

**NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA, CANADA, JAPAN OR AUSTRALIA OR ANY OTHER JURISDICTION WHERE TO DO SO MIGHT CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION**

This announcement is an advertisement for the purposes of the UK Prospectus Rules and not a prospectus and not an offer of securities for sale to U.S. persons or in any jurisdiction, including in or into the United States, Canada, Japan or Australia.

Neither this announcement nor anything contained herein shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. Any offer to acquire shares pursuant to the proposed Offer will be made, and any investor should make his investment decision solely on the basis of the information that is contained in the prospectus (the "Prospectus") to be published by Pets at Home Group Plc in due course in connection with the admission of its ordinary shares to the premium listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market for listed securities of London Stock Exchange. Copies of the Prospectus will, following publication, be available from Pets at Home Group Plc, address <http://investors.petsathome.com>

FOR IMMEDIATE RELEASE

19 February 2014

**Pets at Home Group Plc**

**Announcement of Intention to Float on the London Stock Exchange**

**Update on Strong 2014 YTD Performance**

**Appointment of Experienced Independent Directors to the Board**

Pets at Home Group Plc (the "Company"), the proposed new holding company of the Pets at Home Group ("Pets at Home" or the "Group") announces its intention to proceed with an initial public offering (the "IPO" or the "Offer"). The Company intends to apply for admission of its ordinary shares ("Shares") to the premium listing segment of the Official List of the UK Listing Authority ("UKLA") and to trading on the main market of the London Stock Exchange ("LSE") (together "Admission").

Pets at Home is the UK's leading specialist retailer of pet food, pet-related products and pet accessories. The Company also operates the UK's second largest small animal veterinary business by combined number of surgeries, both in its stores and at standalone locations, and is the leading operator of pet grooming services by number of in-store salons. The Company operates from 369 stores located across the UK, and 246 small animal veterinary surgeries, principally under a joint venture model using the Companion Care and Vets4Pets brand names. The Group also operates 116 in-store Groom Room grooming salons.

Since the business was founded in 1991, Pets at Home's leading market position has been built primarily through organic investment and complemented by selected strategic acquisitions, notably Vets4Pets in March 2013. Pets at Home's delivery of consistently strong and resilient financial performance has continued in the 40 week period to 2 January 2014 with total revenue growth of 11.7% year on year, like for like ("LFL") revenue growth of 2.4% and Underlying EBITDA growth of 11.1%. The Directors of the Company believe that the Offer will position the Group for its next stage of growth and development.

In preparation for the IPO, the Company also announces the appointment of four experienced Independent Non-Executive Directors to complement the existing Board under the continued chairmanship of Tony DeNunzio. A fifth appointment is expected prior to Admission.

**Tony DeNunzio, Non-Executive Chairman of Pets at Home said:**

*"Pets at Home is the clear leader in an attractive market and is led by an experienced and passionate management team with a proven track record of delivering strong revenue and EBITDA growth. The significant investment that has been made over the past few years provides Pets at Home with very strong foundations and positions the Company well for the next stage of its development in the public market."*

*I am pleased that Dennis Millard is joining us as Deputy Chairman and I look forward to working with him, the other Board members and the management team to create value for our shareholders. I believe that Pets at Home has a very exciting future as a publicly listed company."*

**Nick Wood, Chief Executive Officer of Pets at Home said:**

*"Pets at Home comes to the market with a clear leadership position in the UK pet care market and with a mission to be the best pet shop in the world. We benefit from a highly differentiated customer offer including an authoritative and innovative range of products and a very strong own brand offering, highly engaged colleagues delivering best-in-class customer service and experience, and a unique pet services proposition through our veterinary services and in-store Groom Rooms. The success of our Very Important Pet (VIP) Club programme is strengthening our relationship with our customers and their pets and enabling our customers to give something back to their local pet charities every time they shop with Pets at Home.*

*We have delivered consistently strong financial growth and since 2009 we have gained share across all segments of the market. Our performance has been further characterised by an unbroken track record of positive LFL performance over the last decade. Even after the investment made in the business, our operational cash flow has remained consistently strong.*

*This is a very exciting time for Pets at Home as we continue to innovate for our customers in both our products and services, and look to drive our expansion programme in the UK to over 500 stores, more than 700 veterinary practices and in excess of 300 Groom Rooms in the medium term.*

*I am very proud of everything our management team and colleagues have achieved right across our business, and I am confident and hugely enthusiastic about our future as we embark on the next stage of our growth as a public company."*

## **Pets at Home Highlights**

Pets at Home is the market-leading pet specialist retailer in the UK and has also developed the UK's second largest pet services offering through its joint venture veterinary services and in-store Groom Rooms. Pets at Home has delivered a strong and resilient financial track record and the Directors believe the significant investment made over the past several years positions the Group well for the next stage of its growth and development in the public market.

### *The Clear Market Leader in the Highly Attractive UK Pet Care Market*

- Large, addressable market worth an estimated £5.4 billion, supported by a stable UK pet population
- Resilient historical growth across all market categories (Food, Accessories and Services) with an average market value CAGR of 2.6% between 2008 and 2012, with no individual year of negative growth and outpacing the broader UK retail sector over the same period
  - The Directors believe continued market growth will be driven by a number of positive factors and trends, including increased demand for premium pet products, product innovation and increased use of pet services
- Clear market leader with 369 stores compared to 78 for its nearest competitor and 223 for the five largest competitors combined
  - Estimated market share of 12% in 2012 in what remains a highly fragmented market in which the Group has consistently gained market share across all major categories since 2009
  - Second largest national veterinary services operator by number of surgeries following the successful acquisition of Vets4Pets in March 2013 and subsequent integration into its existing vet business, Companion Care
  - Vets is an important part of Pets at Home's overall retail proposition and the Directors believe there is significant scope for further growth and development in the Vets business

### *A Unique Retail, Omni-Channel and Services Proposition Across Both Pet Products and Pet Services*

- Highly differentiated retail and consumer proposition
  - High degree of engagement with customers and colleagues who have a passion for pets and a detailed knowledge of specialist products (such as advanced nutrition and licensed pet medicine treatments), providing strong customer service and advice
  - Destination store proposition supported by the in-store “theatre” provided by live pets and Groom Rooms
  - Unique “one-stop-shop” offering a combined suite of pet products and services
  - Authoritative and differentiated range, including very strong private label and exclusive brands and products
  - Strong VIP Club programme for customers and their pets that generates a donation to local animal re-homing charities every time a customer shops with Pets at Home, with members receiving targeted promotions and a free VIP magazine
  - Leading pet specialist website complementing extensive store footprint to capture the growing omni-channel opportunity

### *A Significant and Sustainable Business Model with Multiple Growth Levers*

- The Directors believe continued LFL growth will be driven by a number of factors including: product innovation and increased demand for premium products (such as advanced nutrition); ramp-up of recently opened stores, veterinary surgeries and Groom Rooms; increasing penetration of services; omni-channel development; and increased marketing (including VIP Club bespoke offers)
- Significant further development opportunity supported by highly disciplined and rigorous investment processes (as demonstrated by all Pets at Home stores open for more than 2 years being profitable)
  - Target portfolio of >500 stores, >700 Veterinary practices and >300 Groom Rooms
  - Significant retrofit opportunity with a plan to retrofit 150 existing stores with a veterinary surgery over 5 years and 105 Groom Rooms over 3 years
- Margins underpinned by continued innovation, supported amongst other things by Pets at Home’s Asia buying office and in-house development of own label and private brand

### *Well Invested Infrastructure to Support Future Growth Plans for the Group*

- Simple and effective distribution and systems model with operations centralised through two modern distribution centres
- In excess of £60 million invested in the Group’s operations over the last 3 financial years in order to support the future growth of the business, including:
  - The opening of a second distribution centre in Northampton in 2011 to service south of England stores. The warehouse covers 303,000 square feet with capacity for additional mezzanine space to be added
  - Pets at Home Asia launched in 2012, with the purpose of facilitating better, cheaper and faster business between Pets at Home and its vendor base in the Far East
  - Development and launch of the VIP Club membership scheme in November 2012
  - Significant investment into systems infrastructure including SAP to help deliver improved capability and capacity in core business areas (successfully implemented in May 2013) and best-in-class omni-channel platform for “petsathome.com” (re-launched in January 2014)

### *Consistent and Strong Growth Track Record*

- Average annual growth over the last three financial years of 9% for revenues and 7% for Underlying EBITDA (when extended to cover the current financial year to 27 March 2014)
- 2014 YTD Revenue and Underlying EBITDA growth of 11.7% and 11.1% respectively

### *Experienced and Passionate Management Team with a Track Record of Delivery and Performance*

- Highly engaged management team and Board with over 350 years of relevant experience
- Appointment of four experienced Independent Non-Executive Directors to complement the existing Board, including Dennis Millard as Deputy Chairman, with a fifth appointment expected prior to Admission

### **2014 YTD Results, Current Trading and Full Year Expectations for 2014**

- Strong performance continued in 40 week period to 2 January 2014 with total revenue growth of 11.7% versus the same period in 2013; LFL revenue growth of 2.4% and Underlying EBITDA growth of 11.1% to £87 million
- As a result, the Board remains confident on the outlook for the full financial year ending 27 March 2014 with forecast Underlying EBITDA of not less than £110.2 million (no material non-cash incentive or other Plc costs will be incurred in this period)

### **Offer Highlights**

- Intention to list on the premium segment of the Official List
- Proceeds of approximately £275 million from the offering will allow the Company to reduce its indebtedness and, after transaction costs, together with proceeds of £325 million from the New Senior Facilities Agreement (“New Facilities”), will repay all amounts outstanding under the Existing Senior Facilities Agreement. The Company will have net debt at Admission of £275 million or approximately 2.5x Net Debt / March 2014 forecast Underlying EBITDA of £110.2 million
- In addition to the proceeds raised to reduce indebtedness, KKR, certain other shareholders and members of the management team (the “Selling Shareholders”) may realise a part of their investment in the Company through the repayment of shareholder loans and / or a sale of new shares
- Immediately following Admission, the Company and selling shareholders intend to target a minimum free float of at least 25% of the Group’s issued share capital
- The Intermediaries Offer is being made to retail investors in the United Kingdom, the Channel Islands and the Isle of Man only. The minimum application size in the Intermediaries Offer is £1,000
- Pets at Home Colleagues will be able to apply to purchase Shares in the Offer at the offer price, with tranches of either £250, £500 or £750 worth of shares available to employees

### **Dividend Policy**

- The Board’s current intention is to adopt a progressive dividend policy whilst maintaining appropriate dividend cover. The Board is currently targeting an initial payout ratio of approximately 30-40% of fully taxed earnings split one-third and two-thirds between interim and final dividends respectively

## **Enquiries**

### **Pets at Home Group Plc:**

**+44 (0) 207 404 5959**

Nick Wood, Chief Executive Officer

Ian Kellett, Chief Financial Officer

### **Sole Sponsor, Joint Global Co-ordinator and Joint Bookrunner**

#### **BofA Merrill Lynch:**

**+44 (0) 207 628 1000**

Saba Nazar

George Close-Brooks

Peter Bell

Craig Coben

### **Joint Global Co-ordinator and Joint Bookrunner**

#### **Goldman Sachs International:**

**+44 (0) 207 774 1000**

Anthony Gutman

Nick Harper

Michael Casey

Phil Raper

### **Joint Global Co-ordinator and Joint Bookrunner**

#### **KKR Capital Markets:**

**+44 (0) 207 839 9800**

Edward Law

Mark Danzey

### **Co-Lead Manager**

#### **Nomura:**

**+44 (0) 207 521 2000**

Ken Brown

Ed Matthews

Ed Boyce

### **Media Enquiries:**

#### **Brunswick (Public Relations Advisors to Pets at Home):**

**+44 (0) 207 404 5959**

Tim Danaher

Justine McIlroy

Natalia Dyett

### **Intermediaries Offer Enquiries:**

#### **Scott Harris:**

**+44 (0) 207 653 0030**

Stephen Scott

Jeremy Wiseman

## Pets at Home Background and History

Pets at Home is the UK's leading specialist retailer of pet food, pet-related products and pet accessories. The Company was founded by Anthony Preston in 1991 with the first store opening in Chester that same year.

After a period of organic growth the Group acquired its then larger UK rival, PetSmart UK in 1999, adding its 82 stores to Pets at Home's 58. Since 1999, Pets at Home has opened a further 229 stores all funded from the Group's own cash resources. Pets at Home utilises a range of different store size formats with 5 flagship stores, 317 superstores and 47 small superstores. In 2012, the Company had an estimated 12% market share of the highly fragmented UK Pet Care Market.

In 2001, the Group launched its in-store veterinary business, using a joint venture model, under the Companion Care brand. Under this model each vet practice is a separate company, jointly owned by Pets at Home and a veterinary JV partner, with the JV partner having economic ownership of the practice and Pets at Home receiving fee income for the provision of back-office services. In March 2013, Pets at Home acquired Vets4Pets and now operates 246 small animal veterinary clinics across the UK principally under joint venture agreements, with surgeries both in its stores and at standalone locations.

In 2007, the Group launched its first major private brand, Wainwright's, which is distributed exclusively through Pets at Home. Today, the Directors believe Wainwright's has an estimated 10% share of the UK advanced nutrition pet food market.

In 2008, the Group launched its website, petsathome.com, which has the highest share of online pet retail traffic in the UK. The site was significantly upgraded in January 2014 with an enhanced customer interface and a state of the art platform offering best in class functionality.

In 2009, the Group launched grooming services and now has a portfolio of 116 in-store Groom Rooms.

In 2012 Pets at Home opened a sourcing office in Asia which contributes to further improving product quality as well as driving greater innovation, sourcing economics and speed to market particularly with respect to Pets at Home's accessories offering (Pets at Home's food products are primarily sourced from the UK).

In November 2012, Pets at Home launched its VIP Club in order to build an even stronger and more personal relationship with its customers and their pets. The VIP Club has proved a major success with over 1.6 million members and over 6 million registered pets within 12 months.

In December 2012, Pets at Home acquired Ride-away, a multi-channel equestrian business with a single location in York, further enhancing its specialist online offer.

## Three Year and Last Twelve Month Financial IFRS Track Record

*(£m, unless stated otherwise)*

<i>March Year End</i>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>LTM at Q3 FY14</b>
<b>Stores (units)</b>	<b>281</b>	<b>313</b>	<b>345</b>	<b>369</b>
<b>Revenue</b>	<b>518</b>	<b>544</b>	<b>598</b>	<b>652</b>
<b>LFL Growth (%)</b>	<b>1.5%</b>	<b>1.4%</b>	<b>2.6%</b>	<b>-</b>
<b>Underlying EBITDA</b>	<b>92</b>	<b>91</b>	<b>99</b>	<b>107</b>
<i>Underlying EBITDA Margin (%)</i>	<i>17.8%</i>	<i>16.8%</i>	<i>16.5%</i>	<i>16.4%</i>
Capex <sup>1</sup>	(17)	(25)	(22)	(26)
OCF Post Capex <sup>2</sup>	77	78	95	83

*Note: IFRS Financials*

(1) Capex defined as investments in other financial assets and the acquisition of PPE and other intangible assets

(2) OCF Post Capex defined as net cash from operating activities after tax less capex

Over the three year historical period to 28 March 2013, Pets at Home's revenue has increased from £518 million to £598 million. Adjusting for the 53 week period in FY11, this equates to an average annual growth rate of 9%. Over the same period, and again adjusting for the 53 week period in FY11, Underlying EBITDA has increased from £91 million in FY11 to £99 million in FY13. During this period, Pets at Home has invested significantly in the business, including, in particular, the launch of Pets at Home Asia, support office strengthening, investment in colleague compensation, the opening of the second distribution centre in FY12 and the launch of the VIP Club programme in FY13. Despite the significant investment made in stores and infrastructure and in driving the development of services (in part with the acquisition of Vets4Pets), operating cashflow over the period has also been strong with over 80% cash conversion on average (before acquisitions).

#### **Current Trading and Full Year Expectation for 2014**

In the 40 week period to 2 January 2014, the Group continued to perform strongly. Revenue grew by 11.7% over the comparable 40 week period to 3 January 2013, with LFL growth of 2.4%. Underlying EBITDA for the period increased by 11.1% to £87 million despite the impact of persistent hot weather throughout July which impacted both Sales and Underlying EBITDA in this period.

Since 2 January 2014, Pets at Home has continued to perform in line with the positive trends experienced in the earlier part of the financial year across the key growth drivers of the business. The Company has continued to invest in its store roll-out plan, opening stores in Greenford and the Old Kent Road in London. The period since 2 January 2014 has also seen a significant upgrade to the petsathome.com website, further enhancing the Group's omni-channel proposition.

Based on the performance achieved in the financial year to date, the Board remains confident on the outlook for the full financial year ending 27 March 2014. While there does remain an important trading period still to complete, the Board expects to deliver Underlying EBITDA of not less than £110.2 million for this full financial year (no material non-cash incentive or other Plc costs will be incurred in this period).

#### **Key Strengths**

##### *The Clear Market Leader in the Highly Attractive UK Pet Care Market*

- Large, addressable market estimated to be worth over £5.4 billion comprised of food, accessories and services
- Over the period 2008-2012 the market has been highly resilient, growing at an estimated CAGR of 2.6% with no periods of negative growth and outpacing the broader UK retail market which grew at 2.2%
- Pets at Home has a highly differentiated retail and consumer proposition with 369 stores compared to 78 for its next largest specialist competitor. Pets at Home is also the only market participant of scale in a highly fragmented specialist pet retail and services market
- Pets at Home has successfully grown market share across food, accessories and veterinary services in every year since 2009, capturing an estimated 12% share of the overall market in 2012, with particularly strong positions in the attractive advanced nutrition and accessories sub-segments
- Pets at Home is the second largest veterinary group in the UK with 246 in-store and standalone practices compared to CVS with 259 practices

##### *A Unique Retail Proposition Providing Differentiated Customer Experience*

- Pets at Home differentiates itself from competitors through a combination of different factors and attributes:

- Destination store proposition built around a unique retail experience with in-store theatre provided by live pets and in-store Groom Rooms
- “One-stop-shop” retail offering, with unique suite of products and services including in-store veterinary surgeries and Groom Rooms
- Authoritative, differentiated and regularly refreshed product offering with approximately 6,300 SKUs available in-store and a further 1,200 online, targeting 10,000 in total by the end of March 2014
- Differentiated customer service and friendly expertise delivered by over 6,000 highly engaged and trained colleagues, more than 93% of whom own pets themselves. Pets at Home enjoys strong colleague retention levels at over 83% and was recognised as the Best Big Company to Work For in 2013 at The Sunday Times Awards
- High degree of engagement with the local community including in-store adoption centres in most of its stores (which re-homed over 60,000 pets in 2013)

#### *Strong and Innovative Product Offering Across Food and Accessories*

- Pets at Home is the only UK pet specialist retailer with an extensive own label and private brand offering, which delivers a higher margin than comparable manufacturer brands and acts as a clear differentiator versus other retailers
- The Group launched its first flagship private brand, Wainwright's in 2007; since then, Wainwright's has been a key contributor to the growth of the advanced nutrition market in the UK and the Directors believe Wainwright's enjoys an estimated 10% share of that market, with the Group having an estimated 44% share of the UK advanced nutrition market in 2012
- The Group's relationships with suppliers both in the UK and worldwide facilitate exclusive branded products and launches
- In the accessories market, Pets at Home's private brands such as Ruffer & Tuffer, 3 Peaks and Willows have helped drive market growth in pet accessories, where the Group enjoyed an estimated 32% market share in 2012

#### *Expanding Range of Services, Including Joint Venture Veterinary Business*

- Pets at Home has 246 small animal veterinary surgeries comprised of 138 in-store and 108 at standalone locations
- The Group is now the second largest small animal veterinary business in the UK by number of veterinary surgeries and is the only joint venture operator in the market
- Pets at Home plans to open a further 60-70 veterinary practices per annum, including a significant retrofit opportunity within its existing store base. Pets at Home has a target veterinary surgery portfolio that exceeds 700 practices (including over 450 in-store and over 250 stand-alone)
- The Group currently operates 116 Groom Rooms within its stores and aims to open a further 50-60 per annum, including a significant retrofit opportunity within its existing store base. Pets at Home has a target portfolio exceeding 300 Groom Rooms
- Expanding services and a “one-stop-shop” retail proposition for pet-owners also helps drive increased footfall and create cross-selling opportunities

#### *Strong Omni-Channel Platform*

- Pets at Home's website enjoys a 47% share of UK online pet retail traffic (Source: Hitwise - based on analysis of leading UK pet retail websites)

- The Group's website was significantly upgraded in January 2014 and is now fully integrated with its services offering allowing customers to book veterinary or nutrition appointments online
- Pets at Home has click and collect functionality allowing the Group to leverage its 369 strong store network and other unique attributes (not least its product offering) across the UK
- Pets at Home's website carries an extended range of SKUs which is currently approximately 7,500, but which is planned to grow to 10,000 by March 2014 and will be available for customers to deliver to store during the first half of 2014

*Growing Very Important Pet (VIP) Club Creating a Stronger and More Personalised Relationship with Members*

- Launched in November 2012, the Group's VIP Club attracted more than 1.6 million members within the first twelve months. The Group currently captures approximately 40% of its revenues through VIP Club members swiping their card at point of sale
- VIP customers are entitled to receive a quarterly magazine entitled "My VIP" and earn Lifeline points when spending in store which convert to gift cards that the customer's nominated charity can spend with Pets at Home
- VIP provides unique insight into Pets at Home's customers and their pets, allowing the Group to further enhance its relationship with its core customer base of engaged pet owners

*Well Invested Business with Infrastructure and Systems Able to Support Future Expansion*

- Over £60 million of capital expenditure in business over the last three financial years
- Simple and effective distribution and systems model with operations centralised through two distribution centres, covering the North from Stoke and the South from Northampton. The Northampton distribution centre was added in 2011 at a cost of £5.4 million
- Pets at Home's Asia sourcing office opened in 2012 and has facilitated direct sourcing, helped to further improve product quality as well as driving greater innovation, sourcing economics and speed to market, in particular with respect to accessories offering
- The Group successfully implemented SAP in May 2013 at a cost of £4.9 million
- Pets at Home has also invested materially in operating expenditure in the last three financial years in order to support future growth, including enhanced colleague compensation, support office expansion and the launch of the VIP Club

*Consistent and Strong Growth Track Record*

- Average annual growth over the last three financial years of 9% for revenues and 7% for Underlying EBITDA (when extended to cover the current financial year to 27 March 2014)
- 2014 YTD Revenue and Underlying EBITDA growth of 11.7% and 11.1% respectively
- Strong cash flow generation with cash flow conversion in excess of 80% over the historic financial period, despite significant investment made in stores and infrastructure
  - Consistently strong cash returns on invested capital being supportive of significant business investment, the acquisitions of Ride-away and Vets4Pets as well as returns to existing shareholders

*Experienced and Established Management Team Supported by Highly Trained and Engaged Colleagues*

- Pets at Home's highly engaged executive team and operating board has over 350 years of relevant experience

- The Group has a unique culture framed around “Pets before Profit” and colleagues that aspire to deliver “Pawsitively” outrageous customer service, predicated upon friendly expertise
- Over 93% of Pets at Home’s colleagues are pet owners and collectively they own over 23,000 pets
- Pets at Home operates a learn to earn business model with every store colleague enrolled in the “Pets at Home Academy” and following a tiered training programme known as “Steps”
- The Group was recognised as The Best Big Company to Work For in the UK in 2013 in The Sunday Times Best Big Companies awards

## Details of the Offer

- Intention to list on the premium segment of the Official List
- Proceeds of approximately £275 million from the offering will allow the Company to reduce its indebtedness and, after transaction costs, together with proceeds of £325 million from the New Senior Facilities Agreement (“New Facilities”) will repay all amounts outstanding under the Existing Senior Facilities Agreement
- The £325 million of New Facilities will comprise a Revolving Credit Facility of £30 million, an amortising Term Loan A of £90 million and a Term Loan B of £235 million with final maturities of between five and six years. Both Term Loans will be fully drawn at Admission, with the RCF available to provide additional liquidity. In addition, the Company intends to retain a significant cash balance of approximately £50 million, equating to pro forma net debt at Admission of £275 million or approximately 2.5x Net Debt / March 2014 forecast Underlying EBITDA of £110.2 million
- In connection with the Offer, KKR, certain other shareholders and members of the management team (the “Selling Shareholders”), may realise a part of their investment in the Company through repayment of shareholder loans (through the issue of new shares by the Company) and / or a sale of existing shares
- Immediately following Admission, the Company and selling shareholders intend to target a minimum free float of at least 25% of the Group’s issued share capital
- The Offer will comprise:
  - An offer of Shares to institutional investors in qualifying geographies (in the United Kingdom and elsewhere) (the “Institutional Offer”)
  - An offer of Shares to qualifying financial intermediaries in the UK, who will facilitate the participation of their retail clients in the UK, the Channel Islands and the Isle of Man (the “Intermediaries Offer”)
  - An offer of Shares to Pets at Home Colleagues who will be able to apply to purchase Shares in the Offer at the offer price, with tranches of either £250, £500 or £750 worth of shares available to employees (the “Colleagues Offer”)
- Minimum application size in the Intermediaries Offer is £1,000. For further details on the Intermediaries Offer please go to <http://investors.petsathome.com>
- The Offer will also provide the Executive Directors of the Company and other employees of the Group an opportunity for a partial realisation of their investment in the Company
- Each of the Company, its Directors, the Selling Shareholders and certain other senior management of the Group will agree to customary lock-up arrangements in respect of their holding of Shares for a specified period of time following Admission
- Full details of the Offer will be included in the prospectus expected to be published in the coming weeks

- In relation to the Offer and Admission, BofA Merrill Lynch is acting as Sole Sponsor, Joint Global Co-ordinator and Joint Bookrunner, Goldman Sachs International and KKR Capital Markets are acting as Joint Global Co-ordinators and Joint Bookrunners, and Nomura is acting as Co-Lead Manager

## **Dividend Policy**

- The Board's current intention is to adopt a progressive dividend policy whilst maintaining appropriate dividend cover. The Board is currently targeting an initial payout ratio of approximately 30-40% of fully taxed earnings split one-thirds and two-thirds between interim and final dividends respectively
- First dividend to be declared by the Company following Admission expected to be in respect of the half year ending September 2014

## **Board of Directors**

In preparation for admission to the LSE, Pets at Home today announces the appointment of four new, experienced Independent Non-Executive Directors to complement the existing Board under the continued chairmanship of Tony DeNunzio. In compliance with UK Corporate Governance code it is expected that the Board will ultimately comprise five new Independent Non-Executive Directors: Dennis Millard (who will also assume the role of Deputy Chairman), Paul Coby, Tessa Green, Amy Stirling and a fifth appointment expected to be made prior to Admission.

The named members of the Board of Pets at Home are:

### **Tony DeNunzio CBE, *Non-Executive Chairman***

Tony joined Pets at Home as Non-Executive Chairman in March 2010. Tony is also non executive chairman of Maxeda (the second largest DIY retailer in the Benelux), non-executive director of Alliance Boots, and was the former president and chief executive officer of Asda from 2002 to 2005.

Tony brings vast retail experience and knowledge to the Pets at Home team. Tony was previously chief financial officer of Asda and deputy chairman of Galiform (now Howdens). He started his career in the fast-moving consumer goods sector with financial positions in Unilever, L'Oreal and Pepsico. He has been chairman of the advisory board of Manchester Business School and was awarded a CBE for services to retail in 2005.

### **Nick Wood, *Chief Executive Officer***

Nick joined Pets at Home as Chief Executive Officer in June 2012. From 2008 Nick was chief executive officer of American Golf, a leading retailer of golfing equipment in the UK with over 90 stand alone stores. Prior to that Nick spent ten years with DSG International Plc (now Dixons Retail) where he was a member of the executive committee and held a number of senior management roles including as managing director of The Link, a mobile phone retailer, and as managing director of Dixons. Nick graduated from Gonville and Caius College, Cambridge in 1989 with a Masters Degree in Manufacturing Engineering. Nick owns two dogs.

### **Ian Kellett, *Chief Financial Officer***

Ian joined Pets at Home as Chief Financial Officer in April 2006. Ian's previous responsibilities have included business systems and logistics but he is now primarily responsible for the Group's finance functions and supporting the group's veterinary business as a member of their operational board. Prior to his time at Pets at Home, Ian was finance director of Staples' retail business in the United Kingdom between 2004 and 2006, and deputy finance director of JD Wetherspoon Plc between 1999 and 2004. Ian owns four dogs.

### **Brian Carroll, *Non-Executive Director***

Brian joined Pets at Home as a Non-Executive Director in 2011. Brian is a member of Kohlberg Kravis Roberts & Co. Partners LLP, joining the buyout firm in 1995, and is currently head of the consumer and retail teams in

Europe. Brian is also a member of KKR's European investment committee. Brian is currently also a member of the boards of directors of Laureate Education and Northgate Information Solutions. Prior to joining KKR, Brian was with Donaldson, Lufkin & Jenrette where he worked on a broad range of high yield financing, corporate finance and merchant banking transactions. He has a B.S. and B.A.S. from the University of Pennsylvania, and an M.B.A. from Stanford University Graduate School of Business.

#### **Dennis Millard, Deputy Chairman**

Dennis is currently the chairman of Halfords Group Plc having joined in 2009 and the chairman of Smith News Plc having joined the group on 31 August 2006. Dennis is also currently a non-executive director and senior independent director of each of Premier Farnell Plc (since 2007) and Debenhams Plc (since 2006). Dennis was finance director of Cookson Group Plc from 1996 to 2005 and was a non-executive director of each of Xchanging plc from 2005 until 2012 and Exel Plc from 2003 until 2005. He is Chairman of Trustees of the charity The Holy Cross Children's Trust. Dennis owns two dogs.

#### **Paul Coby, Independent Non-Executive Director**

Paul has been IT director at John Lewis since March 2011, where he has launched the new platform for *johnlewis.com*, and installed a new ePOS (electronic point of sale) system. Before this, Paul was CIO at British Airways for 10 years, where he helped to develop *ba.com* including calendar-based selling of flights, self-service check-in and the ability to combine flight bookings with hotels and other services online. Paul is also chair of SITA (*Societe Internationale de Telecommunications Aeronautique*), the global provider of systems, solutions and telecommunications to the air transport industry, and a member of the board of P&O Ferries. Before joining British Airways, Paul was a civil servant in the Departments of Transport and Environment, where he worked in Ministerial private office and on roads, rail and local government policy. He studied History at Cambridge University and owns one dog.

#### **Tessa Green, CBE Independent Non-Executive Director**

Tessa was chairman of the Royal Marsden NHS Foundation Trust from 1998 to 2010 and was the founding chairman of The Royal Marsden Cancer Campaign. Prior to this, Tessa qualified as a barrister and worked as head of corporate affairs at Carlton Communications Plc. She was a trustee of The National Portrait Gallery, a non-executive director of the Barts Health NHS Trust and a trustee of the Royal Foundation of the Duke and Duchess of Cambridge and Prince Harry. Tessa owns one dog and three horses.

#### **Amy Stirling, Independent Non-Executive Director**

Amy was the chief financial officer of TalkTalk Telecom Group Plc until May 2013 having been with TalkTalk since its formation as part of the Carphone Warehouse Group Plc. Prior to this Amy held various senior finance and management positions at the Carphone Warehouse Group since joining in 2000. Amy is currently the Chief Financial Officer of The Prince's Trust, is a chartered accountant and owns one cat.

#### **General Referencing**

- Pets at Home store, veterinary practice and Groom Room salons count is as at 17 January 2014

#### **Defined Terms**

- **Adjusted FY11A:** 52 week period ended 24 March 2011 for comparability purposes
- **Cash Conversion:** Defined as Unlevered Free Cash Flow Before Interest, Tax and Acquisitions as % of Underlying EBITDA
- **Like-for-Like Sales Growth ("LFL"):** total sales revenue and fee income in a financial period compared to the revenue and fee income achieved in a prior period for stores, grooming salons and veterinary surgeries that have been trading for more than 53 weeks. LFL includes revenue from the Group's website
- **UK Pet Care Market:** UK pet care market (excluding equine) includes pet food (including grocery food, advanced nutrition food and treats), non-food pet products (including health and hygiene related products, small accessories and large equipment), veterinary services and pet insurance
- **Underlying EBITDA:** Non-IFRS measure calculated as Operating Profit under IFRS before charging/crediting exceptional costs and management charges to KKR plus, depreciation of tangible fixed assets and amortisation of intangibles
- **Forecast Underlying EBITDA:** As defined above noting no material non-cash incentive or other Plc costs will be incurred in this period

**Caution on Market Data**

All market, industry, market share and competitive position data is provided by OC&C unless otherwise stated. Unless indicated otherwise, such market, industry, market share and competitive position data set out in this announcement that relates to the UK Pet Care Market (as defined in this announcement) are estimates and should be treated with caution. Third party reports, publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Pets at Home believes that the information provided by third parties has been accurately reproduced, and, so far as Pets at Home is aware and has been able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. While Pets at Home reasonably believes that such research, records, data and estimates are reasonable and reliable, they, and their underlying methodology, have not been verified by any independent source for accuracy or completeness. Accordingly, undue reliance should not be placed on any of the market, industry, market share and competitive position data contained in this announcement.

**Disclaimer**

The contents of this announcement, which have been prepared by and are the sole responsibility of the Company, have been approved by Merrill Lynch International, 2 King Edward Street, London EC1A 1HQ and Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB solely for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000.

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness.

Neither this announcement nor the information contained herein is for publication, distribution or release, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia), Australia, Canada and Japan or any other jurisdiction where to do so might constitute a violation of the relevant laws or regulations of such jurisdiction. The Offer and the distribution of this announcement and other information in connection with Admission and the Offer may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, Shares to any person in the United States (including its territories and possessions, any State of the United States and the District of Columbia), Australia, Canada or Japan or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Shares referred to herein may not be offered or sold in the United States unless registered under the US Securities Act of 1933 (the "Securities Act") or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The offer and sale of Shares referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Shares referred to herein may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. There will be no public offer of the Shares in the United States, Australia, Canada or Japan.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth or strategies and the industry in which it operates. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.

Each of the Company, Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward looking statement contained in this announcement whether as a result of new information, future developments or otherwise.

Any purchase or subscription of Shares in the proposed Offer should be made solely on the basis of the information contained in the Prospectus to be issued by the Company in connection with the Offer and Admission. No reliance may or should be placed by any person for any purposes whatsoever on the information contained in this announcement or on its completeness, accuracy or fairness. The information in this announcement is subject to change.

The Offer timetable, including the date of Admission, may be influenced by things such as market conditions. There is no guarantee that the Offer and Admission will occur and you should not base your financial decisions on the Company's intentions in relation to the Offer and Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such investments should consult an authorised person specialising in advising on such investments. This announcement does not constitute a recommendation concerning the Offer. The value of Shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offer for the person concerned.

Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc, each of which are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, are acting exclusively for the Company and no-one else in connection with the Offer. They will not regard any other person as their respective clients in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the Offer, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the Offer, Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc and any of their affiliates, acting as investors for their own accounts, may subscribe for or purchase Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in the Prospectus, once published, to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc and any of their affiliates acting as investors for their own accounts. In addition, certain of Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc or their affiliates may enter into financing arrangements and swaps in connection with which they or their affiliates may from time to time acquire, hold or dispose of Shares. None of Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc nor any of their respective affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

None of Merrill Lynch International, Goldman Sachs International, KKR Capital Markets Limited and Nomura International plc or any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

In connection with the Offer, Merrill Lynch International, as stabilising manager (the "Stabilising Manager"), or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilising measures, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the offer price. Save as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15 per cent. of the total number of Shares comprised in the Offer. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilisation period, the Stabilising Manager will enter into over-allotment arrangements pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the total number of Shares comprised in the Offer (the "Over Allotment Shares") at the offer price. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional trading of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the Shares, will rank *pari passu* in all respects with any Shares being sold in the Offer and will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares.