Pets at Home Group Plc, the UK’s leading pet care business, is pleased to provide a trading update covering the 16 week period from 27 March to 16 July 2020, compared to the 16 week period from 29 March to 18 July 2019.

**Financial highlights**

- Total Group revenue and like-for-like\(^1\) (LFL) revenue was down (1.0)% and (0.7)% respectively, with a LFL revenue decline of (13.5)% over the initial eight weeks offset by LFL revenue growth of 12.0% over the subsequent eight weeks
  - Retail revenue and LFL revenue both increased 0.4%, with performance across the quarter as a whole reflecting strong merchandise sales, which mitigated the revenue impact of closing our grooming salons and sale of pets during the first eight weeks, as well as a reversal of the exceptional, brought forward demand witnessed in the closing weeks of Q4 FY20.
  - Omnichannel\(^2\) revenues grew 71.0%, with previous investment in capacity supporting record order volumes and a step change in participation of Retail revenue from 9.8% in the prior year to 16.6% in Q1 FY21
  - Vet Group revenue and LFL revenue was down (10.9)% and (9.3)% respectively, reflecting the impact of regulatory restrictions on permitted procedures during the early stages of the pandemic on Joint Venture fee income and customer sales in our company managed First Opinion practices and Specialist Referral centres.

While LFL customer sales across all First Opinion practices were down (9.3)% for the quarter as a whole, LFL growth of 4.6% over the last eight weeks of the quarter bears testament to the advantages of our unique owner-managed model.

- Our liquidity remained strong throughout the period, with cash balances and undrawn banking facilities, including the additional £100m RCF raised in May, totalling £267m at the end of the quarter. This, together with our designation as an “Essential” retailer and sales momentum through the quarter, underpinned our decision, across our Retail operations and Specialist Referral Centres, not to participate in the government’s Job Retention Scheme (JRS) or the Job Retention Bonus, the combined impact of which is estimated to be in excess of £8m.

**Sales distribution by period**

The start of our new financial year coincided almost exactly with the implementation of lockdown across the UK. The table below, showing customer behaviour both before and during full and partial lockdown, as well as the impact of phased re-instatement of services and permitted procedures across our Retail and Veterinary operations, most of which was completed in June, clearly illustrates that Retail LFL sales growth for the 20-week period commencing 28 February 2020 is ahead of the 48-week period last year, prior to the impact...
of the pandemic. For illustrative purposes, Vet Group Sales LFL in the table below includes the gross customer sales made by Joint Venture vet practices, company managed vet practices and Specialist Referral centres only (and not the Joint Venture fee income derived by Pets at Home from those customer sales made by Joint Venture vet practices).

<table>
<thead>
<tr>
<th>Sales LFL</th>
<th>FY20 48-wks to 28-Feb</th>
<th>FY20 4 w/c 27-Mar</th>
<th>FY20 4 w/c 24-Apr</th>
<th>FY20 4 w/c 22-May</th>
<th>FY20 4 w/c 19-Jun</th>
<th>Q1</th>
<th>Cumulative 20-weeks from 28-Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>7.2%</td>
<td>36.2%</td>
<td>(20.0)%</td>
<td>(3.3)%</td>
<td>8.4%</td>
<td>15.9%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores²</td>
<td>5.3%</td>
<td>38.1%</td>
<td>(29.4)%</td>
<td>(11.8)%</td>
<td>1.4%</td>
<td>9.9%</td>
<td>(7.3)%</td>
</tr>
<tr>
<td>Omnichannel³</td>
<td>26.6%</td>
<td>39.7%</td>
<td>64.8%</td>
<td>74.2%</td>
<td>72.5%</td>
<td>72.3%</td>
<td>71.0%</td>
</tr>
<tr>
<td>Vet Group⁴</td>
<td>13.4%</td>
<td>5.8%</td>
<td>(31.1)%</td>
<td>(16.7)%</td>
<td>(0.1)%</td>
<td>11.9%</td>
<td>(8.4)%</td>
</tr>
<tr>
<td>Group</td>
<td>8.9%</td>
<td>27.1%</td>
<td>(23.2)%</td>
<td>(7.4)%</td>
<td>5.9%</td>
<td>14.7%</td>
<td>(2.2)%</td>
</tr>
</tbody>
</table>

**Strategic highlights**

At our FY20 results in May, we set out our initial thinking on planning and actions in response to the pandemic, with the core aim of emerging a stronger pet care business.

It has, therefore, been encouraging to see tangible signs of heightened demand for pet ownership, a good proxy for longer term growth in the market, as people adopt new attitudes to work and leisure pursuits. This has also been reflected in some of our recent initiatives to attract and retain new customers to our products and services:

- The number of active VIP members grew 20.3% in the quarter, YoY to 5.7m, with the number of VIPs who purchase both products and a service growing 8.5% for the quarter, YoY.
- The number of Puppy and Kitten Club members grew 12.0% in the quarter, YoY underpinning a steady increase in new client registrations across our First Opinion practices, further improving their economics and mitigating any requirement for the Group to extend additional short-term financial support relating to COVID.
- Subscription customers⁵ across the Group grew to over 906,000, up 18.1% for the quarter, YoY.

With this positive backdrop in mind, our priorities in creating a stronger pet care business are clearly focused on being well-positioned as a beneficiary of this growth through a combination of sales-led initiatives, progressing longer-term investment and optimising our portfolio of products and services.

**Sales-led initiatives**

Our designation as an “Essential” retailer enabled all of our stores and nearly all of our First Opinion practices to remain open during the quarter, giving us valuable insight into consumer behaviour and preferences.

We have proactively adapted our operations to be well-placed to grow revenues while adhering to guidelines around social distancing and safe purchase of goods and services, and have successfully trialled a number of initiatives, including:

- A “Call and Deliver-to-Car” service in Retail as well as contactless click and collect from stores, utilising dedicated parking bays and QR code notifications.
Increased use of telemedicine amongst First Opinion practices, providing opportunities to triage existing clients and acquire new ones, as well as home delivery of certain First Opinion healthplan medication.

Our plans to launch an upgraded Click and Collect service are also at an advanced stage and will include utilising a new Order Management System to provide real-time intelligence on optimal order management and routing across our nationwide store estate. This will help not only to improve our fulfilment capacity and customer proposition, but also to generate cost efficiencies relative to our existing, centrally fulfilled model.

Progressing longer-term investment

We are confident that accelerated growth in our omni-channel business will continue. As part of a clear ambition to transform our omni-channel capabilities, we are pleased to have signed a conditional lease agreement with Stoford Development Ltd, a specialist developer of occupier led pre-let commercial property in the UK, pursuant to the construction of a single site storage and distribution facility that will support both our current position as the UK’s leading pet care business as well as our future growth trajectory.

Under the terms of the agreement, Stoford will finance and construct a purpose-built circa 670,000 sq.ft. (including office and parking spaces) cross-docked facility in Stafford, offering good connectivity to major road networks and international airports, as well as our legacy facility in nearby Stoke-on-Trent. An additional 100,000 sq.ft. of expansion land will be available, if required.

Pets at Home will enter into a 20-year FRI lease with Stoford from mid-2022, with a subsequent 12-month fit out programme allowing access to be broadly aligned with lease expiration at our Stoke facility. Our total planned gross capital investment relating to site fit-out is estimated at £48m between FY21 to FY26, and it is our intention to execute a funding arrangement that retains our balance sheet flexibility.

Consolidating our legacy infrastructure into a single, modern, well-located and future focused platform that serves both our stores and online orders, on attractive commercials with low net capital commitment, will allow us not only to better serve our customers through maximum flexibility in stock holding and order fulfilment capacity, but also to deliver operating cost and working capital benefits to the Group, an appropriate return on investment for our shareholders, and long-term employment opportunities for both existing and prospective colleagues.

Optimising our portfolio of products and services

We have a unique suite of assets, allowing us to offer an unrivalled ecosystem of products and services covering all key aspects of pet ownership. Our aim is combine these capabilities in a way that makes pet care easy, convenient, rewarding and supportive, creating value for both our customers and our shareholders.

Empowering our customers to be able to shop in a way that best meets their needs requires a true omni-channel approach, using data to integrate a well-invested store estate, a fast-growing online business and an efficient, modern and responsive supply chain into a single customer-centric platform which delivers a seamless pet care experience.

The process of migrating in-house our customer data from our Retail, Vets and loyalty programmes is largely complete. This, together with the support of a number of experienced
new recruits into our IT infrastructure and e-commerce teams, is enabling us to develop new insights through customer segmentation, giving us a degree of predictability over shopper behaviour, spending patterns and preferences, as well as the ability to generate a single view of our customers across all areas of our business. This will be used in future to drive targeted promotions, personalised solutions across products and services and a greater number of annuity-based subscriptions and plans.

**Peter Pritchard, Group Chief Executive Officer, commented:**

“The effects of COVID-19 continue to have an unprecedented impact on all of our lives. Our first priority remains the health, safety and wellbeing of all our colleagues and customers, and, on behalf of our stakeholders, I would like to express sincere thanks to all of our colleagues across the Group for their tirelessly work and dedication in adapting our proposition and serving our customers’ needs during such challenging times.

To express our gratitude to frontline colleagues, since the start of the pandemic we paid a one-off bonus of £1.9m, in addition to our normal annual bonus, and created a £1.0m Colleague Hardship Fund for colleagues, our vet Partners and their teams should their families experience financial difficulties. We also allocated £1.1m to specific charities, many of which have seen their fundraising diminish during the pandemic, £100,000 to the Retail Trust, in support of workers across the wider retail sector, and have extended our 10% discount scheme to NHS workers until September.

In spite of the rapid, wide-ranging and devastating effects of the pandemic, we have remained open for our customers throughout the period and we are emerging as a stronger business. The inherent resilience in our pet care model and the underlying pet care market, as well as encouraging signs of increased pet ownership, all underpin our confidence in seizing the future and progressing specific, strategic priorities. The significant investment in our omni-channel business is a good example of this, representing an important milestone, not just for our business and customers, but also as part of our commitment to longer term regional job creation and retention.

While much has changed, and continues to do so, we remain confident in the long-term sustainability of our pet care business, where the love of pets and the role that they play in our lives is only increasing.”

**Outlook**

We have responded quickly and adapted well to changes in customer behaviour, and this has been reflected in momentum returning across all areas of the business ahead of our previous expectations.

It remains difficult, however, to make a clear assessment of the near-term outlook and could be misleading, at this stage, to extrapolate our recent exceptional momentum across the rest of the year.

Increasing pet ownership helps drive the growth of our business and the market overall, but the uncertainties over the duration and ongoing impact of social distancing restrictions in the UK, risk of a second lockdown, as well as macro headwinds are all factors that mean we need to remain focused and agile over the coming months. We also recognise that costs relating directly to the impact of the pandemic will remain elevated, and that the current year’s business rates relief will not mitigate the estimated financial impact of COVID-19.
Longer term, we remain as confident as ever. We have a large and growing loyal customer base, growing annuity income streams, scalable omni-channel and veterinary businesses, and offer a unique combination of products and services, all of which provide considerable opportunities for sustainable growth. In Retail, the majority of our inventory is small-ticket, non-seasonal and non-discretionary, and the combination of our wide range of products and price points positions us well across all demand cycles and against all manner of competition.

**Conference call**

A conference call for analysts and investors will be held at 9.00am today. To join the call, please dial +44 (0) 33 0606 1122 and enter the room number 436934, followed by the PIN 0966. A recording will be available at [http://investors.petsathome](http://investors.petsathome)

**Strategic Key Performance Indicators**

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY21</th>
<th>Q1 FY20</th>
<th>YoY change</th>
</tr>
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<tbody>
<tr>
<td>Number of customer transactions (m)</td>
<td>15.2</td>
<td>18.0</td>
<td>(15.5)%</td>
</tr>
<tr>
<td>Customer sales from services</td>
<td>31.8%</td>
<td>35.5%</td>
<td>(373) bps</td>
</tr>
<tr>
<td>VIP customer sales (£m)</td>
<td>798.5</td>
<td>646.6</td>
<td>23.5%</td>
</tr>
<tr>
<td>Customer sales per colleague (£k)</td>
<td>48.9</td>
<td>54.2</td>
<td>(9.8)%</td>
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<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of stores</td>
<td>453</td>
<td>452</td>
<td>1</td>
</tr>
<tr>
<td>Number of grooming salons</td>
<td>316</td>
<td>312</td>
<td>4</td>
</tr>
<tr>
<td>Number of Joint Venture First Opinion vet practices</td>
<td>394</td>
<td>401</td>
<td>(7)</td>
</tr>
<tr>
<td>Number of company managed First Opinion vet practices</td>
<td>47</td>
<td>43</td>
<td>4</td>
</tr>
</tbody>
</table>

1. 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
2. Store sales includes grooming and live pet sales
3. Defined as orders placed online at petsathome.com and in-store using our order-in-store service for both delivery to home and collection in-store, plus subscriptions to monthly flea & worm treatments via our ‘Subscribe & Save’ platform
4. Includes the gross customer sales made by Joint Venture vet practices, company managed vet practices and Specialist Referral centres only (and not the Joint Venture fee income derived by Pets at Home from those customer sales made by Joint Venture vet practices)
5. Defined as customers signed up to a Vet Group health plan or omnichannel subscription platforms Easy Repeat and Subscribe & Save
6. Defined as statutory Group revenue, but excluding Joint Venture fee income recognised within Vet Group revenue and including the gross customer sales made by these Joint Venture practices instead
7. Defined as gross customer sales made by Joint Venture vet practices, revenue from our Specialist Referral centres and company managed vet practices, grooming services, omnichannel subscription platforms, pet sales and pet insurance commissions
8. 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 453 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK leading small animal veterinary business, with 441 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/

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