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Pets at Home Group Plc: Q1 FY20 Trading Statement

A strong start to the year, delivering our pet care strategy

Pets at Home Group Plc, the UK's leading pet care business, today announces a scheduled trading update for the 16 week period from 29 March to 18 July 2019, compared with the 16 week period from 30 March to 19 July 2018.

Financial summary

- Group revenue¹ growth of 9.9% to £303.4m
 - Retail revenue up 8.7% to £266.4m, including omnichannel² revenue up 36.0% to £26.0m
 - Vet Group revenue¹ up 18.8% to £37.0m. First Opinion customer sales growth across all vet practices was 11.4%, with mature practices growing ahead of the market
- Group like-for-like³ revenue growth of 8.0%
 - Retail like-for-like revenue growth of 8.2%
 - Vet Group like-for-like revenue growth⁴ of 6.2%, with like-for-like Joint Venture fee income up 1.1% to £16.2m, reflecting the planned impact of our fee remediation measures
- We now expect underlying profit for the year, before IFRS16 impacts⁵, to be slightly above current market expectations⁶, reflecting:
 - Good transaction and cash growth in Retail, particularly in food and omnichannel where strong growth has more than offset adverse margin mix
 - Vet Group underlying performance in line with our plans, with the financial impact of buying out a number of Joint Venture vet practices comfortably within expectations
- All other FY20 financial guidance components⁷ are maintained

Strategic highlights

- We are introducing more customers to our complete pet care offer, allowing us to take a greater share of their overall spend:
 - Number of VIPs who purchase products and a service has grown 23% y/y, driven by increased use of both the Groom Room and our First Opinion vets
 - Number of subscription customers⁸ across the Group is now over 765,000
- In Retail, our investment in convenient, competitive and innovative shopping has brought success across categories, in particular with acquiring new customers and their food shop
- Vet Group recalibration on track, with the buy out and closure of practices largely complete
- Formed a strategic partnership through an investment in Tailster.com, a leading online marketplace in the UK for pet walking, sitting and boarding services, which will enhance our pet care services to customers

Peter Pritchard, Group Chief Executive Officer, commented:

“The momentum with which we exited FY19 has continued into the first quarter of FY20. We have seen a strong sales performance across the business, particularly in Retail where like-for-like sales were 8.2% - an impressive 14% on a two year basis. We are also making good progress in our Vet Group. Our plans to buy out a number of Joint Venture vet practices have been carefully executed, whilst performance in the ongoing estate remains strong. We have the right foundations in place to accelerate the maturity of our vet practices in a sustainable way, delivering cashflow benefits to both Joint Venture Partners and Pets at Home.

At this early stage in the year, and with ongoing uncertainty across the wider retail sector, we remain cautiously optimistic and focused on delivering our pet care strategy.”

Conference call

A conference call for analysts and investors will be held at 8.30am today. To join the call, please dial +44 (0)330 336 9125 and use the participant access code 9026449. A recording will be available at <http://investors.petsathome>

Strategic Key Performance Indicators

	Q1 FY20	Q1 FY19	YoY change
Number of customer transactions (m)	18.0	17.0	5.8%
Customer sales ⁹ from services ¹⁰	35.5%	34.7%	84 bps
VIP customer sales ¹¹ (£m)	646.6	535.8	20.7%
Customer sales ⁹ per colleague (£k)	54.2	49.9	8.6%
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Number of stores	452	449	3
Number of grooming salons	312	310	2
Number of Joint Venture First Opinion vet practices	401	449	(48)
Number of company managed First Opinion vet practices	43	19	24

1. The fee income for practices which we have already bought out, or intend to buy out in the future, has not been recognised within Vet Group, and Group, revenue in Q1 FY19 at £1.2m, despite this de-recognition taking place during Q2 FY19
2. Defined as orders placed online at petsathome.com and in-store using our order-in-store service, plus subscriptions
3. Like-for-like growth comprises total revenue in a financial period compared to revenue achieved in a prior period, for stores, omnichannel operations, grooming salons, vet practices and referral centres that have been trading for 52 weeks or more
4. The fee income for practices which we have already bought out, or intend to buy out in the future, has not been recognised in either Q1 FY20 or Q1 FY19 like-for-like revenue
5. The impact of IFRS16 is expected to reduce Group underlying profit before tax by c£3-4m in H1 FY20, and c£6-7m in FY20
6. Current consensus estimates for FY20 Group underlying profit before tax have a mean of £85m, with a range between £79m and £90m
7. Refers to financial guidance as disclosed during FY19 preliminary results on 22 May 2019, which was provided on a pre IFRS16 basis
8. Defined as customers signed up to a Vet Group health plan, omnichannel subscription platforms Easy Repeat and Subscribe & Save, or Bubble Bundle
9. Includes gross customer sales made by JV vet practices, rather than fee income recognised within Vet Group revenue
10. Defined as gross customer sales made by JV vet practices, revenue from our Specialist Referral centres and company managed vet practices, grooming services, subscriptions, pet sales and pet insurance commissions
11. VIP customer sales are shown on a rolling 12 month basis rather than a year-to-date basis

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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 452 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK leading small animal veterinary business, with 444 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

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Certain statements in this trading statement 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 plans and 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.