

FOR IMMEDIATE RELEASE, 26 JANUARY 2022

Pets at Home Group Plc: Q3 FY22 Trading Statement

Continuing growth momentum underpins further upgrade to profit guidance

Pets at Home Group Plc, the UK's leading pet care business, is pleased to provide a trading update covering the 12-week period from 8 October to 30 December 2021, compared to the 12-week period from 9 October to 31 December 2020.

Financial highlights

LFL Revenue Growth ^{#*}	FY22				
	Q1	Q2	H1	Q3	Q3 YTD
<i>1-year LFL:</i>					
Retail	29.1%	13.8%	21.9%	9.0%	17.4%
Vet Group	44.7%	8.4%	26.2%	4.0%	18.8%
Group	30.2%	13.4%	22.2%	8.7%	17.5%
<i>2-year LFL:</i>					
Retail	29.6%	28.1%	28.9%	28.4%	28.8%
Vet Group	25.9%	21.2%	23.8%	23.3%	23.6%
Group	29.4%	27.6%	28.6%	28.1%	28.4%

[#]All like-for-like (LFL) revenue figures are based on statutory revenue. Within the Vet Group this includes Joint Venture (JV) fee income and revenue from company managed practices. ^{*}To provide a better understanding of underlying performance, the table above shows comparative numbers on both a one and two-year basis

- Total Group revenue growth of 5.8% to £319.4m, with Group like-for-like (LFL¹) revenue +8.7%, or +28.1% on a 2-year basis, with the growth in 2-year LFL¹ quarter-on-quarter reflecting sustained momentum across both parts of the business.
 - Retail revenue growth of 9.8%, with LFL¹ revenue +9.0% (2-year LFL¹ +28.4%) and store LFL revenue +7.4% (2-year LFL¹ +21.1%), reflecting continued strong volume growth across key categories and channels and ongoing pet humanisation and premiumisation supporting record sell-through of seasonal ranges.
 - Omnichannel² revenue growth of 16.7% or +99.3% on a 2-year basis; Participation of total Retail revenue of 15.9% across the quarter, compared to 14.9% in the comparative period and 10.3% two years ago.
 - Vet Group LFL¹ revenue growth of 4.0%, (2-year LFL¹ +23.3%). LFL¹ customer sales³ growth across all First Opinion practices of 5.7% (2-year LFL¹ +29.9%), and LFL¹ Joint Venture fee income up 7.4% (2-year LFL¹ +25.3%).
- Net cash of £76.6m, including £19.6m from the earlier than anticipated receipt of deferred consideration relating to the disposal of our Specialist Group in December 2020.
- With this strong continued momentum into our final quarter, we now anticipate that FY22 Group underlying pre-tax profit, excluding any potential impact from accounting changes,^{##} will be at least £140m^{**}.

^{##} In light of the clarification from the IFRS Interpretations Committee regarding how companies should account for configuration and customisation costs relating to cloud computing arrangements, including Software as a Service (SaaS), we are reviewing the impact this may have on full-year reported PBT, although no impact is expected on full-year cash flow.

**As at 25 January 2022, the company-compiled consensus estimate of analyst expectations for the 53-weeks FY22 full-year post IFRS-16 underlying pre-tax profit was £135m, with a range of £134m to £137m.

Strategic highlights

The UK pet care market remains robust, with strong continued growth in new pet owner customers, and prevailing customer themes of long-term pet ownership, humanisation and premiumisation, creating a sustainable tailwind for growth across our business.

I. Sustained growth across our pet care ecosystem

- The number of active VIPs⁴ increased 13% YoY to 7.0m; an increase of 1.7m (+34%) on a 2-year basis.
- 27% of all VIPs shopped across more than one channel during the quarter, up 18% YoY.
- The number of Puppy and Kitten Club members grew 60% YoY, with year-to-date average weekly registrations of approximately 24,000, compared to approximately 15,000 across the same period in the prior year. Puppy and Kitten Club members typically spend a third more than non-members across the Group.
- New client registrations across our First Opinion veterinary practices remained strong, averaging approximately 9,200 per week year-to-date compared to approximately 9,000 across the same period in the prior year.
- Continued strong growth YoY in the number of pet care plan subscriptions⁵ across the Group, with more than 1.4m plans now generating over £115m in annualised recurring customer revenue.

II. Investing to grow the Pets at Home ecosystem

- We continue to build the foundational capability of our transformational digital initiative (“Polestar”), with the imminent launch of single login functionality enabling frictionless customer access to all of our pet products and services.
- Our deliver from store capability broadened during the quarter and, in conjunction with our one-hour Click and Collect service, is already enabling us to fulfil approximately one third of online orders through our store network, embedding best-in-class fulfilment for customers and generating operational efficiencies relative to a fully centralised model.
- We opened two new pet care centres in the period (Brighton and Guildford), taking our estate to 455 stores, and development of our new storage and distribution facility in Stafford continued at pace.
- In our vet operations, early indications of the positive impact our pioneering veterinary model (“Pathfinder”) is having on utilisation of clinical resource and client engagement support ongoing rollout across veterinary practices.

III. Well placed to mitigate industry-wide inflationary pressures

We, like many others, are witnessing a number of inflationary pressures across the supply chain. While we are not immune to these challenges, we are proactively mitigating them through a series of planned initiatives targeting rent reductions, procurement savings and operational efficiencies across our business, and we continue to work closely with our supplier base to achieve the operational and purchasing synergies that enable us to maintain our competitive price index.

IV. A strong commitment to corporate citizenship

We continued the rollout of collection units for the recycling of pet food packaging across almost 150 stores, with plans to extend this across much of our store estate by Summer 2022. The Pets at Home Foundation awarded grants and donations to charities totalling approximately £0.8m during the quarter, and our annual Christmas charity campaign, ‘Santa Paws’, raised a record £2.1m.

V. Management succession

In November 2021, Pets at Home announced that after eleven years in the business, Peter Pritchard had informed the Board of his intention to step down from his role as Chief Executive Officer and director of the Company in Summer 2022. The search for his successor is well advanced and a further announcement will be made in due course.

Jane Balmain, Chief Operating Officer of the Vet Group, has signalled her intention to retire from the business by Spring 2023, having re-joined Pets at Home out of retirement over three years ago to lead the successful turnaround of our veterinary operations. A search for her successor will commence shortly.

Peter Pritchard, Group Chief Executive Officer, commented:

“Our unique, omnichannel pet care strategy continues to deliver strong revenue growth, reflecting continued momentum in customer acquisition, engagement and spend as the benefits of our ongoing investment in capacity and capability really start to deliver.

“We are firmly on track to report a record year of sales and profit growth, and I am incredibly grateful to all of our fantastic colleagues and Partners across the Group for their hard work and commitment to helping us become the best pet care business in the world.

I remain confident that the combination of our strategic investments, strength and depth of our exceptional leadership team and successful initiatives to increase operational efficiencies across the Group will underpin sustainable, long-term and profitable growth”.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulations (Regulation (EU) No.596/2014). For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Roger Tejwani, Director of Investor Relations & External Communication.

- End of announcement -

Conference call

A conference call for analysts and investors will be held at 09.00am today. To join the call in listen-only mode, please follow the following link (<https://brrmedia.news/petsfy22>). Those wishing to participate in the Q&A session should email petsathome-Maitland@maitland.co.uk for details. A recording will be available at <http://investors.petsathome>.

Strategic Key Performance Indicators

Measure	Q3 YTD FY22	Q3 YTD FY21	YoY change
Number of active VIPs ⁴ (m)	7.0	6.2	13.0%
Customer revenue ³ from services ⁶ (£m)	402.8 31.9%	363.3 33.0%	10.8% (117)bps
VIP customer revenue ^{3,7} (£m)	1,086.1	886.4	22.5%
Customer revenue ³ per FTE colleague (£k)	154.9	143.1	8.3%

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, and vet practices that have been trading for 52 weeks or more.
2. Defined as orders placed online at petsathome.com and in-store using our order-in-store service, plus subscriptions to monthly flea & worm treatments via the 'Subscribe & Save' platform.
3. Includes customer sales made by Joint Venture vet practices, rather than the fee income recognised within Vet Group revenue.
4. Number of VIP loyalty club members who transacted across the group in the last 52 weeks from end of the reporting period.
5. Defined as customers signed up to a Vet Group health plan, or omnichannel subscription platforms Easy Repeat and Subscribe & Save.
6. Defined as customer sales made by Joint Venture vet practices, revenue from our Specialist Referral centres (up until the date of disposal on 31 December 2020) and company managed vet practices, grooming services, subscriptions, live pet sales and pet insurance commissions.
7. VIP customer revenue is shown on a rolling 12-month basis and includes spend at First Opinion vet practices.

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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 455 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK leading small animal veterinary business, with 442 First Opinion practices located both in our stores and in standalone locations. For more information visit: <http://investors.petsathome.com/>

Disclaimer

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