 6.8% to £421.9m (FY17: £395.1m), with strength across all areas of dog and cat food, including Advanced Nutrition, where revenue grew by 6.0% £189.8m (FY17: £179.1m).

Accessories revenue grew by 6.8% to £343.5m (FY17: £321.6m), where dog accessories and toys were a core driver, alongside subscription plans in licensed flea prevention products.

Services revenue grew by 13.7% to £133.5m (FY17: £117.5m), with LFL revenues[#] of 8.5%. We saw good growth across our Vet Group in both Specialist Referral Centres and also the First Opinion business, where practice income increased by 16.1% to £53.1m (FY17: £45.8m). Also within Services, our grooming salons experienced slower growth than in prior periods, and we also saw some weakness in trade from declining pet sales, which is an ongoing trend.

Gross margin

Group gross margin declined by 249 bps to 51.7% (FY17: 54.2%).

Gross margin within Merchandise was 54.8%, a reduction of 285 bps over the prior year (FY17: 57.6%), in line with our plans. This mainly reflects our price repositioning activities of c£13m, a foreign currency impact of £5.7m from the movement in USD versus GBP and the growth of our omnichannel business, which has a greater mix of food product versus higher margin accessories.

Gross margin within Services increased by 78 bps to 34.1% (FY17: 33.3%). We saw expansion in the underlying gross margin of veterinary First Opinion practices and Specialist Referral Centres, but at an overall level, the First Opinion business saw a decline in gross margin due to a £5.0m increase in the provision held for practice operating loans. We also experienced a significant improvement in the margin of pet sales in store, which reflects our activities to improve and simplify the care and welfare routines. This benefit is expected to be a one-off feature of FY18.

Underlying EBITDA[#] and operating costs

Underlying EBITDA[#] was £123.3m (FY17: £130.5m), with a margin of 13.7% (FY17: 15.6%).

Selling and distribution (S&D) expenses of £309.5m decreased as a percentage of Group revenue, to 34.4% (FY17: 35.5%). Within this, we saw £2.5m in cost savings as a result of our energy saving programme, and occupation costs (rent, service charges and other costs) again declined as a percentage of sales as we benefit from the rent paid by vet practices in our stores, which contributed £11.7m (FY17: £10.7m). Colleague costs also declined as a percentage of sales, particularly in relation to stores, where we have reduced payroll hours by streamlining non customer facing activities.

Underlying administration expenses of £66.3m were 7.4% of revenue (FY17: 6.6%), where we are seeing growth in Vet Group operating costs, alongside our investment in business systems and omnichannel.

Non-underlying costs totaled £4.9m. Of this, £2.7m relates to the closure of our trial Barkers stores and the associated lease commitments and write down of fixed assets. In addition, £1.6m of non-underlying costs were recognised in relation to the ownership structures and accounting treatment of the veterinary Specialist Referral centres (see detailed note below on page 21.) There were also £0.6m of M&A related expenses, for transactions that were not completed.

Depreciation and amortisation, which is contained within our total operating costs, increased to £34.5m (FY17 £29.6m).

Underlying finance expense

Underlying net finance expense# for the year was £4.3m (FY17: £4.5m).

Taxation, trading profit & EPS

Underlying pre tax profit# was £84.5m (FY17: £96.4m) and statutory pre tax profit, was £79.6m (FY17: £95.4m).

Underlying total tax expense# for the period was £17.0m, a rate of 20% on underlying pre tax profit#.

Underlying profit for the period#, after tax, was £67.5m (FY17: £76.3m) and underlying basic earnings per share# were 13.5 pence, (FY17: 15.3 pence). Statutory basic earnings per share were 12.6 pence (FY17: 15.1 pence).

Working capital# and funding for vet practices

The cash movement in trading working capital# for FY18 was an inflow of £9.4m. This was comprised of a £4.1m increase in inventory, offset by a £3.9m decrease in receivables and a £9.6m increase in payables.

We increased our working capital support to First Opinion veterinary practices with £14.8m in operating loans. This created an overall increase in Group receivables of £10.9m and overall Group cash working capital outflow of £5.4m.

Operating loans represent cash funding we choose to provide to Joint Venture First Opinion veterinary practices, to assist with their working capital requirements and underpin their growth to maturity. The gross value of operating loans at the end of the financial year was £38.0m (FY17: £23.2m), against which a provision of £8.3m is held (FY17: £3.3m). The increased provision reflects both the longer maturity curves for practices, as well as an improvement in methodology used to assess the operating loan balance. A provision has been applied to all outstanding practice loan balances, which we believe is more appropriate considering the growing size of our First Opinion business.

Capital investment

Capital investment was £40.7m (FY17: £44.5m), where £12.8m is represented by the refurbishment and retrofit of services into our existing store estate (FY17 £16.8m) and new store capital investment totalled £7.3m (FY17: £6.4m). Investment in business systems totalled £10.0m (FY17: £7.2m), and £2.3m was part of the energy savings programme to fit LED lighting and smart energy management systems in our store estate (FY17: £5.8m). Cash capital expenditure was £41.6m (FY17: £40.9m).

Cashflow and capital structure

Free cash flow (FCF) after interest, tax and before acquisitions[#] was £55.8m (FY17: £64.6m), representing a cash conversion rate of 45% (FY17: 49%). The decline in FCF when compared with the prior year is driven by our price investments in the Merchandise business, increased working capital requirements and the purchase of shares to satisfy colleague stock option schemes.

Free cashflow[#] (£m)	FY17	FY18
Cash EBITDA[c,#]	133.0	127.2
Working capital[#]	(2.4)	(5.4)
Operating loans provision movement	0.1	5.0
Tax	(19.3)	(19.1)
Interest cost	(4.2)	(3.9)
Capital expenditure	(42.6)	(44.0)
Purchase of shares for colleague stock options	0.0	(4.0)
Reported free cashflow	**64.6**	**55.8**

c. Defined as underlying EBITDA plus IFRS2 share based payment charges

The Group's net debt position at the end of period was £135.2m, which represents a leverage ratio[#] of 1.1x underlying EBITDA.

£m	FY17	FY18
Opening net debt	(162.0)	153.7
Free cashflow[#]	64.6	55.8
Ordinary dividends paid	(39.9)	(37.3)
Acquisitions	(14.8)	0.0
Other	(1.6)	0.0
Closing net debt	(153.7)	(135.2)
Leverage (ND / underlying EBITDA[#])	1.2x	1.1x

Our capital structure and allocation policy remains as previously stated, with a priority to invest in areas that will expand the Group and deliver appropriate returns, particularly within our veterinary business. It is our intention to maintain a prudent approach to balance sheet management in the current economic environment, but retain some flexibility to increase leverage to an appropriate level in the event that suitable investment or acquisition opportunities arise. And dependent upon our acquisition outlook and if we do not foresee investment uses, it is our intention to return surplus free cashflow to shareholders.

Dividend

The Board has recommended a final dividend of 5.0 pence per share, giving a total dividend of 7.5 pence per share in respect of the 2018 financial year, equal with the prior year.

The final dividend will be proposed by the Directors at the 2018 AGM and is in addition to the interim dividend of 2.5 pence per share, paid to shareholders on the 12 January 2018. The ex-dividend date will be 14 June 2018 and, if approved at the Company's forthcoming AGM, will be paid to shareholders on 17 July 2018 to those shareholders on the register at the close of business on 15 June 2018.

Foreign exchange outlook

The Group purchases products from Asia to a value of around US$65 million each year. Our policy is to use a mix of foreign exchange forward contracts to hedge our USD requirement for the next 12 months and up to 50% of the following 6 months. The movement in hedged contract rates for FY18, which were at an average rate of 1.30 USD:GBP, created a £5.7m adverse cost to the Group. The majority of our hedging requirement for FY19 is in place, at an average rate of 1.34 USD:GBP, which is expected to have a positive financial impact of around c£1 million.

Accounting treatment of veterinary Specialist Referral centres

Three of our four centres are structured as a Shared Venture ownership model, where Pets at Home maintains a minimum 75% controlling share, with the remaining shares owned by multiple clinician Shared Venture Partners (SVPs). Pets at Home has an option to buy the SVP shares in the future, with the value of these shares related to profit performance targets. The accounting treatment of such an option is therefore structured as a forward contract. Within the income statement, the discounted future value of the SVP's shares is recognised as an expense over the period to which the option can be exercised, and recognised as an non-underlying expense. We continue to expect this charge to be £1.5-2m for FY19.

New financial reporting disclosure

In FY19 our financial reporting will change to two segments that better represent the size of the respective businesses and our internal reporting structures; Retail (includes products purchased online and in-store, pet sales and grooming services) and Vet Group (includes our First Opinion practices both in-store and online, and Specialist Referral veterinary centres).

In order to familiarise readers of the accounts, and provide a basis for comparability, we show a pro-forma unaudited segmentation for the 52 weeks to 29 March 2018.

£m	Retail	Vet Group	Central costs	Total Group
LFL revenue growth #	4.6%	15.0%		5.5%
Revenue	804.9	94.1		898.9
Gross margin	52.2%	47.1%		51.7%
Underlying EBITDA#	97.3 [d]	31.9 [e]	(5.8)	123.3 [3]
Underlying EBIT#	65.1 [d]	29.6 [e]	(5.8)	88.8 [3]

d. Non-underlying items: £2.7m associated with the closure of Barkers
e. Non-underlying items: £1.6m accounting charge for the acquisition of minority stakes owned by vet partners in specialist referral centres, and £0.6m of other expenses

Mike Iddon
Chief Financial Officer
22 May 2018

Alternative Performance Measures (“APMs”)

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under EU-adopted IFRS, and consider these to be important measures in evaluating the Group’s strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-underlying items, to aid the user in understanding the Group’s performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

All APMs relate to the current period’s results and comparative periods where provided.

The key APMs used by the Group are:

‘Like-for-Like’ sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period, for stores, online operations, grooming salons, vet practices & Specialist Referral centres that have been trading for 52 weeks or more

Omnichannel revenue: revenue net of discounts and VAT from core online, sales, subscriptions and order to store.

EBITDA: Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period.

Free Cash Flow: being net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid and debt issue costs, and is stated before cash flows for non-underlying costs.

CROIC: Cash return on invested capital, represents cash returns divided by the average of gross capital (GCI) invested for the last twelve months. Cash returns represent pre-Non-underlying operating profit before property rentals and share based payments subject to tax then adjusted for depreciation and amortisation. GCI represents gross property, plant and equipment plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, plus capitalised rent multiplied by a factor of 8x.

Financial Statements

Financial Information

The financial information set out in this preliminary statement of annual results has been extracted from the Group's financial statements, which have been approved by a resolution of the Board of directors of the Company on 22 May 2018 and agreed with the Company's auditor.

The financial information set out in this preliminary statement does not constitute the Company's statutory accounts for the year ended 29 March 2018 as defined in section 434 of the Companies Act 2006 (the "Act") which have not yet been delivered to the Registrar of Companies.

The Company's auditor has reported on the FY18 financial statements. Its reports were unqualified and did not draw attention to any matters by way of emphasis. The reports also did not contain statements under section 498 of the Act.

Consolidated income statement

		52 week period ended 29 March 2018			52 week period ended 30 March 2017		
	Note	**Underlying trading £000**	**Non-underlying items (note 3) £000**	**Total £000**	Underlying trading £000	Non-underlying items (note 3) £000	Total £000
Revenue	2	898,924	–	898,924	834,169	–	834,169
Cost of sales		**(434,316)**	–	**(434,316)**	(382,287)	–	(382,287)
Gross profit		464,608	–	464,608	451,882	–	451,882
Selling and distribution expenses		**(309,482)**	–	**(309,482)**	(296,012)	–	(296,012)
Administrative expenses	3	**(66,323)**	**(4,929)**	**(71,252)**	(54,950)	(996)	(55,946)
Operating profit	2,3	88,803	**(4,929)**	83,874	100,920	(996)	99,924
Financial income	6	685	–	685	760	–	760
Financial expense	7	**(4,963)**	–	**(4,963)**	(5,300)	–	(5,300)
Net financing expense		**(4,278)**	–	**(4,278)**	(4,540)	–	(4,540)
Profit before tax		84,525	**(4,929)**	79,596	96,380	(996)	95,384
Taxation	8	**(16,983)**	201	**(16,782)**	(20,061)	41	(20,020)
Profit for the period		67,542	**(4,728)**	62,814	76,319	(955)	75,364

All activities relate to continuing operations.

Basic and diluted earnings per share attributable to equity shareholders of the Company:

	Note	**52 week period ended 29 March 2018**	52 week period ended 30 March 2017
Equity holders of the parent – basic	5	**12.6p**	15.1p
Equity holders of the parent– diluted	5	**12.5p**	15.0p

Dividends paid and proposed are disclosed in note 9.

Consolidated statement of comprehensive income

	Note	**52 week period ended 29 March 2018 £000**	52 week period ended 30 March 2017 £000
Profit for the period		**62,814**	75,364
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences		**71**	(26)
Cash flow hedges – reclassified to profit and loss		**(473)**	(330)
Effective portion of changes in fair value of cash flow hedges		**(1,695)**	1,862
Other comprehensive income for the period, before income tax		**(2,097)**	1,506
Income tax on other comprehensive income		**412**	(297)
Other comprehensive income for the period, net of income tax		**(1,685)**	1,209
Total comprehensive income for the period		**61,129**	76,573

Consolidated balance sheet

	Note	**At 29 March 2018 £000**	At 30 March 2017 £000
Non-current assets			
Property, plant and equipment		129,904	128,835
Intangible assets		992,929	990,266
Other non-current assets		20,182	16,990
		1,143,015	1,136,091
Current assets			
Inventories		60,529	56,420
Other financial assets		1,160	1,863
Trade and other receivables		74,848	69,567
Cash and cash equivalents		59,824	56,345
		196,361	184,195
Total assets		1,339,376	1,320,286
Current liabilities			
Trade and other payables		**(173,856)**	(165,887)
Corporation tax		**(8,881)**	(10,609)
Provisions		**(835)**	(492)
Other financial liabilities		**(3,392)**	(1,509)
		(186,964)	(178,497)
Non-current liabilities			
Other interest-bearing loans and borrowings	10	**(194,519)**	(209,296)
Other payables		**(36,200)**	(35,028)
Provisions		**(2,200)**	(1,394)
Other financial liabilities		**(8,693)**	(8,023)
Deferred tax liabilities		**(4,448)**	(5,404)
		(246,060)	(259,145)
Total liabilities		**(433,024)**	(437,642)
Net assets		906,352	882,644
Equity attributable to equity holders of the parent			
Ordinary share capital		5,000	5,000
Consolidation reserve		**(372,026)**	(372,026)
Merger reserve		113,321	113,321
Translation reserve		**40**	(31)
Cash flow hedging reserve		(950)	806
Retained earnings		1,160,967	1,135,574
Total equity		906,352	882,644

On behalf of the Board:

Mike Iddon Group Chief Financial Officer
Company number: 08885072

Consolidated statement of changes in equity as at 29 March 2018

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 March 2017	**5,000**	**(372,026)**	**113,321**	**806**	**(31)**	**1,135,574**	**882,644**
Total comprehensive income for the period							
Profit for the period	–	–	–		–	62,814	62,814
Other comprehensive income	–	–	–	(1,756)	71	–	(1,685)
Total comprehensive income for the period	–	–	–	(1,756)	71	62,814	61,129
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37,341)	(37,341)
Share based payment charge						3,936	3,936
Purchase of own shares	–	–	–	–	–	(4,016)	(4,016)
Total contributions by and distributions to owners	–	–	–	–	–	(37,421)	(37,421)
Balance at 29 March 2018	**5,000**	**(372,026)**	**113,321**	(950)	40	1,160,967	906,352

Consolidated statement of changes in equity as at 30 March 2017

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	5,000	(372,026)	113,321	(429)	(5)	1,097,623	843,484
Total comprehensive income for the period							
Profit for the period	–	–	–		–	75,364	75,364
Other comprehensive income	–	–	–	1,235	(26)	–	1,209
Total comprehensive income for the period	–	–	–	1,235	(26)	75,364	76,573
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(39,850)	(39,850)
Share based payment charge	–	–	–	–	–	2,437	2,437
Total contributions by and distributions to owners	–	–	–	–	–	(37,413)	(37,413)
Balance at 30 March 2017	5,000	(372,026)	113,321	806	(31)	1,135,574	882,644

Consolidated statement of cash flows

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Cash flows from operating activities		
Profit for the period	62,814	75,364
Adjustments for:		
Depreciation and amortisation	34,483	29,621
Financial income	**(685)**	(760)
Financial expense	4,963	5,300
Loss on disposal of subsidiary	-	690
Loss/(profit) on disposal of property, plant & equipment	**1,628**	(176)
Share based payment charges	3,936	2,437
Taxation	16,782	20,020
	123,921	132,496
Increase in trade and other receivables	**(5,234)**	(8,863)
Increase in inventories	**(4,531)**	(4,979)
Increase in trade and other payables	11,474	11,469
Increase in provisions	1,149	63
	126,779	130,186
Tax paid	**(19,054)**	(19,299)
Net cash flow from operating activities	107,725	110,887
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	814	1,830
Disposal of subsidiary, net of cash disposed	-	677
Interest received	685	722
Investment in other financial assets	**(2,146)**	(3,420)
Loans issued	**(872)**	(2,247)
Loans repaid	-	500
Acquisition of subsidiary, net of cash acquired	-	(14,831)
Acquisition of property, plant and equipment and other intangible assets	**(41,613)**	(40,896)
Net cash used in investing activities	**(43,132)**	(57,665)
Cash flows from financing activities		
Equity dividends paid	**(37,341)**	(39,850)
Proceeds from new loan	–	8,000
Repayment of borrowings	**(15,000)**	–
Purchase of own shares	**(4,016)**	–
Finance lease obligations	**(181)**	(109)
Interest paid	**(4,576)**	(4,916)
Net cash used in financing activities	**(61,114)**	(36,875)
Net Increase in cash and cash equivalents	3,479	16,347
Cash and cash equivalents at beginning of period	56,345	39,998
Cash and cash equivalents at end of period	59,824	56,345

Notes

1 Basis of preparation

Pets at Home Group Plc (the Company) is a company incorporated in the United Kingdom and its registered office is Epsom Avenue, Stanley Green, Handforth, Cheshire, SK9 3RN.

The company is listed on the London Stock Exchange.

The consolidated financial statements for the 52 week period ended 29 March 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and were approved by the Directors of the Company on 21st May 2018 along with this preliminary announcement.

The consolidated financial statements are prepared on the historical costs basis except for derivative financial instruments, share based payments and certain investments measured at their fair value.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the 52 week period ended 29 March 2018 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 week period ended 29 March 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

The directors of Pets at Home Group Plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 week period ended 29 March 2018.

2 Segmental reporting

The Directors consider there to be one operating and reportable segment, being that of the sale of pet products and services through retail outlets, specialist vet referral services and the Group's websites.

The Group's Board receives monthly financial information at this level and uses this information to monitor the performance of the store portfolio, allocate resources and make operational decisions. The internal reporting received focuses on the Group as a whole and does not identify other individual segments. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segment.

Revenue	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Food	421,894	395,121
Accessories	343,508	321,550
Services and other	133,522	117,498
	898,924	834,169

The 'services and other' category includes revenue from management fees for first opinion veterinary surgeries, veterinary services, grooming services, insurance commissions and the sale of pets.

The performance of the operating segment is primarily based on a measure of earnings before interest, tax, depreciation, and amortisation (EBITDA) before Non-underlying items. This can be reconciled to statutory operating profit as follows:

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Operating profit	83,874	99,924
Non-underlying items	4,929	996
Underlying operating profit before Non-underlying items	88,803	100,920
Depreciation and amortisation	34,483	29,621
Underlying EBITDA	123,286	130,541

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Non-underlying operating expenses (see below)	4,929	996
Depreciation of tangible fixed assets	28,280	25,690
Amortisation of intangible assets	6,203	3,931
Rentals under operating leases:		
Hire of plant and machinery	4,387	4,484
Property	75,922	73,002
Rental income from third party sublets	(1,041)	(828)
Rental income from related parties	(7,138)	(6,277)
Profit on disposal of fixed assets	-	(176)
Share based payment charges	3,936	2,437

Non-underlying items in operating profit in the 52 week period ended 29 March 2018 totalled £4,929,000 (2017: £996,000). Of this, £2,685,000 relates to the closure of our seven trial Barkers stores, the associated lease commitments including disposal of fixed assets (£1,628,000). Non-underlying operating expenses also includes £1,625,000 in relation to the increase in the fair value of the put and call option over the non-controlling interests in Dick White Referrals Limited, Eye-Vet Limited and Anderson Moores Veterinary Specialists Limited and £619,000 in relation to aborted property and acquisition costs.

Non-underlying items in operating profit in the period ended 30 March 2017 of £966,000 represent costs incurred in relation to the disposal of the Groups 100% holding in Farm-Away Ltd. The costs include legal and professional fees, redundancy costs and property costs.

The costs noted above are considered by the Directors to be non-underlying as they relate to either an event that is not expected to re-occur in future periods (as is the case with the closure of Barkers and disposal of Farm-Away), or the increase in the fair value of put/call liabilities which the Directors consider warrant separate disclosure due to the nature of these arrangements.

Notes *(continued)*

4 Colleague numbers and costs

The average number of persons employed (full time equivalents) by the Group (including Directors) during the period, analysed by category, was as follows:

	52 week period ended 29 March 2018 Number	52 week period ended 30 March 2017 Number
Sales and distribution	6,142	6,152
Administration	559	659
	6,701	6,811

The aggregate payroll costs of these persons were as follows:

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Wages and salaries	180,952	162,936
Social security costs	15,233	13,337
Contributions to defined pension contribution plans	5,725	5,251
	201,910	181,524

5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	52 week period ended 29 March 2018		52 week period ended 30 March 2017	
	Underlying trading	**After Non-underlying items**	Underlying trading	After Non-underlying items
Profit attributable to equity shareholders of the parent (£000s)	67,542	62,814	76,319	75,364
Basic weighted average number of shares	**500,000,000**	**500,000,000**	500,000,000	500,000,000
Dilutive potential ordinary shares	3,119,537	3,119,537	4,032,406	4,032,406
Diluted weighted average number of shares	503,119,537	503,119,537	504,032,406	504,032,406
Basic earnings per share	**13.5p**	**12.6p**	15.3p	15.1p
Diluted earnings per share	**13.4p**	**12.5p**	15.1p	15.0p

6 Finance income

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Interest receivable	685	760
Total finance income	685	760

7 Finance expense

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Bank loans at effective interest rate	4,773	5,113
Other interest expense	190	187

Total finance expense	4,963	5,300

Notes *(continued)*

8 Taxation

Recognised in the income statement

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Current tax expense		
Current period	17,837	20,953
Adjustments in respect of prior periods	**(511)**	(964)
Current tax expense	17,326	19,989
Deferred tax expense		
Origination and reversal of temporary differences	**(669)**	(907)
Impact of difference between deferred and current tax rates	(260)	45
Adjustments in respect of prior periods	385	893
Deferred tax expense	(544)	31
Total tax expense	16,782	20,020

The UK corporation tax standard rate for the period was 19% (2017: 20%). The March 2016 budget announced a further reduction in the corporation tax rate to 17% from 1 April 2020. The deferred tax liability has been calculated based on the rate of 18% which is the blended rate at which items are expected to reverse.

Deferred tax recognised in comprehensive income

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Effective portion of changes in fair value of cash flow hedges	(412)	297

Reconciliation of effective tax rate

	52 week period ended 29 March 2018			52 week period ended 30 March 2017		
	Underlying trading £000	**Non-underlying items £000**	**Total £000**	Underlying trading £000	Non-underlying items £000	Total £000
Profit for the period	67,542	**(4,728)**	62,814	76,319	(955)	75,364
Total tax expense	16,983	**(201)**	16,782	20,061	(41)	20,020
Profit excluding taxation	84,525	**(4,929)**	79,596	96,380	(996)	95,384
Tax using the UK corporation tax rate for the period of	16,060	**(937)**	15,123	19,276	(199)	19,077
Impact of change in tax rate on deferred tax balances	(260)	–	(260)	45	–	45
Depreciation on expenditure not eligible for tax relief	588	–	588	706	–	706
Expenditure not eligible for tax relief	721	736	1,457	105	158	263
Adjustments in respect of prior periods	**(126)**	–	**(126)**	(71)	–	(71)
Total tax expense	16,983	**(201)**	16,782	20,061	(41)	20,020

The UK corporation tax standard rate for the 52 week period ended 29 March 2018 was 19% (52 week period ended 30 March 2017: 20%). The effective tax rate before Non-underlying items for the 52 week period ended 31 March 2018 was 20%. The principal reason for the difference in rate relates to the non-deductibility of depreciation charged on certain items of capital expenditure.

9 Dividends paid and proposed

	52 week period ended 29 March 2018 £000	52 week period ended 30 March 2017 £000
Declared and paid during the period		
Final dividend of 5.5p per share (2017: 5.5p per share)	24,912	27,396
Interim dividend of 2.5p per share (2017: 2.5p per share)	12,429	12,454
Proposed for approval by shareholders at the AGM		
Final dividend of 5.0p per share (2017: 5.0p per share)	24,836	24,912

The trustees of the following holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trusts have waived or otherwise foregone any and all dividends paid in relation to the period ended 29 March 2018 and 30 March 2017 and to be paid at any time in the future (subject to the exceptions in the relevant trust deed) on its respective shares for the time being comprised in the Trust Funds: Computershare Nominees (Channel Islands) Limited (holding at 29 March 2018: 3,271,102 shares, holding at 30 March 2017: 1,319,091 shares) and Wealth Nominees Limited (holding at 29 March 2018: nil shares, holding at 30 March 2017: 434,056 shares).

10 Other interest-bearing loans and borrowings

	At 29 March 2018 £000	At 30 March 2017 £000
Non-current liabilities		
Secured bank loans	**194,519**	209,296
Total liabilities		
Secured bank loans	**194,519**	209,296

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 29 March 2018 £000	Carrying amount at 29 March 2018 £000	Face value at 30 March 2017 £000	Carrying amount at 30 March 2017 £000
Senior Finance Bank Loans	GBP	LIBOR +1.25%	2020	**195,000**	**194,519**	210,000	209,296

The Group's Senior Financing Facilities (as amended in April 2015) include a revolving credit facility (RCF) of £260m. The RCF expires in April 2020 and is reviewed each period. Interest is charged at LIBOR plus a margin based on leverage (net debt: EBITDA). Face value represents the principal value of the Senior Finance Bank Loans. The bank loan is secured against the various tangible, intangible and monetary assets of the Group (excluding investments in joint ventures and hedging agreements).

Interest-bearing borrowings are recognised initially at fair value, being the principal value of the loan net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at a carrying value, which represents the amortised cost of the loans using the effective interest method less any impairment losses.

At 29 March 2018 the Group had a revolving credit facility of £260m with a drawn amount of £195m.

The analysis of repayments on the loans is as follows:

	At 29 March 2018 £000	At 30 March 2017 £000
Within one year or repayable on demand	–	–
Between one and two years	–	–
Between two and five years	**195,000**	210,000
	195,000	210,000

The combined loans at 29 March 2018 and 30 March 2017 are held by the Company.

Analysis of changes in net debt

	At 30 March 2017 £000	Cash flow £000	Non-cash movement £000	At 29 March 2018 £000
Cash and cash equivalents	56,345	3,479	–	**59,824**
Debt due within one year at face value	–	–	–	**–**
Debt due after one year at face value	(210,000)	15,000	–	**(195,000)**

Net debt	(153,655)	18,479	–	**(135,176)**

Glossary – Alternative Performance Measures

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under EU-adopted IFRS, and consider these to be important measures in evaluating the Group's strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-underlying items, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

All APMs relate to the current period's results and comparative periods where provided.

APM	Definition	Reconciliation
Cash EBITDA	Underlying EBITDA (see below) adjusted for share based payment charge.	see table below
CROIC	Cash return on invested capital, represents cash returns divided by the average of gross capital (GCI) invested for the last twelve months. Cash returns represent underlying operating profit before property rentals and share based payments subject to tax then adjusted for depreciation and amortisation. GCI represents gross property, plant and equipment plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, plus capitalised rent multiplied by a factor of 8x.	see table below
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation before the effect of Non-underlying items in the period. This is a key management incentive metric.	see table below

Cash EBITDA (£m)	FY17	FY18	Note
Underlying EBITDA	130.5	123.3	
Share based payment charge	2.4	3.9	3
Cash EBITDA	132.9	127.2	

CROIC	FY17	FY18	Note
Cash returns:			
Underlying operating profit	100.9	88.8	
Property rental costs	73.0	75.9	3
Share based payment charges	2.4	3.9	3
	176.4	168.7	
Effective tax rate	20%	20%	
Tax charge on above	(35.3)	(33.7)	
	141.1	134.9	
Depreciation and amortisation	29.6	34.5	3
Cash returns	170.7	169.4	
Gross capital invested (GCI):			
Gross property, plant and equipment	234.9	263.1	
Intangibles	1,005.5	1,014.4	
Less KKR goodwill	(906.5)	(906.5)	
Investments	12.6	14.7	
Net working capital	(87.4)	(89.8)	see definition
Capitalised operating leases	584.0	607.4	8x
GCI	843.1	903.3	
Average	827.6	873.2	
Cash returns/average CGI	20.6%	19.4%	

Underlying EBITDA (£m)	FY17	FY18	Note
Statutory operating profit (audited)	99.9	83.9	
Depreciation and amortisation	(29.6)	(34.5)	3
Non-underlying items	(1.0)	(4.9)	3
Underlying EBITDA	130.5	123.3	

APM	Definition	Reconciliation
Free cash flow	Free cash flow being net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid, debt issue costs, purchase of own shares and finance lease obligations, and is stated before cash flows for Non-underlying costs.	See table below

Free cash flow (£m)	FY17	FY18	Note
Free cash flow	64.6	55.8	
Dividends	(39.9)	(37.3)	CFS
Acquisition of subsidiary	(14.8)	–	CFS
Disposal of subsidiary	0.7	–	CFS
Loans issued	(2.2)	–	CFS
Proceeds from new loan	8.0	–	CFS
Repayment of borrowings	–	(15.0)	CFS
Net increase in cash	16.3	3.5	

CFS = Consolidated Statement of Cash Flows

APM	Definition	Reconciliation
Gross profit margin (%)	Gross profit divided by revenue expressed as a percentage	Information provided in the consolidated income statement.
Like-for-like	**'Like-for-like'** sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period, for stores, online operations, grooming salons, vet practices and referral centres that have been trading for 52 weeks or more	Not applicable.
Net debt	Cash and cash equivalents less loans and borrowings	A reconciliation of net debt is provided in note 10.
Underlying basic EPS	Underlying basic earnings per share (EPS) is based on earnings per share before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying basic EPS (p)	FY17	FY18	Note
Underlying basic EPS	15.3	13.5	
Non-underlying items	(0.2)	(0.9)	5
Basic Earnings per share	15.1	12.6	

APM	Definition	Reconciliation
Underlying operating profit	Underlying operating profit is based on operating profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying operating profit (£m)	FY17	FY18	Note
Underlying operating profit	100.9	88.8	
Non-underlying items	(1.0)	(4.9)	3
Operating profit	99.9	83.9	

APM	Definition	Reconciliation
Underlying profit before tax	Underlying profit before tax (PBT) is based on pre-tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying PBT (£m)	FY17	FY18	Note
Underlying PBT	96.4	84.5	
Non-underlying items	(1.0)	(4.9)	3
PBT	95.4	79.6	

APM	Definition	Reconciliation
Underlying profit after tax	Underlying profit after tax (PAT) is based on post tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying PAT (£m)	FY17	FY18	Note
Underlying PAT	76.3	67.5	
Non-underlying items	(1.0)	(4.9)	
PAT	75.4	62.6	

APM	Definition	Reconciliation
Underlying total tax expense	Underlying total tax expense is based on the statutory tax expense for the period (being the net of current and deferred tax) before the impact of certain costs of incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying total tax expense (£m)	FY17	FY18	Note
Underlying tax expense	(20.0)	(17.0)	
Non-underlying items	–	0.2	3,8
Tax expense	(20.0)	(16.8)	

APM	Definition	Reconciliation
Working capital	Working capital movement is a measure of the cash required by the business to fund its inventory, receivables and payables. The change year on year reflects the cash in/outflow in relation to changes in the working capital cycle	See table below

Net working capital (£m) Movement	FY17	FY18	Note
Net working capital	(2.3)	2.9	
Being:			
Increase in trade and other receivables	(8.9)	(6.0)	CFS

APM	Definition	Reconciliation			
	excluding Non-underlying items. The change in working capital is a key component of the free cash flow measure of the Group.	Increase in inventories	(5.0)	(4.1)	CFS
		Increase in trade and other payables	11.5	11.8	CFS
		Excluding movement in payables relating to Non-underlying items		(2.4)	
		Decrease in provisions	0.1	1.1	CFS
		Excluding movement in provision relating to Non-underlying items		(0.9)	
		Net working capital	(2.3)	(0.4)	

CFS = Consolidated Statement of Cash Flows

Net working capital	FY17	FY18	Note
Receivables	69.7	74.8	
Inventory	56.4	60.5	
Trade and other receivables (incl Corporation Tax)	(211.6)	(222.1)	
Provisions	(0.5)	(0.8)	
Non-current provisions	(1.4)	(2.2)	
Net working capital	(87.4)	(89.8)	

Omni channel Revenue — Revenue net of discounts and VAT from core online, sales, subscriptions and order to store.

(£m)	FY17	FY18	Note
Omni channel Revenue	51.4	29.4	

Underlying EBIT — Earnings before interest and tax agreed to operating profit relating to underlying trading

(£m)	FY17	FY18	Note
Operating profit relating to Underlying trading (EBIT)	100.9	88.8	