

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. Key to the PawPrint is our number one value, putting Pets Before Profit, which is a fundamental welfare belief that drives our decision making processes.



Grow like-for-like

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

Product innovation and newness

VIP club

Marketing

Omni-channel

Services

Engagement

Pricing

Product innovation and newness

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, and services can be booked online. 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.



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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.

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

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.



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Grow margins

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

Product mix and own brands

Sourcing and terms

Services

Product mix and own brands

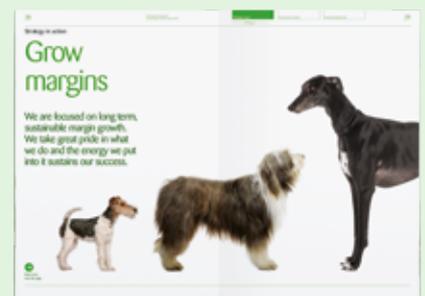
Create an optimal balance of higher margin Advanced Nutrition, own brand and private label products.

Sourcing and terms

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

Services

Growth and maturity of our higher margin vets and groomers.



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Strategy in action

Grow like-for-like

We have varied, sustainable ways to achieve like-for-like sales growth.



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Strategy explained:

Grow like-for-like

We know how our customers feel about their pets because we feel the same way

We develop customer loyalty and brand engagement through our understanding of the emotional relationships owners have with their pets, whilst also delivering innovation, quality and exceptional service, coupled with enhanced store and services based offerings.

Strategy in action

VIP club: unique engagement with our customers

Our loyalty scheme, VIP club, is a key underpin to like-for-like growth and increasing our market share. Members of the club receive exclusive offers on everything from food, to grooming and health checks with our vets, as well as helpful advice to ensure they get the best for their pets.

Analysing our customers' spend, combined with our knowledge of their pet type, breed and age, allows us to send personalised marketing offers across both Merchandise products and Services. We send out offers via direct mail, addressed to the customer's pet, or through email. Members can also pickup a free copy of the quarterly VIP magazine in-store. VIP Lifelines are

another benefit, with donations made to customers' chosen animal charities each time their VIP card is swiped in our stores, Groom Rooms, vet practices or online. VIP club enabled £1.4m of donations to customer chosen animal charities in 2015.

How do we use VIP?

We recently sent a direct mail to over 190,000 of our VIPs who own dogs and cats of a senior age, but were not purchasing Senior Advanced Nutrition. The mailer highlighted the health benefits that a lifestage focused Advanced Nutrition diet can bring and how changes in age can lead to differing nutritional requirements. Of those VIPs who received the mail, 15% responded positively, with a subsequent purchase of Senior Advanced Nutrition linked to the offer. Within the group that responded, of those who had never purchased Advanced Nutrition of any kind before, 38% went on to make a repeat purchase.



3.2m

VIP club reached 3.2m members, adding 1.2m during the year





What we did in 2015

Product and innovation

- More than 3,000 new products launched
- Refreshed 44% of our total product range
- >40% of new products were own brand or private labels
- Increased space and range extensions in Advanced Nutrition

VIP club

- VIP reached 3.2m members, adding 1.2m during the year
- 10.5m registered pets on the database
- Swipe rate of the VIP card at our tills accounted for 65% of revenues
- Increased our share of VIP customers' pet spend

Marketing

- 'My Pet Moments' TV advertising campaign
- TV sponsorship for 'For The Love Of Dogs', one of ITV's highest rating programmes

Omni-channel

- Launch of Deliver-To-Store service, allowing all products in our extended online range to be collected in a store
- >11,500 products now available online, >4,400 additional to those in-store
- >40% of online revenues now derived from a collect in store delivery method
- Mobile and tablet website versions launched since year end

Services

- Retrofitted 32 vet practices and 26 grooming salons into our existing store estate
- Development of our vet practices; including 24/7, longer opening hours and practice extensions

Pricing

- Invested in competitive pricing across large accessories, particularly in our online extended product range
- Created more entry price range points in some product categories, such as wild bird

Engagement

- Colleague retention rate maintained at 81%
- Customer feedback Net Promoter Score improved to 86% from 84% in the prior year

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 VIP's pet spend by promoting our unique pet services and targeted product discounts, whilst communicating information relevant to customers' pets needs, such as lifestage milestones, based on our unique knowledge of our customers and their pets.

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. Enabling ordering online or in-store, for delivery to home, or to store, as well as booking vet and grooming appointments online.

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

Developing our JV vet practices to provide further avenues for growth.

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

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

Relevant KPIs



KPIs page 32

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 page 44

Strategy in action

Grow space and optimise footprint



Our business has an increasing UK growth opportunity. Everyone here is committed to making it even bigger, better and smarter.



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Strategy explained:

Grow space and optimise footprint

Fantastic stores and services, giving a one stop shopping experience for the pet lover

A major part of our strategy is to open new stores in optimal locations and increase the number of in-store and standalone vet practices and in-store Groom Rooms.

Strategy in action**Services in our stores increase customer loyalty and frequency**

Services are critical to our one-stop shop offer for engaged pet owners. By enhancing our stores with vet practices and grooming salons, we are widening our proposition to customers, which also increases footfall and lifts Merchandise sales. Grooming salons are an important part of the theatre and experience in stores, whilst vet practices drive cost efficiencies, paying a service charge for the space occupied.

Retrofitting services to our existing store estate increases like-for-like sales.

Our store in Corby was retrofitted with both a Vets4Pets and Groom Room salon in July 2014.

As one of our smaller stores, at 6,000 square feet, the Services offer was constructed on a mezzanine floor, adding a further 2,800 square feet for the vet practice and grooming salon.

Adding Services attracts additional customers, as well as increasing the frequency with which those customers visit. Since retrofitting the vet practice and grooming salon, we have created two additional income streams, as well as lifting the Merchandise sales on the ground floor by 8.5%.



What we did in 2015

Optimised store rollout

- Opened 25 new stores
- Total portfolio of 400 stores
- Average new store retail space 15% smaller than our average
- Of new store openings, 60% had mezzanines, optimising our space utilisation

Vet practice and Groom Room rollout

- Opened 61 new vet practices, 53 in-stores and 8 standalone
- 32 were retrofits to existing stores
- Total vet practice portfolio of 338 practices
- 53% of stores have a vet practice
- Opened 50 new Groom Rooms
- 26 were retrofits to existing stores
- Total portfolio of 179 Groom Rooms
- 44% of stores have a grooming salon

Future plans

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

Trialling new formats, such as Barkers, our dog focused, premium High Street offering.

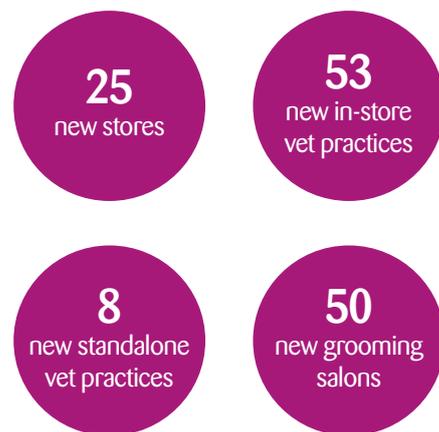
Target UK portfolio of 700 vet practices, comprised of 450 in-stores and 250 standalones.

We are assessing the opportunity for additional veterinary service segments, for example, our recent acquisition of Northwest Surgeons, a specialist referral clinic.

Target UK portfolio of 350 Groom Room salons.

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

Relevant KPIs



KPIs
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Key risks associated

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



Risk management
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Strategy in action

Grow margins

We are focused on long term, sustainable margin growth. We take great pride in what we do and the energy we put into it sustains our success.



Read more
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Strategy explained:

Grow margins

High quality private labels and own brands give us a unique product offering

We are improving margins by generating the right balance between product categories, own brands and private labels, and growing our relatively immature pet services business.

Strategy in action

Wainwright's Advanced Nutrition is our flagship private label brand

Higher margin Advanced Nutrition and private label products are an important contributor to gross margin

We launched Wainwright's, our private label Advanced Nutrition brand, in 2007. It has grown to become one of the largest Advanced Nutrition brands in the UK, now generating revenues of £40.1m, which represents 11% of our total pet food sales. Since launch, Wainwright's has grown at a CAGR of over 30% for the past three years and our wide range covers dog, cat and puppy; wet and dry complete food; and treats.

The success of the brand can be attributed to the attractive branding and high quality product, sold at a competitive price in the Advanced Nutrition segment. Continual innovation and range additions have allowed us to attract additional customers, and provide greater choice and add-ons for existing customers.

Recent additions to the range this year have included Wainwright's Grain Free for cats, which has been very popular with customers. We will continue to grow and expand the range in the coming year.





What we did in 2015

Product mix and own brands

- 43% of store revenues are own brand/private label, up from 42% last year
- Advanced Nutrition revenues grew by 17.2%
- Participation of Food revenues at 40% compared with 38% in the prior year
- Wainwright's revenues grew by 44.1% to £40.1m

Services

- Services gross margin expanded by 630 bps to reach 32.6%
- Synergies of £2.6m achieved from Vets4Pets acquisition
- Fee income from Joint Venture vet practices up 30.7% to £28.2m

Sourcing and terms

- Refreshed >1,300 own brands or private label products during the year, with many sourced via Pets at Home Asia
- Terms and working capital efficiencies progressing in-line with our expectations

Future plans

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.

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 to Group profitability.

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.

Relevant KPIs



KPIs
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Key risks associated

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



Risk management
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