

Mission and strategy

Delivery of our strategy across the PawPrint supports growth in like-for-like, space and margins

Our mission and strategy

To be the best pet shop in the world

The PawPrint is the articulation of our strategy



Levers of growth

To expand upon our leading position in the UK pet care market

Grow like-for-like sales

We have multiple levers through which we can grow like-for-like sales, creating diversified, sustained and resilient top line growth.

- Product innovation
- VIP club
- Marketing
- Omni-channel
- Services
- Engagement
- Pricing

Grow space and optimise footprint

Rollout of new stores, vets and groomers across the UK will enable us to grow market share.

- Optimised store rollout
- Services rollout of vet practices and grooming salons
- Adjacent veterinary market growth

Grow margins

Focus on the areas that will enable long term gross margin and operating margin improvements.

- Services
- Product mix and own brands
- Sourcing and terms

Product innovation

Continually refreshed product range, own brands and private labels, bringing something new and innovative to customers.

VIP club

Grow our loyalty club, which delivers targeted offers to customers and increases our share of their spend.

Marketing

Customer brand engagement through a focus on the emotional relationships we have with our pets.

Omni-channel

Enable a seamless shopping experience, where products can be delivered to home or picked up in store. Create an online community for pet owners to engage with us.

Services

Vet practices and grooming salons make us a one stop shop for pet owners, increasing customer visit frequency and loyalty.

Engagement

Maintain leading levels of customer engagement with our highly trained colleagues, which is essential to our success.

Pricing

Deliver value for money, reflecting product range, exclusivity, convenience, quality, service and price.

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Optimised store rollout

Open Pets at Home stores in optimal locations to access unmet market spend and consider smaller formats targeted at market subsegments.

Services rollout of vet practices and grooming salons

Opening services within all new stores, as well as retrofitting services into the existing estate, driving customer loyalty and visit frequency.

Adjacent veterinary market growth

Into areas complimentary to our first opinion practices.

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Services

Growth and maturity of our higher margin vets and groomers.

Product mix and own brands

Create an optimal balance of higher margin Advanced Nutrition, own brand and private label products.

Sourcing and terms

Build closer and improved relationships with suppliers to leverage our market reach.

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CSR strategy



Putting responsibility at the heart of our business

Our Pets People

Be a great place to work

Heart of the Community

At the heart of every local community

Sourcing with Integrity

Ensuring we maintain our number one value, putting Pets Before Profit

Our Pets Environment

Efficiently using and respecting all resources

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Grow like-for-like sales

Sharing our knowledge and passion for pets, to help you make the most of your lives together.



We're here to help – friendly, accessible experts helping customers to feed their pets better diets.

Graham Johnson is a Nutrition Consultant in our Salford store

Graham joined Pets at Home two years ago...

"Having completed the initial Steps training, I was keen to develop my expertise further, so I decided to enrol on the Nutrition course. It takes around six months to complete and it gave me a huge understanding of how important an appropriate diet is for both dogs' and cats' health and wellbeing. In fact, I enjoyed the course so much that I've gone on to become a trainer myself!

I find a lot of customers are quite surprised by the level of knowledge our colleagues have. Our in-store vet partner even refers his customers to me when they want to have a discussion around diet, as the Nutrition course gives us a depth of knowledge that is really quite unique.

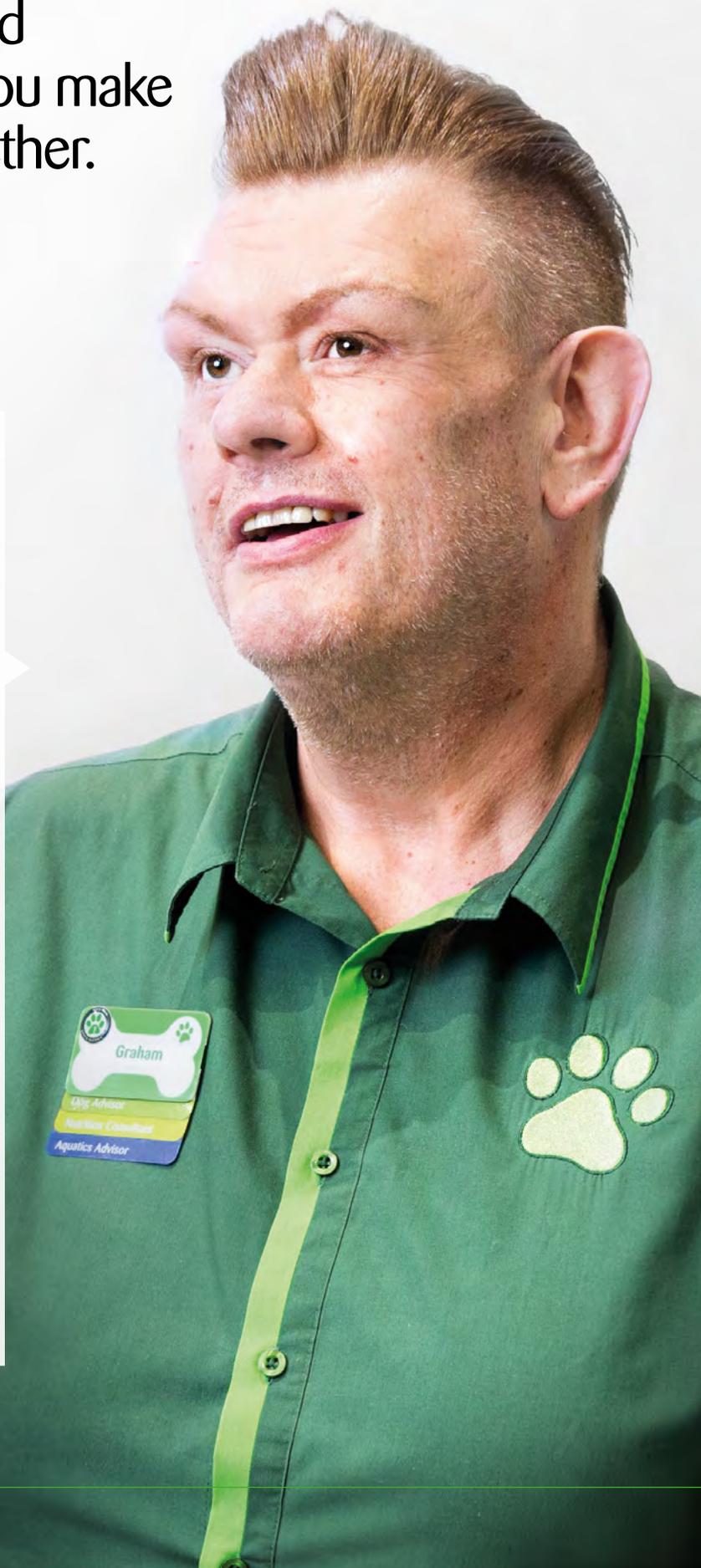
I want to see our customers giving their pets the best diet they can, but always within a budget that's appropriate. It won't always be

right to advise a customer to go for a top tier Advanced Nutrition diet, if they are starting from Economy dry food. Instead, I will advise on a food that positions in the middle. Ultimately, it's about what is best for the pet, to meet their allergy or dietary requirements, and not favouring a particular brand.

I think that having such important conversations with customers about their pets allows me to develop a relationship and bond that's really special. It's incredibly satisfying to see the positive transformation in their pet after having suggested some nutrition changes. My regulars will often plan their store visits to make sure I'm around!"

Strategic link:

Sales of Advanced Nutrition were a key support to like-for-like growth during the year.



What we did in 2016

Product innovation

- Refreshed 40% of our total product range
- Over half of new products were own brand or private labels
- Launched new brands in Advanced Nutrition

VIP club

- VIP reached 4.5m members, adding 1.3m during the year
- 13.5m registered pets on the database
- Swipe rate of the VIP card at our tills accounted for 64% of store revenues
- Increased our share of VIP customers' pet spend

Marketing

- Launched first Wainwright's advertising campaign
- TV sponsorship of 'For The Love Of Dogs', one of ITV's highest rated programmes

Omni-channel

- Expanded the online product range to 12,000, around 4,000 more than in-store
- Leveraged our store base: c50% of online revenues now derived from a collect in-store delivery method

Services

- Retrofitted 16 vet practices and 30 grooming salons back into our existing estate

Engagement

- Colleague retention rate remained strong at 79%
- Customer feedback net promoter score improved to 88%

Pricing

- Invested in competitive pricing across accessories
- Widened our entry price range points in some product categories

Relevant KPIs

2.2%

Group like-for-like growth

1.5%

Merchandise like-for-like growth

10.4%

Services like-for-like growth

[KPIs on page 26](#)

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Future plans

Continue to refresh our product mix, with new private label and own brand launches, as well as exclusive and innovative products that reflect the latest trends, in order to improve customer loyalty and visit frequency.

Grow loyalty and our share of VIPs pet spend by promoting vet practice and grooming salon services and targeted product offers.

Focus on new customer acquisition and brand engagement through our understanding of the love and emotional bond that owners have with their pets.

Develop the link between our online and store based offerings to give customers a seamless shopping experience.

Refurbish and retrofit the existing estate to accommodate further vet practices and grooming salons.

Maintain our industry leading colleague retention and engagement rates, in order to deliver customers outstanding service and advice.

Deliver value for money pricing, which is reflective of product range, exclusivity, convenience, service, price and quality.

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems and information security
- Supply chain/sourcing
- Store and services expansion
- Regulatory and compliance
- Extreme weather

[Risk management on page 38](#)

Grow space and optimise footprint

We are bringing an amazing pet experience to more pet owners across the UK.



Creating a cohesive team through the store, vet practice and grooming salon builds colleague engagement and outstanding customer service.

Adam Wolstenholme is the store manager at Prestwich, which opened in January 2016...

"I've been working at Pets at Home for more than 14 years and Prestwich is my fourth store as a manager. Having been with the business for such a long period, I know how important a happy, talented team is to building our success.

I helped to handpick the new store team and made sure we achieved a good balance of experienced colleagues alongside new talent. Between my assistant managers and myself, we have more than 31 years' tenure at Pets!

To develop the team bond, and knowledge, we spent a month training together at the nearby Salford store. One of my favourite aspects about Pets is that the learning and training just doesn't

stop, no matter how long you have been here. It's a continual process, and the more knowledge and expertise we have, the more our customers can benefit, which in turn keeps my team engaged and drives our business forward.

I'm really pleased that we will have the full services offer at Prestwich. It's my job to ensure that all three elements of the store, vet and grooming offer knit together, which means keeping all the teams engaged as a solid unit.

Strategic link:

Recruiting and training talented colleague teams is crucial in supporting our space rollout strategy.





What we did in 2016

Optimised store rollout

- Opened 20 new Pets at Home superstores (net)
- Total portfolio of 419 superstores
- Trial formats: Opened six Barkers stores and one Whiskers 'n Paws

Vet practice and grooming salon rollout

- Opened 50 new vet practices, 39 in-store and 11 standalone
- Total vet practice portfolio of 388 practices
- 59% of stores have a vet practice
- Opened 60 new grooming salons
- Total portfolio of 240 grooming salons
- 56% of stores have a grooming salon

Adjacent veterinary market growth

- Acquired two specialist referral centres

Future plans

Target UK portfolio is 500 Pets at Home superstores. We will continue to open new stores in optimal locations that are not currently served by Pets at Home.

Trialling new formats:

Barkers, our dog focused, premium High Street store, and Whiskers' n Paws, a smaller convenience store targeted at the core Pets at Home customer.

Target UK portfolio of 700 vet practices, comprised of 450 in-stores and 250 standalones.

Target UK portfolio of 350 grooming salons.

We aim to open every new store with both a vet and grooming salon and retrofit services back into the existing estate.

Expand further in the specialist referrals space and in areas complimentary to our first opinion practices.

Since the financial year end we have acquired two further veterinary specialist referral centres.

Relevant KPIs

20
new Pets at Home superstores (net)

50
new vet practices

60
new grooming salons

[KPIs on page 26](#)

Key risks associated

- Brand and reputation
- Competition
- Our people
- Store and services expansion
- Liquidity and credit risk

[Risk management on page 38](#)

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Grow margins

We are the pet experts, with the widest product range, vets and groomers, all under one roof.

What we did in 2016

Services

- Services gross margin expanded by 35 bps to reach 33.0%
- Services revenues grew to 10.5% of Group revenue, compared with 8.6% in the prior year
- Fee income from Joint Venture vet practices up 22.3% to £34.5m

Product mix and own brands

- 42% of store revenues are own brand/private label, compared with 43% last year
- Advanced Nutrition revenues grew by 12.3% to £163.2m
- Wainwright's revenues grew by 17.4% to £47.0m

Sourcing and terms

- Refreshed >1,500 own brand or private label products during the year
- Terms and working capital efficiencies progressing in-line with our expectations

Relevant KPIs

54.5%

Group gross margin, +31bps

57.0%

Merchandise gross margin, +79bps

33.0%

Services gross margin, +35bps

16.0%

pre-exceptional EBITDA margin, -38bps

→ KPIs on page 26

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Future plans

Continue to rollout new vet practices and grooming salons, which generate a higher operating margin than the Group. As these pet services mature, margin leverage translates into support for Group profitability.

Generate the right balance between high margin and lower margin products by maintaining the participation of own brands and private labels, with a focus on Advanced Nutrition food. Our flagship brand, Wainwright's Advanced Nutrition, provides an opportunity to enhance both revenues and margins.

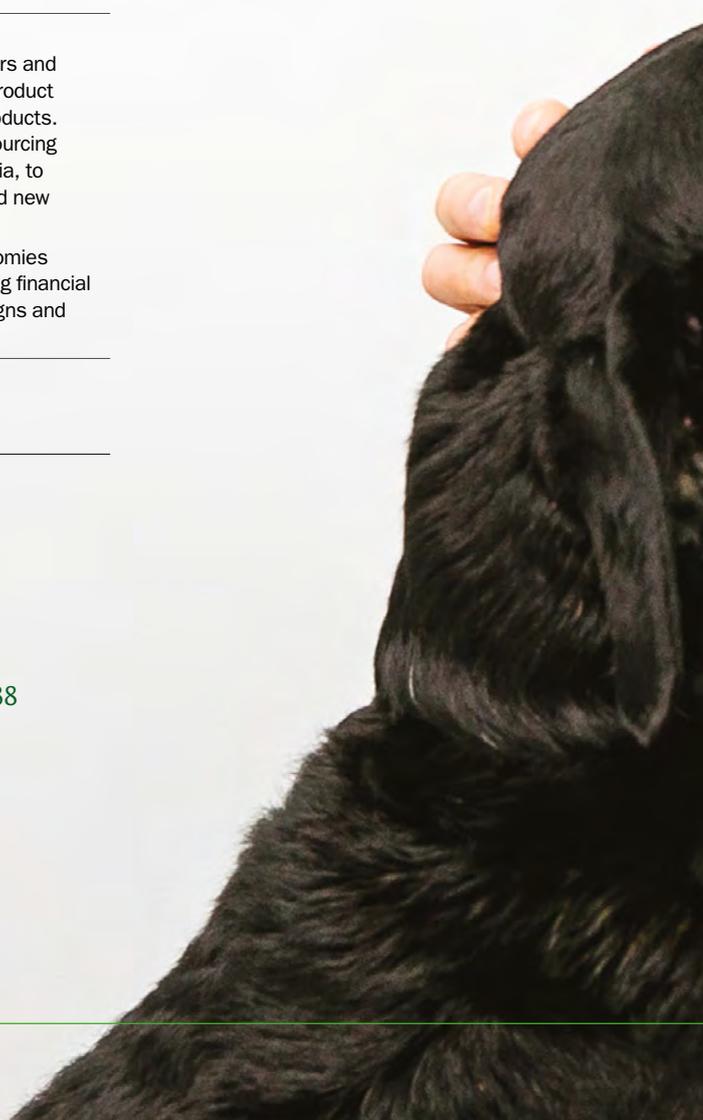
Build closer relationships with suppliers and improve contractual terms, improve product quality and access innovative new products. Continue to leverage our dedicated sourcing office in Hong Kong, Pets at Home Asia, to develop relationships with existing and new suppliers overseas.

Improve buying terms by driving economies through increased quantities, providing financial support for TV and marketing campaigns and negotiating on working capital terms.

Key risks associated

- Brand and reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion
- Regulatory and compliance

→ Risk management on page 38





The success of our veterinary model is based on the talent of our entrepreneurial Joint Venture partners.

Huw Morgan Jones has been a Joint Venture Partner for eight years and is a partner in three Vets4Pets practices. . .

“I joined the group in 2008, investing as the sole Joint Venture partner at the in-store practice in Milton Keynes. Previously, I had been practising as an employed vet for 12 years and was looking for the route to running my own practice and being able to share in the profits. The JV partnership gave me a much simpler route to financing the practice and comes with the business support that I needed.

The practice at Milton Keynes has performed very well and we have added extra consulting rooms, theatre and ward space over the years, including a first floor extension which was finished at Christmas. On my journey, I also invested in two other nearby practices, where I can bring my orthopaedic expertise to the surgery.

One of the biggest benefits in being part of a larger group is the learnings I can gain from the other vet partners. The JV network provides us with opportunities to share, as we all have an interest in the success of the brand. Being part of Vets4Pets also allows me to benefit from the nationwide advertising and the increasing brand recognition amongst the public.

Looking forward, I still see further opportunities. I'll be considering a move to extended hours, or even 24/7 at the Milton Keynes practice in the future, which will bring even more convenience to my clients and their pets.”

Strategic link:

By working in partnership with our Joint Venture veterinarians we can develop successful practices that grow ahead of the market.