Pets At Home
Vets Group

Investor & Analyst Presentation
October 2014
Introduction

Nick Wood
CEO
The importance of Vet Services to the Group

- Part of our unique ‘one stop shop’ offering for engaged pet owners
- Vet practices in-store drive store footfall & LFL
- Efficient use of store space
- We are growing share & consolidating a growing market
- Vet practice income is a fast growing revenue stream for the Group
- Vet services accretive to Group operating margins
We are pet people – our love of pets is shared with customers, vets and colleagues
The combined strength of our unique offering

Rational + Emotional =

Vets4Pets

Part of unique 'one stop shop' offering for engaged pet customers
Drives store footfall & LFL
Efficient use of store space
We are growing share in a growing market
Fast growing revenue stream
Highest operating margins in P&L Group
### Afternoon timetable

| 12.30 – 15.30 | Management & Executive Team presentation on Vets Group business

1. **Veterinary Market**
2. **Pets At Home Vets Group business**
3. **Vet Partner recruitment**
4. **Our JVPs, hear their stories**
   - Q&A session, comfort break
5. **Vet practice economics**
6. **Pets At Home economics**
   - Final Q&A and wrap up

| 15.45 | Depart for vet practice tours
- Visit to Sydenham or Blackheath in-store veterinary practices
- Sydenham 10 minute drive (bus provided), Blackheath 5 minute walk

| 16.00 – 16.45 | Vet practice tours (return bus to Greenwich station from Sydenham available)

| 17.00 | Finish |
The team

Nick Wood, CEO
Joined as CEO in June 2012. Previously CEO of American Golf for 4 years and 10 years management at Dixons

Ian Kellett, CFO
Joined as CFO in April 2006. Previously Deputy Finance Director at JD Wetherspoon Plc

Sally Hopson, Vets Group CEO
Joined in December 2008. Previously spent 14 years at Asda as Retail Operations Director and Marketing Operations Director

Andrei Balta, Vets Group Commercial Director
Joined as Commercial Director in December 2012. Previously Strategy Director for PAH Group for 2 years & management consultant at Bain&Co for 7 years

Amanda Radford, Vets Group CFO
Joined Vets Group in 2014. Previously Director of Group Finance at TalkTalk and Head of Reporting at Serco Group Plc

Graeme McConnell, Head of JV Partnerships
Joined Vets Group in 2005. Previously Regional Development Manager for Specsavers, involved in the rollout of their JV model

Mark Welch, Operations & People Director
Joined the Group in 2013. Previously based in the leisure industry, specialising in developing business partnerships

Tom Mowlem, JV Partner
JV Partner at two Vets4Pets practice, Bournemouth and Christchurch. Joined Companion Care in 1998

Leigh-Anne Brown, JV Partner
JV Partner at Vets4Pets practice in Harrogate. Joined the Group in 2008
Veterinary services market & our position

Andrei Balta
Vets Group Commercial Director
Vet services are a core growth element of the UK pet market: resilient through downturn, future forecast growth is higher

UK Pet Market

Vet Services: Historic growth driven by drug pricing & treatment complexity

Future growth from greater insurance, humanisation, & increasing procedure range

CAGRs

Vet Services

Accessories

Food

Source: OC&C market data & forecasts
UK vet market is highly fragmented, we have an opportunity to consolidate the market

55% of practices in the UK dedicated to small animal

Source: RCVS 2013. Represents 52% of all registered veterinary premises

Corporates c25% share of fragmented market

Source: 2014 PAH estimates, Company data
Key drivers of vet services market suggest growth can be expected to continue

UK Vet Services Market Growth 2008-2012

- **2008 Market Size**: £1,518m
- **Spend on Treatment Fees**: £1m
- **Spend on Prescription Medication (In Vets)**: £51m
- **Spend on Prescription Medication (Online)**: £33m
- **2012 Market Size**: £1,603m

**CAGR: 1.4%**

- **Number of pets**
  - UK cat and dog population stable
  - Dogs: c.9m
  - Cats: c.9m

- **Vet spend per pet**
  - Increasing availability of complex procedures
  - Economy growth drives increased insurance & out of pocket spend

- **Humanisation**
  - Treating a pet as one of the family & desire to provide top level care

- **Other channels**
  - Online channels represent small erosion of prescription drug sales
  - c. 7% veterinary pharma sales are online

Source: OC&C, GfK
Increasing insurance coverage & claim size suggests spend on pet health care will continue to grow

UK pet insurance market expected to continue to experience strong growth

Size of average claim increased 52% to £600 in 2012

Average premium and average claim on UK pet insurance policies

Source: Association British Insurers
Pets At Home Vets Group is the largest small animal veterinary services provider in UK, growing faster than competitors.

We are experiencing rapid organic growth, opening new instore & standalone practices

Pets At Home Vets Group, Number Of Practices

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>H1 FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-store</td>
<td>4</td>
<td>5</td>
<td>111</td>
<td>158</td>
<td>182</td>
</tr>
<tr>
<td>Standalone</td>
<td>69</td>
<td>87</td>
<td>97</td>
<td>119</td>
<td>121</td>
</tr>
</tbody>
</table>

Added 92 for Vets4Pets acquisition
We understand what veterinary customers want, and we perform well against these criteria

All Respondents: Key Purchase Criteria

- Vet and nurses well trained and professional
- Offers all services pet needs
- Great customer service
- Convenient location
- Convenient opening hours - late at night / weekends
- 1 have been going for years
- Nice look/feel
- Recommended by friend
- Lowest price
- Recommended online
- Recommended by pet-shop
- Recommended by breeder
- In shop where I buy pet products

We perform in line with competitors on criteria most important to customers
And perform ahead of competitors on criteria most important to new owners

Source: PAH Vets Group Customer Insights 2014
Veterinary clients are extremely loyal; we understand & target the main switching points

~90% of vet users use only one practice

Encouraging people to change vet is extremely challenging

However we have been more successful at this than competitors

What would make you consider changing vet?

- If I had a bad experience: 56%
- If my pet seemed unhappy: 33%
- If I didn’t like a new vet: 21%
- I would never consider changing: 19%
- Cheaper prices: 17%
- If my vet surgeon moved: 13%
- If someone else had a bad experience: 10%
- If a new practice opened at nights and weekends: 7%
- If a new practice was recommended by a friend: 5%
- If I got a new pet: 2%

Source: PAH Vets Group Customer Insights 2014 and 2013
Convenience plays a big part in attracting clients to both our in-store and stand-alone practices.

**IN-STORE:** 50% of clients began using our in-store practices for reasons of convenience.

**STAND-ALONE:** Reputation and convenience are important drivers of usage for SA practices.

### Reasons for starting to use in-store practice

- **Convenience** (opening hours, location, parking, inside PAH store)
- **Services range**
- **Reputation / recommendation**
- **Price / offers**
- **Other**

Source: PAH Vets Group Customer Insights 2013
Pets At Home Vets Group

Sally Hopson
CEO Vets Group

1991: First store opens in Chester
2000: 303 Vets
2001: Northampton SDC
2003: Relaunch
2007: 1st Vet
2008: 50th Vet
2009: 100th Vet
2010: Relaunch
2011: 1st In-store V4P
2012: Largest UK vet services provider
2013: 1st In-store V4P
2014: Largest UK vet services provider

303 Vets

1st Vet

50th Vet

100th Vet

Largest UK vet services provider

Pets At Home Vets Group vision

Our PawPrint

To be the Best Veterinary Group in the World

Putting PETS first
A truly AMAZING place to work
Innovative and WORLD CLASS clinical care
Success through PARTNERSHIP
At the HEART of our communities

At the heart of every community
Always new and exciting
World class shops
Friendly Experts
The best vets and groomers
Pets before profit

Vets4Pets & Vets
The Vets Group has achieved a significant amount in the past year

Acquisition of Vets4Pets & integration with CC

69 new practices in FY14, targeting 60 this FY

Launched new brand building TV campaign

Over 900k clients, sold c100k health plans in past year
Our joint venture structure is now unique in the UK vet market

Each practice is a separate company, jointly owned by the Vets Group & JV Vet Partner

- **Commercial Bank**
  - Loan to JV Practice

- **JV Practice**
  - **A shares:** Entitlement to profit & capital gains
  - **B shares:** Influence on key business decisions to protect Group

- **JV Partner**
  - Full salary paid from day 1 (average market rate)
  - Right to all dividends after repayment of bank loan
  - Capital gains at exit

- **PAH Vet Group**
  - Receive management fees
  - Provide all back office functions & specialist business support
Our role is to provide support & non-clinical business services to the JV practices.

Regionally aligned support

Joint Venture Practice

Operations
Accounts
Local marketing
People

Finance
Brand marketing
Procurement
Training
Colleague Relations

Finance (access)
Business insights
Legal
Clinical services
Systems
Our model gives us significant advantage over corporate and independent competitors

<table>
<thead>
<tr>
<th>Our competitive advantage</th>
<th>Vs Corporate Competitors</th>
<th>Vs Independents</th>
</tr>
</thead>
<tbody>
<tr>
<td>JV model</td>
<td>Model creates loyalty &amp; incentive for vet to grow &amp; succeed, also driving our business</td>
<td>Partner owned &amp; motivated, but without our business insight &amp; scale advantages</td>
</tr>
<tr>
<td>National Brand</td>
<td>Fully branded practices, opportunity to build national brand</td>
<td>Can build local reputation, but not national</td>
</tr>
<tr>
<td>VIP Club</td>
<td>Access to engaged customers already loyal to PAH</td>
<td>Cannot replicate PAH relationships or loyalty card model</td>
</tr>
<tr>
<td>In-store locations</td>
<td>PAH footfall drives client list, better parking facilities for customers &amp; longer opening hours</td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>Brand new, highly equipped practices</td>
<td></td>
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</tbody>
</table>
Our property model indicates at least 700 attractive sites for vet practices across the UK.

Smaller catchment area for vet practices facilitates stand-alone offering between our stores.

Step 1: Demand Mapped
Step 2: Catchment areas identified
Step 3: Opportunities assessed
Step 4: New practices modelled

<table>
<thead>
<tr>
<th>In-store Vet</th>
<th>182</th>
<th>177</th>
<th>91</th>
<th>450</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standalone Vet</td>
<td>121</td>
<td>129</td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>

- **Existing**
- **Potential Retrofits**
- **Potential New**

Data as at end H1 FY15
A national brand allows us to drive awareness & increase brand perception

Vets4Pets is the most recognised brand in the country

Vets Group 2014 Survey: 2777 respondents
We are also undergoing a rebranding campaign across our existing estate.
Intentionally blank
VIP allows us to drive increased spend on services & cross-selling opportunity for vets under-represented in VIP

### Last 12 Month VIP Club Member Spend (£)

<table>
<thead>
<tr>
<th></th>
<th>Store Only</th>
<th>Store + Groomer</th>
<th>Store + Online</th>
<th>Store + Vet²</th>
<th>Store + Vet² + Groomer</th>
<th>Store + Vet² + Online</th>
<th>Store + Vet² + Groomer + Online</th>
</tr>
</thead>
<tbody>
<tr>
<td># of People in Sample</td>
<td>1,580,716</td>
<td>47,589</td>
<td>36,112</td>
<td>122,560</td>
<td>9,417</td>
<td>4,040</td>
<td>329</td>
</tr>
<tr>
<td>Visit Frequency</td>
<td>5.9</td>
<td>10.3</td>
<td>10.0</td>
<td>12.7</td>
<td>19.5</td>
<td>18.7</td>
<td>30.2</td>
</tr>
</tbody>
</table>

1. VIP club member spend for the FY14
2. Vets consist of Companion Care practices
3. Accounts for total transactions including online
Access to 2.6m VIP members & PAH customers gives Vet Group opportunity to grow share in these customer groups

We have significant headroom to gain share in groups of customers we have direct access to

Source: PAH Vets Group Customer Insights 2014
We also use healthplans to upsell and drive customer loyalty

- **New customers**
  - **Attract & Lock-in**
  - **Cross-sell & Bond**
  - **Premium offering**
- **Complete Care - Senior**
- **Future plans: Complete Care - Chronic**

**Vac4Life**

- The right plan first time
- Steady conversion up the ladder
Initiatives to drive LFL growth in mature practices: Super Surgeries & 24/7

Current store layout

New layout with larger practice area
Vet Partner Recruitment

Graeme McConnell
Head of JV Partnerships
Growing supply of vets, driven by both domestic & overseas registrations

UK Graduates
- Male
- Female

Female %
- 74.1%
- 75.3%

The gender shift has been significant

Current UK gender split 56% female... was 33% female in 1998

UK-practising members by age and gender

<table>
<thead>
<tr>
<th>Age group in years</th>
<th>Male (8,292)</th>
<th>Female (10,599)</th>
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<tbody>
<tr>
<td>&lt;=25</td>
<td></td>
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<tr>
<td>26-30</td>
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<td>31-35</td>
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<td>76-80</td>
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<td>86-90</td>
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<tr>
<td>91-95</td>
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Source: RCVS Facts 2013
Career routes for vets post graduation

Source: RCVS Graduate Survey 2013
Why is small animal so popular?

Growing demand for small animal Vet services

Insurance coverage widening

Less physically demanding

Advances in veterinary care

Work life balance

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Less physically demanding

Advances in veterinary care

Work life balance
Vets in practice: Sole Principals & Equity Partnerships declining, highlighting increasing challenges of owning your practice

Source: RCVS Vet Surgeon & Vet Nurse Survey 2014, looking at the roles of Vet Surgeons in clinical practice
- No Equity Partner data for 2006
Options for running your own small animal practice

Start own independent practice
- Financing challenge
- Business skills
- Building reputation from scratch
- May not take a salary for first few years

Buy into independent practice
- Need to wait for the opportunity
- Financing challenge
- One of many partners, limited scope for change
- Old practice & equipment

Join a Corporate
- Most corporates don’t offer Partnership
- Cohesive branding of corporates limited
- Medivet opportunity is a 50% profit share

Joint Venture with the Vet Group
- Financing & setup assistance
- Business skills not required
- Benefit from brand reputation & store footfall
- All profit & capital value accrues to vet
- Exclusive opportunity for in-store practice
The Pets At Home JV – a win for the vet, a win for us

For the Vet …

- Brand new, highly equipped practice
- Minimal investment
- Concentrate on clinical practice
- Profits accrue to the Partner

For Pets At Home Vets Group…

- Fast growing income stream
- Vet Group can expand at pace
- Share structure gives us input
- Increases store footfall & is brand enhancing

For the Vet …

- Minimal investment
- Concentrate on clinical practice
- Profits accrue to the Partner

For Pets At Home Vets Group…

- Fast growing income stream
- Vet Group can expand at pace
- Share structure gives us input
- Increases store footfall & is brand enhancing
### We find our Partners through a number of avenues

**Source through our Partnerships team**
- Advertising
- Veterinary congresses
- Digital media

**Source via third parties**
- Agencies & suppliers

**Grow our own**
- Referrals from current Partners
- Current employees and locums
- Graduate programme

### Acquisition of V4P has assisted JVP sourcing

- Vets Group now the **only group** offering joint venture model to vets
- **More location availability** from combined group and option of in-store or standalone

### Sources of JVPs

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>11%</td>
</tr>
<tr>
<td>Congresses</td>
<td>5%</td>
</tr>
<tr>
<td>Current/Previous JVP/Employee</td>
<td>25%</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>5%</td>
</tr>
<tr>
<td>Previous Experience</td>
<td>9%</td>
</tr>
<tr>
<td>Referral</td>
<td>17%</td>
</tr>
<tr>
<td>Online</td>
<td>19%</td>
</tr>
<tr>
<td>Trade Press</td>
<td>12%</td>
</tr>
</tbody>
</table>
Selection underpinned by careful screening process

**Who is the typical JVP?**

- **5-7 years** qualified
- Want to **build & grow** their own practice
- Want **control of clinical standards**
- Want to **be a vet** – not run marketing & finance
- See a **long term** opportunity

- Several Partners have >1 practice
- Always at least 1 JVP per practice (ensures JVPs cannot spread themselves too thin)

**Quality control**

- **Clinical ability**
  - Qualification and Clinical skills matrix
  - References and RCVS checks

- **Culture and personality**
  - JV Discovery Day: Ops team & HR department feedback
  - DISC personality profiling & background checks
  - Practice “see for yourself day” & JVP feedback
Our JV Partners, Their Stories

Tom Mowlem & Leigh-Anne Brown
<table>
<thead>
<tr>
<th>Bournemouth JVP since 2002</th>
<th>Christchurch JVP since 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vets4Pets</strong></td>
<td><strong>In store practice</strong></td>
</tr>
<tr>
<td>Standalone practice</td>
<td></td>
</tr>
<tr>
<td><strong>Opening Times</strong></td>
<td></td>
</tr>
<tr>
<td>Mon-Fri 9am – 7pm</td>
<td>Mon-Fri 9am – 7pm</td>
</tr>
<tr>
<td>Sat 9am – 6pm</td>
<td>Sat 9am – 6pm</td>
</tr>
<tr>
<td>Sun 10am – 4pm</td>
<td>Sun 10am – 4pm</td>
</tr>
<tr>
<td><strong>Joint Venture Partners</strong></td>
<td></td>
</tr>
<tr>
<td>Tom Mowlem (75% A shares)</td>
<td>Tom Mowlem (75% A shares)</td>
</tr>
<tr>
<td>Debbie Clark (25% A shares)</td>
<td>Debbie Clark (25% A shares)</td>
</tr>
<tr>
<td><strong>Financials FY14</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue c£1m</td>
<td>Revenue c£600k</td>
</tr>
<tr>
<td>EBITDA c£100k</td>
<td>EBITDA c£20k</td>
</tr>
<tr>
<td><strong>Debt/Dividend profile</strong></td>
<td></td>
</tr>
<tr>
<td>Debt free (since 2005)</td>
<td>Debt c£200k</td>
</tr>
<tr>
<td>Dividend c£80k</td>
<td>No dividend</td>
</tr>
</tbody>
</table>
Why did I choose to Joint Venture?

- Routes to running your own practice limited
- Clear business model with established success & profitability
- Benefit from being part of a big organisation. In-store gave direct access to client list

- Can express views via the Joint Venture Council
- Ability to release capital in the business
- Can focus my time on being a vet
Rebranding to Vets4Pets at both Bournemouth & Christchurch

Bournemouth reception BEFORE

Bournemouth reception AFTER

Christchurch in-store rebrand
What next?

- Work with local Vets4Pets / Companion Care to ensure we are the veterinary provider of choice in this area.

- Build on offering the best customer service in our area to increase client base

- Offering additional services to existing customers

- Investigate 24/7 – an exciting opportunity to offer a truly 24 hour service in Bournemouth
Leigh-Anne Brown, Veterinary Surgeon & JV Partner

| Opening Times                  | Mon-Fri 8.30am – 7pm  
Sat 9am – 4pm  
Sun 10am – 3pm |
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Joint Venture Partners</td>
<td>Leigh-Anne Brown (100%)</td>
</tr>
</tbody>
</table>
| Financials FY14               | Revenue c£700k  
EBITDA c£75k |
| Debt/Dividend profile         | Debt c£100k  
No dividend |
Joint Venturing presented an ideal route to achieving the dream of running my own practice

No Partnerships on horizon at previous practice

Other corporate offers had no scope for ownership

Offer of Partnership at first practice required too much financial and emotional upheaval

Lack of funds to finance own practice from scratch

Established practices not modern & don’t have latest equipment

Wanted to set my own standards / culture / leadership from scratch
My practice in Harrogate, why the JV model offers a different level of support and development

- Advantages of large corporate, but with a local feel
- Support from other JVPs
- Support office business & financial expertise
- Allows me to be customer focused
- Ability to become more than a vet as part of the JV Council
Looking to the future, a second practice in Harrogate Pets At Home store

Previous Harrogate store layout

In-store retrofit, opened 9th October

Store area

Colleague area
Back office

Store area

Vet practice
Groom Room
Colleague area
Back office
Questions?

Break
Vet practice economics

Amanda Radford
Vets Group CFO
Our Vet Group Joint Venture model is unique and successful

Compelling proposition for the vet – JV Partner benefits from all profit & capital accretion

- We make it easy for entrepreneurial and ambitious vets to start up own practice with minimal investment
- Our unique proposition removes financing & setup burden

Average loan from Bank c£320,000

Loan from JV Vet Partner £30,000

JV Practice Capitalised at c£400k

Loan from Pets At Home £30-60,000
Our Vet Group Joint Venture model is unique and successful

Model incentivises the vet to grow

- 15-17% income to PAH for business services support
- Rent to PAH (in-store practices only)
- Average market salary to Vet Partner

1. Repay bank loan
2. Repay PAH loan
3. Repay Vet Partner loan

- Income to PAH from Year 1
- Vet takes average market salary until debt repaid and sinking fund of £30k established
- When loans repaid (c. 7 years), vet can take up to 100% dividend from profits
We have arranged commercial lending facilities for the vet practices, sufficient for our medium term growth.

**Credit line totalling £100m with 4 well-known, established banks**

- **2 x £30m revolver**
- **2 x £20m fixed term loans**

- Loan agreement made between JV practice and the bank
- Facility availability from March 2016 to March 2018
- Currently c.£55m drawn down, headroom for further 130-140 practices
- Headroom also increases on revolvers as practices repay debt
  - Forecast to be c. £15m per year = 40-50 practices
Few differences between in-store & standalone … rent & footfall

**Single joint venture agreement**

**STANDALONE**

- Benefit from store footfall & parking
- Referrals from in-store colleagues

** characteristics**

**Outgoings**

- Colleague costs
- Other expenses
- Debt repayment
- Corporation tax
- Rent (own lease)

**INSTORE**

- New, state of the art practices equipped to high spec
- Vet Group provides support

**Single JV Engaged JVP**

** characteristics**

- Tend to be more 'local' & town centre based
- Larger in size

**Outgoings**

- Colleague costs
- Other expenses
- Debt repayment
- Corporation tax
- Rent (PAH lease)

**Vet Group Business Services Support**
In-store & standalone practices have similar revenue & EBITDA maturity profiles … still growing strongly after 7 years

**In-store vet practice P&L**

- **Start up**
- **Mid Life**
- **Mature**

**Standalone practice P&L**

- **Start up**
- **Mid Life**
- **Mature**

- In-store gets a head start in early years due to store footfall
- **High-teens revenue CAGR** and still growing at **mid single digit LFL in later years**
- H1 FY15 practice revenue LFL 16% (LFL in mature practices 8%)
- **Double digit EBITDA margin** in mature practices creates opportunity for dividends and earnings-based valuation
- Average JVP dividend after debt repaid £99k (we have 50 debt free practices)

*Graphs based on practice cohort data for FY14. Start up cohort: <1yr – 2yr; Mid Life cohort: 3yr – 6yr; Mature cohort: >7yrs*
Case Study: Wealth creation for the vet through salary & dividends

In-store practice located in the South East, opened in 2004.

- Opening the practice fulfilled a life-long career ambition
- Ambitious vet, >10 years post qualified
- Two vets working in this practice have gone on to become JV Partners
‘A share’ sales allow a vet to exit & deliver benefit for the vet, as well as the Group

We manage a small number of A share sales each year

- Vet can realise value in 1st practice to allow investment in 2nd practice
- Realise investment
- Change in circumstances

<table>
<thead>
<tr>
<th>CASE STUDY</th>
<th>CASE STUDY</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East (FY14) – realise investment</td>
<td>Midlands (FY14) – 2nd practice</td>
</tr>
<tr>
<td>Sold 100% of practice to return home to South Africa</td>
<td>Sold 20% to invest in 2nd practice</td>
</tr>
<tr>
<td>Sold to: Assistant Vets and Practice Manager</td>
<td>Sold to: Assistant Vets (opened 2nd practice with same vet)</td>
</tr>
<tr>
<td>Value of business c. £750k</td>
<td>Value of 20% stake c. £15k</td>
</tr>
</tbody>
</table>

Benefits of A share sales to the Group

- A proven exit route & wealth creation for JVP’s makes the model attractive to prospective vets
- Established vet takes a 2nd practice generating growth in practice rollout & vet partner recruitment
- Opportunity for PAH to intervene where there is underperformance

Valuation of vet practices standard across vet profession. Average multiple of 3.5x EBITDA
Pets At Home economics

Ian Kellett

CFO
Pets At Home Vets Group provides business services to the vet practices

PAH Vets Group Support Office costs

- Colleagues that provide:
  - Recruitment services
  - Finance services
  - Marketing services
  - Procurement
  - Admin support
  - Systems

JV Practice Separate Ltd Company

- Pays costs of setup, equipment / capex
- Financing held on practice balance sheet
- Incurs own business costs (colleagues, rent, admin etc)
Variety of rollout has slightly differing impacts on PAH

**New practice**

- Drives store footfall
- Vet customers spend more in store
- Lowers rent exposure
- Capex if mezz required

**Retrofit practice**

- Increases store footfall
- Uplift in LFL of c1%
- Offset to rent payments
- Capex if mezz & store refurb required

Part of new store investment case
Retrofitting vets to existing stores drives footfall & lifts store LFL by c1%

We have an opportunity to retrofit 177 vets into existing stores

- **In-store Vet**: 182
- **Potential Retrofits**: 177
- **Potential New**: 91

Retrofits drive superior space utilisation

Plan to retrofit 30 vets to stores per year

Vet retrofit equivalent to c20% of store retail space

Changing space in store

30 vet retros equivalent to size of 6 stores

Vet retrofits deliver rental benefit to stores

- **Practice pays service charge to store**: c£39,000
- **Vet retrofits / yr**: 30
- **Offset to annual rent cost**: >£1m

30 vet retros = c£39,000 x 30 = >£1m
Our financing & liability for Vet Group rollout is limited, allowing us to expand at pace

Three fold financing support at a PAH Group level

1. **JV Practice Funding**
   - Loan from PAH into JV business small, only £30-60k per practice
     - (£6m ‘Other Financial Assets’ on PAH balance sheet)
   - Other JV financing off our balance sheet

2. **Practice Funding Liability**
   - Bank loan subject to JV Partner personal guarantee & debenture over JV assets
   - Group level guarantee small (c£9m) & a portion cash backed

3. **Capex**
   - If vet practice going on mezzanine, cost of mezzanine c£115,000
   - Around 27 mezzanine floors required in FY15
   - Stores also refurbished at time of retrofit, cost c£150,000
Services income is fast growing and overall business participation is growing

<table>
<thead>
<tr>
<th>Revenue £m</th>
<th>FY13</th>
<th>FY14</th>
<th>Change</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise Revenue</td>
<td>£566.4</td>
<td>£615.1</td>
<td>8.6%</td>
<td>92.4%</td>
</tr>
<tr>
<td>Services &amp; other*</td>
<td>£31.9</td>
<td>£50.3</td>
<td>57.4%**</td>
<td>7.6%</td>
</tr>
<tr>
<td>Total Group revenue</td>
<td>£598.3</td>
<td>£665.4</td>
<td>11.2%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue £m</th>
<th>H1 FY14</th>
<th>H1 FY15</th>
<th>Change</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise Revenue</td>
<td>£320.0</td>
<td>£348.3</td>
<td>8.9%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Services &amp; other*</td>
<td>£26.2</td>
<td>£33.2</td>
<td>27.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Total Group revenue</td>
<td>£346.2</td>
<td>£381.5</td>
<td>10.2%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross margin</th>
<th>FY13</th>
<th>FY14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>56.0%</td>
<td>56.1%</td>
<td>+14 bps</td>
</tr>
<tr>
<td>Services</td>
<td>22.5%</td>
<td>26.3%</td>
<td>+386 bps</td>
</tr>
</tbody>
</table>

*Services includes vet practice income, grooming, insurance & live pet revenues. Does not include rent income from vets in-store, this is an offset to our rental cost line in operating expenses

** Excluding acquisition impact of V4P, services income grew at 25.0%
Whilst dilutive at a gross margin level, services & vets are accretive to EBITDA margins

<table>
<thead>
<tr>
<th>FY14</th>
<th>Merchandise</th>
<th>Services</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit (m)</td>
<td>£344.9</td>
<td>£13.2</td>
<td>£358.1</td>
</tr>
<tr>
<td>Gross margin</td>
<td>56.1%</td>
<td>26.3%</td>
<td>53.8%</td>
</tr>
</tbody>
</table>

Only c£2m of indirect cost allocation between gross profit & EBITDA

<table>
<thead>
<tr>
<th>FY14</th>
<th>Merchandise</th>
<th>Services</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBITDA margin</td>
<td>Lower than Group</td>
<td>Higher than Group</td>
<td>16.6%</td>
</tr>
</tbody>
</table>
Our Vets Group Support Office fixed cost base is now in place, creating an opportunity for margin leverage going forward.

Vets4Pets acquisition synergies still to come

- Combined 3 Support Offices to 1
- Group purchasing scale increased
- Leverage from single practice management platform

- £2.7m synergies achieved in FY14
- Further £2.6m to come in FY15

Support Office fixed cost base in place to support vet practice rollout plan

- Colleagues to support JV practices: Biggest variable cost as Group grows
- Non colleague cost and spend on JV practices: Majority is fixed
Growth & margin opportunity for PAH as our immature practice base matures

**Income to PAH from typical in-store vet practice**

**Over 75% of our practices are less than 7 years old**

- **Fee income to Pets At Home**
  - *Vet practices take c7 years to mature*
  - *Incremental EBITDA*
  - *Every new practice adds c£22,000 to our cost base*

- **Cohort of 8 Companion Care practices**

- **Immature practice base**
  - Year 1: 26, Year 2: 69, Year 3: 38, Year 4: 29, Year 5: 30, Year 6: 19, Year 7: 15, Year 8: 10, Older: 5

- **Income to PAH from typical in-store vet practice**
  - Year 1: £10,000, Year 2: £30,000, Year 3: £50,000, Year 4: £70,000, Year 5: £90,000, Year 6: £110,000, Year 7: £130,000, Year 8: £150,000

- **Cohort of 8 Companion Care practices**
  - Year 1: 26, Year 2: 69, Year 3: 38, Year 4: 29, Year 5: 30, Year 6: 19, Year 7: 15, Year 8: 10, Older: 5

**Key Points**

- Over 75% of our practices are less than 7 years old.
- Vet practices take approximately 7 years to mature.
- Every new practice adds approximately £22,000 to our cost base.

**Graphs and Diagrams**

- Line graph showing fee income to Pets At Home over 8 years.
- Bar graph showing the number of practices per year and age category.

**Textual Content**

- *Growth & margin opportunity for PAH as our immature practice base matures*
- *Income to PAH from typical in-store vet practice*
- *Over 75% of our practices are less than 7 years old*

**Tables**

- Table highlighting the incremental EBITDA for each year.

**Charts**

- Line chart showing the fee income to Pets At Home over 8 years.
- Bar chart showing the number of practices per year and age category.
Summary

Nick Wood
CEO
The importance of Vet Services to the Group

- Part of our unique ‘one stop shop’ offering for engaged pet owners
- Vet practices in-store drive store footfall & LFL
- Efficient use of store space
- We are growing share & consolidating a growing market
- Vet practice income is a fast growing revenue stream for the Group
- Vet services accretive to Group operating margins
Questions?