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Private Equity Challenge – Pets at Home commercial assessment of European pet market

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Abstract

The European pet care market, encompassing pet food, accessories, and veterinary services, has grown significantly to £69bn, with macroeconomic and market trends indicating sustained expansion. This paper evaluates the strategic attractiveness of a private equity investment in Pets at Home (PaH), a leading player in the sector. It outlines five key value creation levers, supported by detailed financial projections, operational enhancements, and a comprehensive LBO model. The analysis concludes with a well-defined exit strategy via IPO. Thereafter, the commercials of the underlying market are explored in depth.

Key words – Yannick Brugger

Private Equity, Investment committee paper (ICP), LBO, Pets at Home, market assessment, veterinary, pet retail, value creation

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I. Group part

1 Executive summary

This investment committee paper evaluates the potential acquisition of Pets at Home (PaH), a leading UK-based pet care provider, by a private equity sponsor. The document outlines the investment thesis, value creation initiatives, business plan, financial projections, and exit strategy, providing a comprehensive analysis to support decision-making.

PaH, headquartered in Handforth, Cheshire, applies an omnichannel approach, operating over 450 retail stores and approximately 440 veterinary clinics. The firm employs 16,000 people and generates £1.48bn in revenue with an EBIT margin of 31% as of FY24. Its business model integrates retail revenues from pet food (55% of total revenues) and accessories (32%) with a growing veterinary services segment (10%), offering diagnostics and other high-margin services. The UK pet care market, valued at £42bn, represents approximately 10% of the European retail market, with the veterinary segment showing particularly strong growth at a CAGR of 4-6%. PaH's market position benefits from trends such as premiumisation and increased pet adoption during the COVID-19 pandemic, which have driven long-term growth. The financial health of PaH has been robust, with its historical (FY20-FY24) retail top-line growth outpacing the overall market at a CAGR of 4.9%. However, margin compression from 20.8% adjusted EBITDA in FY20 to 16.7% in FY24 highlights opportunities for operational improvement and cost optimisation. A valuation based on four methodologies (DCF, SoTP, trading comparables, and transaction comparables) implies an entry EV of c. £2.4bn with an EBITDA multiple of 9.5x, reflecting PaH's market-leading position and resilience. The investment thesis identifies five core value creation drivers: internationalising the veterinary business, introducing new verticals such as cremation and pharmaceutical retail, implementing pricing strategies, strengthening its VIP Club, and targeting operational improvements including workforce optimisation and distribution center integration. The business plan projects

conservative organic growth, with a significant step-up in FY25 driven by international acquisitions, alongside recovering margins. To finance the acquisition, PaH will use 47% debt, primarily in the form of Term Loan B (TLB) and Term Loan A (TLA), with an additional £100m capex facility to fund early bolt-on acquisitions. A sweet equity portion of 0.8% is allocated to management to ensure alignment of interests. An IPO is identified as the most likely and lucrative exit option after a five-year holding period. This paper provides a detailed assessment of the financial, operational, and market factors underpinning this investment, positioning PaH as a compelling opportunity for PE ownership.

2 Pets at Home – Company overview

PaH, headquartered in Handforth, Cheshire, is the UK's leading comprehensive pet care provider. Established in 1991, the company has developed an integrated business model that offers a seamless pet care experience, encompassing retail products, veterinary services, and grooming under a unified brand. With over 450 retail stores, over 440 veterinary practices, and a robust online presence, PaH is supported by approximately 16,000 employees. Since its initial public offering (IPO) in 2014, the firm has been a constituent of the FTSE 250 index, reflecting its stable growth trajectory and solidified market position. Under the leadership of CEO Lyssa McGowan, who brings over 25 years of strategic experience, and CFO Mike Iddon, a seasoned financial executive, the company has strategically positioned itself to align with evolving consumer trends like pet humanisation and premiumisation. Key strategic highlights include market leadership with a 23% share of the £8.2bn UK pet care market, the UK's largest VIP loyalty program with 7.8m active members with a decade of proprietary data, and the operation of the most influential branded veterinary business in the UK (Pets at Home Group Plc 2024).

2.1 Retail Business

The retail segment of PaH serves as the foundation of its integrated pet care ecosystem, offering a comprehensive array of pet products, including food, toys, grooming essentials, and

accessories, both online and in-store. This segment contributed 90.1% of the company's revenue (£1,330m) and 59.2% of EBIT (£86.2m) in FY24 (Pets at Home Group Plc 2024).

2.2 Veterinary Business

The veterinary services segment is the second critical component of PaH's integrated pet care ecosystem, combining a strategic network of owned (~59) and unique Joint-Venture practices (~392), delivering preventive care, diagnostics, and routine treatments. This segment contributed 9.7% of the company's revenue (£147m) and 40.8% of EBIT (£59.3m) in FY24. 300 practices are co-located within retail stores, uniquely positioning PaH as a one-stop shop (Pets at Home Group Plc 2024).

2.3 Growth Drivers and Challenges

In retail, key drivers include the integrated omnichannel strategy, premiumisation trends, the VIP loyalty program, and the post-pandemic surge in pet ownership. However, it faces challenges such as rising competition from online retailers, economic pressures, reputational risks, and the need to uphold high animal welfare standards (Roland Berger 2022).

For the *veterinary segment*, growth is fueled by increased pet healthcare spending, advancements in veterinary care, strategic investments in recruitment and training, and the expansion of 24/7 telehealth services. However, the segment faces challenges such as veterinary staff shortages, increasing competition, rising operational costs, regulatory risks like the Capital Market Authority (CMA) investigation (see DD section), and sensitivity to economic downturns (Bain & Company 2024); (Bergmann, et al. 2022); (Cuberes, et al. 2022).

2.4 ESG and Governance

PaH's ESG strategy is built on three pillars: Planet, Pets, and People. *Planet*: Since 2016, the company has achieved a 44% reduction in Scope 1 and 2 emissions and is targeting net zero emissions by 2040. Sustainability initiatives include LED lighting, renewable energy, and a 79% recycling rate. However, only 40% of suppliers are audited for sustainability, underscoring

the need for stronger supply chain oversight. *Pets*: PaH also champions pet welfare through responsible breeding practices, training programs, and partnerships with 420 adoption centers, raising £9.2m for pet rescues through its Foundation. *People*: Staff training and career development especially in veterinary are priorities, with over 800 pet care experts, over 6,000 nutritionists trained, and 16,000+ community hours volunteered. Yet, diversity remains limited, with ethnic representation at 4.9%. *Governance* is robust, with a diverse and experienced board ensuring compliance with legal and regulatory requirements. The company's ESG performance is closely monitored and reported, reflecting its commitment to responsible business practices. Major institutional shareholders, like Schroder Investment Management, demonstrate confidence in the company's future through their significant holdings (Pets at Home Group Plc 2024).

3 Market overview

The European pet market, valued at approximately £69bn, is a dynamic sector characterised by robust growth, evolving consumer preferences, and diverse opportunities. Understanding the underlying commercial fundamentals is vital as they impact the demand and supply dynamics within PaH's market. Thus, this insight is essential for assessing the company's attractiveness as an investment target.

In recent years, the pet care landscape has experienced significant growth, driven by three key factors: (i) increased pet ownership, (ii) pet humanisation, and (iii) longer pet lifespans. As households become smaller and post-pandemic adoptions rise, pet ownership has expanded. This growing pet population, coupled with the trend of pet humanisation – where pets are seen as family members – has led to increased demand for premium products and veterinary services. At the same time, advancements in veterinary care and nutrition have extended pet lifespans, resulting in a greater need for specialised and routine care (Figure 1); (Cuberes, et al. 2022).

To align with these trends and differentiate itself from competitors, PaH has implemented a horizontal integration strategy, providing an omnichannel solution at the retail stage of the value chain, running both veterinary practices and a food and accessories business (Figure 2); (McKinsey & Company 2021).

3.1 Retail market

The pet retail market, comprising 61% of the total European pet market (£42bn), has historically grown at a moderate yet stable CAGR of 2-4%, with the UK contributing 10%. The landscape is hereby highly concentrated amongst only a few players (top 7% account for 79% of market share) (Bergmann, et al. 2022). It is defined by a competition between generalist supermarkets and specialist players like PaH, with more and more online platforms like Amazon entering the market. In the UK, generalists like Tesco dominate with 26% market share, while PaH leads the specialist segment with 22%. However, the rise of e-commerce is reshaping market dynamics, prompting traditional retailers to invest in digital capabilities. Alongside omnichannel retailers, specialised online players are experiencing the fastest growth across all pet supply categories. Already today, the majority of pet supplies are sold online (Roland Berger 2022).

3.2 Veterinary market

The veterinary services market, valued at £13.7bn in 2023 (representing 21% of the pet care market), has historically grown at a faster pace than the retail segment, with growth rates of 4-6%. The UK market, however, has experienced more moderate growth, averaging 4-5% annually due to its maturity. In contrast, regions such as Germany and Italy have seen significantly higher growth rates of 9.4% and 11.4%, respectively. Looking ahead, a similar trend likely continues. While the UK is expected to maintain steady growth of 4.9% annually through 2027, other countries like France are projected to outpace the UK with a growth rate of 6.5% (Figure 3). Alongside this, the UK veterinary services market is distinguished by a high

level of consolidation, with seven major players controlling around 70% of the sector. This includes prominent players such as IVC Evidensia, CVS, and VetPartners, along with PaH's own Vets for Pets, which holds an 11% share. In comparison, markets like France remain more fragmented, with consolidation still in the early stages (Figure 4); (Cuberes, et al. 2022).

Given the UK's relatively saturated market and advanced consolidation, it offers a solid platform. However, for continued expansion, PaH may need to consider exploring opportunities in other regions, where there is greater potential for growth and buy-and-build strategies.

4 Historical financials

Over the past five years, PaH has demonstrated strong top-line growth, with revenues increasing at a CAGR of 8.7%, reaching £1,476.6m in FY2024. This growth is primarily driven by the retail segment, which accounts for over 90% of revenues, led by the food category growing at ~12% annually since FY2020 and reaching £814m in FY2024. Food now represents more than 55% of total revenues, supported by trends (Figure 1), customer loyalty through the Pets Club, and the success of subscription services. In contrast, the veterinary segment, while smaller, has experienced robust growth in profitability, with revenue increasing at ~9.5% annually, driven by the maturation of company-managed practices and integration of telehealth. JV practices have shown slower growth due to their early stage of maturity and the company's strategic focus on existing operations (Figure 5); (Pets at Home 2024).

Cost of sales, comprising 53% of revenues in FY2024, has grown at a 9.8% CAGR, outpacing revenue due to inflation, increased logistics costs, and the transition to a new distribution center in 2023. While selling and distribution costs aligned with revenue growth, administrative expenses stabilised at ~8% of revenues in FY2024, reflecting investments in digital transformation and distribution infrastructure (Figure 6); (Pets at Home 2024).

The retail segment's profitability has been constrained by the dominance of the low-margin food category and rising input costs. Retail EBIT grew at only 1.3% annually from FY2020 to

FY2024, with margins declining to below 10%. In contrast, the veterinary segment has demonstrated superior profitability, with EBIT growing at a 20% CAGR over the same period. This has increased the veterinary segment's share of total EBIT from 20% in FY2020 to nearly 41% in FY2024, supported by synergies from company-managed practices and the divestment of less profitable specialist services that were not in line with the core vet business. (Figure 7); (Pets at Home 2024)

PaH has maintained strong cash flow generation. Maintenance capex has averaged ~3.7% of revenues, with a notable increase in FY2023 due to a £44m investment for the new distribution center. Depreciation and amortisation can be categorised into PPE, Right of Use assets and intangible assets and have been around £100m in recent years. Due to the nature of the retail business, PaH has negative net working capital between (7.4)% in 2020A and (6.1)% in 2024A resulting from inefficiencies due to the migration to the new DC. The company has maintained a strong historical free cash flow (pre-tax) which was about 88.2% of EBITDA in 2024A (Figure 8); (Pets at Home 2024).

5 Valuation

To derive a comprehensive valuation for PaH, we utilised a combination of intrinsic and relative valuation methodologies. The valuation date was set at 31 December 2024, and the analysis is based on the company's base business case, excluding any potential value creation initiatives, under the assumption of continued operations in its current form.

An intrinsic valuation was conducted using a Discounted Cash Flow (DCF) model. A Weighted Average Cost of Capital (WACC) of 8.6% and a perpetual growth rate (PGR) of 3% were employed, consistent with valuation standards. Sensitivity analysis was applied to the WACC (8.1%-9.1%) and PGR (2.5%-3.5%) yielding an implied enterprise valuation (EV) range of £2,167m to £2,470m, corresponding to an EV/2024E EBITDA multiple range of 8.6x to 9.8x.

Given robust cash flow generation capabilities, a 40% weight was attributed to this method. (EIKON 2024); (St. Louis Fed 2024); (Damadoran 2024).

Due to PaH's integrated business model of retail and veterinary services, there are no exact comparables in the market. However, the primary focus on retail enabled the use of a UK retailer peer group. Retailers were categorised into broadline, specialty, apparel, and food, and the EV/2025E EBITDA multiple derived ranged from 5.7x to 8.7x, implying a valuation range of £1,430m to £2,199m for PaH. Moreover, valuations on 2025E EBIT and 2025 EBITDA – Capex yield EVs of £1,655m and £2,180m respectively. Considering the lack of a highly comparable peer, this method was assigned a 10% weight in the final valuation (LSEG, 2024). A SoTP analysis was also conducted, valuing the retail and veterinary segments separately. Utilising a 11.6x EV/2025E EBIT multiple for the retail business (EBIT of £97m) and a 9.5x multiple for the veterinary business (EBIT of £67m), the implied EV ranged from £1,602m to £1,931m. This method was similarly weighted at 10% (EIKON 2024).

To capture the acquisition cost perspective, precedent transaction analysis was undertaken, focusing on 13 European retail transactions since 2014. The derived valuation range values the business between 10.3x and 12.3x 2024E EBITDA. This resulted in an implied valuation range of £2,611m to £3,105m. Given the higher relevance of acquisition multiples for public-to-private transactions, this approach was also weighted at 40% (EIKON 2024).

The resulting median weighted EV is £2,403m, representing an EV/2024E EBITDA multiple of 9.5x. This reflects a 40% premium over the market enterprise value as of 24 November 2024, aligning with typical premiums observed in public-to-private transactions (Figure 9).

6 Investment thesis and Value Creation

PaH, the UK's leading pet care business, presents a compelling investment opportunity within the resilient and growing pet care industry. Leveraging a differentiated model that combines retail, veterinary services, and digital solutions, PaH serves as a comprehensive one-stop

provider for pet owners. Its established brand, omnichannel reach, and integrated ecosystem enable PaH to thrive in a fragmented market characterised by significant growth potential. The industry's structural shift towards pet humanisation, where pets are regarded as family members, underpins resilient demand and sustained spending even during economic downturns. PaH's business model underpins its competitive edge by integrating its retail and veterinary offerings with subscription-based programs like the VIP Club, which enhances customer loyalty and provides valuable data for personalised services. The company's omnichannel strategy, combining a robust online presence with physical stores, ensures convenience and market capture across different customer segments. Meanwhile, the financial profile of PaH is characterised by strong cash flows, revenue visibility from recurring income streams, and opportunities for margin expansion through investments in logistics and operational efficiency.

PaH's value creation strategy is anchored in targeted initiatives that capitalise on its strengths and market dynamics. These include international expansion, grooming business growth, adjacent service offerings, pricing optimisation, expansion of the VIP offering and operational enhancements. The international expansion focuses on France's fragmented veterinary market, leveraging a buy-and-build strategy to consolidate market share and achieve economies of scale. This approach aligns with the company's focus on high-margin veterinary services, bypassing the complexities of the lower-margin retail segment. *The acquisition of Fovéa*, a French network of 47 veterinary clinics, provides a strong foundation for this strategy.

Domestically, it is planned to address "whitespace" in PaH's grooming services by adding salons to viable retail locations and broadening its offerings to include cat and small animal grooming. *The establishment of a Grooming Academy* will ensure the availability of skilled personnel, supporting growth. *Adjacent services*, such as cremation and OTC pharmaceuticals, align with PaH's veterinary business and provide high-margin revenue streams. Complementing the already broad offering of PaH comes with significant capex requirements

towards the early holding period in order to implement the infrastructure of cremation ovens, and the tied distribution. *The pricing strategy* targets both retail and service segments, using data-driven adjustments to optimise top- and bottom-line growth without eroding customer loyalty. This pricing adjustment is a delayed cost pass through of procurement inflation that has manifested post covid. Given the less price sensitive nature of pet owners, a continuous trend towards pet humanisation and premiumisation, tied with pricing expert assessment by strategy consultancy Simon Kucher, this initiative promises success without risking significant customer churn. *The VIP Club value creation initiative* is a key driver of customer loyalty and revenue growth, reinforcing its position as the UK's leading one-stop pet care provider. By FY2024, the Average Customer Value (ACV) for VIP members stood at £178, and the initiative targets a 4% annual growth in memberships via strategies such as referral incentives, personalised marketing, and exclusive offers like "Bring a Friend" discounts and influencer collaborations. *Operational improvements*, including the integration of a new distribution center and workforce optimisation, aim to reduce costs and enhance efficiency. The meticulous assessment of the FT workforce has led to the identification of significant cost cutting potential in customer service and internal overhead function, given the accelerated implementation of AI. Procurement initiatives, such as supplier consolidation and the newly build centralised distribution center, are set to further boost margin improvements. While several *additional initiatives*, including UK veterinary expansion, international retail expansion, growth of the private-label portfolio, focus on e-commerce development, and white-label pharmaceuticals, were evaluated, they were deemed less suitable due to alignment, feasibility, or limited financial impact within the five-year holding period. This disciplined approach underscores PaH's strategic focus on initiatives that align with its strengths, support sustainable growth, and enhance its margin profile, making it an attractive investment with robust mid-term value creation potential.

7 Business plan

The business plan for PaH has been structured in six case scenarios - base-case, upside-case, and downside-case each modeled with and without value creation initiatives. The base case without value creation assumes a conservative approach, projecting a top-line CAGR of 3.3% (2025–2029), driven by slower growth in food revenues compared to market forecasts, steady accessory growth, and services aligned with historical trends. Operational margins remain consistent, with cost of sales as a percentage of revenues returning to 2022 levels and other cost ratios held stable. Notably, impairment gains are excluded, and conservative assumptions are applied to depreciation and maintenance capital expenditure. The inclusion of value creation increases the top-line CAGR from 3.3% to 5.8% and the bottom-line CAGR from 3.8% to 8.8%, reflecting the success of PaH’s margin-accretive strategy through the execution of the value creation initiatives described in more detail in the Investment thesis and value creation section.

8 Financing

The chosen debt structure for the transaction is designed to balance financial stability with growth potential. After extensive scenario analysis, benchmarking against industry debt comps as well as expert interviews with a credit professional, the deal team recommended using £800.0m of debt, roll-over of £380.8m in existing lease liabilities, and £1,327.8m in equity. This provides a strong equity cushion of 53%, mitigating financial risk while supporting attractive returns. The debt consists of Term Loan A (£200m; 0.8x), Term Loan B (£500m; 2.0x), and a Capex Facility (£100m; 0.4x), which aligns with typical transaction structures (TLB \approx 2x TLA), ensuring flexibility for acquisitions and capital expenditures (Figure 10). Interest rates are pegged to 3M-SONIA plus a spread, offering transparency and managing borrowing costs. Financial covenants, including the DSCR and Net Leverage, are ensured to be met with enough headroom to provide lender protection (Figure 11). On the equity side, the structure includes a Fixed Return Instrument (£1,227.8m) and £100m of Ordinary Shares, split

80/20 between institutional investors and management, with management contributing £20m in sweat equity (~2x annual salary). This should serve as strong incentive in order to align interests to support the company's long-term prospects (Lehming 2024); (Debtwire 2024).

9 Returns analysis

The return analysis for the Leveraged Buyout (LBO) of PaH is grounded in several key assumptions and projections. The entry valuation is set at £2.4bn in enterprise value, based on a 9.5x multiple of the FY24E EBITDA of £252m. With a net leverage of 4.1x at entry, rapid deleveraging is anticipated due to the company's strong cash generation capabilities, leading to a net cash position at exit. The base case scenario, including full value creation rollout, projects an exit after a five-year holding period in 2029, yielding a gross IRR of 27.1% and a 3.3x money-on-money (MoM) return (Figure 12). Assuming no multiple expansion, the equity value at exit is estimated at £4,412m, based on a constant multiple of 9.5x applied to the FY29E EBITDA of £469m, and reduced remaining net debt. This results in a return of 24.3% (3.0x) for the financial sponsor and 91.9% (26.1x) for the management. Even in adverse scenarios, such as overpayment at entry or a downside case with reduced value creation, the investment still generates solid returns. An overpayment scenario projects a gross IRR of 19.2%, while a downside case with dropped "Whitespace" value creation levers still returns 19.1%. The investment case is primarily driven by EBITDA growth (~1.5x) and deleveraging (~0.9x), with no assumption of multiple expansion. EBITDA growth, the most significant value driver, is fueled by operational improvements on both the revenue and cost sides, as well as a strategic shift towards the veterinary business through M&A, which diversifies income streams. Deleveraging, facilitated by the business's strong cash generation, is the second strongest value driver. While no multiple arbitrage is considered conservative, a slight improvement might occur given the shift towards the high-margin veterinary business.

10 Exit options

Several exit options have been assessed, including strategic sale, secondary buyout, breaking up the company into retail and veterinary segments (SoTP), and an Initial Public Offering (IPO). Ultimately, the IPO option emerges as the most viable and attractive strategy for PaH, as it presents a long-term value creation opportunity. The IPO will enable the company to secure independence, enhancing its future financial flexibility. This option is expected to attract significant investor demand due to PaH's compelling equity story, which is supported by its integrated omnichannel business model, strong market share, and growth prospects. A staged sell-down approach in an IPO allows the company to benefit from potential future share price growth, further enhancing long-term value. Although the IPO may not provide a complete exit for all stakeholders, it offers the best potential for long-term capital appreciation. Given the limitations of strategic buyers, the restricted value add-ons from potential experienced sponsors, and the loss of branding synergies associated with a SoTP approach, the IPO is the most appropriate pathway to unlock the company's growth and maximise shareholder value.

11 Due diligence

Due diligence (DD) has been conducted across various key areas of PaH's business, including:

- *Commercial*: Market attractiveness, competitive landscape, customer segmentation
- *Financial*: Review of sales, quality of earnings, and projected capex schedules
- *Legal*: Corporate structure, litigation, and regulatory compliance
- *Tax*: Review of tax structure and historical compliance
- *Operational & IT*: Supply chain analysis and tech capabilities
- *ESG*: Sustainability reporting, governance, and talent retention

A comprehensive risk assessment and mitigation analysis have been conducted across several DD areas, including three in-depth examinations. *The first* focuses on the *Capital Market Authority (CMA) investigation* into veterinary sector transparency regarding ownership, referrals, and pricing, driven by rising customer costs. The analysis concludes that the CMA

investigation is unlikely to impact PaH significantly, owing to its unique Joint Venture model that promotes independent ownership by veterinary partners, thereby ensuring transparency and aligned interests. *The second deep dive* investigates the *historical margin contraction* from FY22 onwards. The findings indicate that the primary reasons for this decline are margin dilution due to the lower-margin food segment compared to higher-margin accessories and services in the retail business, as well as increased energy prices and price inflation leading to higher costs of goods sold (COGS). However, it is anticipated that a rebound in higher-margin segments like accessories, along with the passing through of costs as inflation stabilises and the resurgence of consumer spending, will mitigate further margin decline.

The final deep dive involves a *market analysis due to increasing competition*, particularly from online-only players. Despite the intense competition in the pet care market, PaH is well-positioned to defend its market share and manage slowing demand. This is attributed to its broad and convenient offering, as well as favorable industry trends such as pet humanisation, premiumisation, and enhanced customer experience across the pet lifecycle, all of which positively impact PaH's business model.

II. Individual Part – Yannick Brugger

Pets at Home commercial assessment of European pet market

1 Market overview

The European pet market, valued at ~ £69bn, represents a dynamic and rapidly evolving sector, characterised by robust growth and diverse consumer demands (Cuberes, et al. 2022). Within this expansive market, Pets at Home occupies a significant position as a leading retailer and veterinary service provider. This chapter examines the European pet market's commercial performance, including key trends, competitive dynamics, and opportunities. It evaluates how Pets at Home's strategy aligns with market developments, highlighting the importance of understanding commercial fundamentals and risks to assess its investment potential.

The European pet market can be broadly divided into six key sub-sectors: (i) Food, (ii) Accessories and Toys, (iii) Veterinary Services, (iv) General Services, (v) Pharmaceuticals, and (vi) Insurance and Health Plans. Among these, Pets at Home primarily operates within the first three categories, with a focus on two core sub-markets: (1) the pet food and accessory retail market and (2) the veterinary care market.

The European pet retail market, encompassing food (primarily dry and wet pet food, as well as snacks and chewing consumables) and accessories (primarily beds, leashes, stuffed toys, throw-toys as well as hygiene and grooming equipment), is valued at ~ £42bn (accounting for 61% of the European pet market), with the UK contributing around 10% of this total. Historically, this segment has experienced moderate growth, with a CAGR of 2-4%. In contrast, the European veterinary care market is valued at approximately £14bn, with the UK representing about 30% of the market. This segment has exhibited stronger growth, achieving a historical CAGR of 4-6% (Cuberes, et al. 2022).

2 Value chain

Within the pet care ecosystem, Pets at Home sets itself apart by implementing a robust omnichannel approach, underpinned by horizontal integration across the B2C segment of the value chain (Figure 2). With its primary activities centered on retail and service delivery across all horizontals (food, accessories, veterinary service, and value add services like grooming), the company plays a pivotal role in connecting products and services to end consumers.

The pet care value chain can be broadly divided into three primary stages: (i) production and manufacturing, (ii) distribution (B2B), and (iii) retail (B2C). The initial stage of production primarily focuses on the manufacturing and packaging of medical and pharmaceutical products, as well as food items and related accessories. Producers in this sector typically supply their products to major distributors, such as Henry Schein, which subsequently distribute these goods to retailers like PaH through their extensive sales networks. Lastly, players like PaH actively engage in the retail segment, interfacing directly with customers while sourcing products through both direct procurement from manufacturers such as Zoetis, Royal Canin, and Purina, and via intermediaries, including large distributors like Henry Schein and Alcyon. This dual sourcing strategy allows the firm to optimise its supply chain (McKinsey & Company 2021).

3 Market trends

The value chain and the broader ecosystem of the European pet market have experienced substantial growth, as outlined in the preceding sections. This growth trajectory is expected to persist in the coming years, driven by various macroeconomic and psychological trends. These trends encompass demographic shifts, changing consumer preferences, advancements in veterinary care, and broader societal transformations, all of which significantly impact demand patterns and the overall market structure (Figure 1); (Cuberes, et al. 2022).

Likely the strongest driver of which is the increasing *pet population penetration*. Demographic shifts, particularly in Western and Southern Europe, such as smaller household sizes and lower

birth rates, are fostering increased pet ownership. This shift, amplified by a surge in pet adoptions during COVID-19, is expected to sustain an elevated demand for veterinary services over the next decade as pet populations age and require more care.

Furthermore, a psychological dimension also drives increased spending on pets, thereby contributing to stronger market growth. This is particularly evident in the growing trend of *pet humanisation*. The growing perception of pets as family members, rather than simply animals, has driven more frequent veterinary visits and greater investment in pet health and well-being. This trend, reinforced by pandemic-era isolation, has led to increased expenditures on premium care, services, and products as pet owners seek to improve the quality of life for their pets.

Beyond humanisation, technological advancements, alongside improvements in veterinary care, nutrition, and living conditions, have significantly increased the average *life expectancy of pets*. While this is a positive development, it also introduces new challenges and opportunities for the industry. Older pets are more susceptible to chronic and advanced medical conditions, necessitating frequent veterinary visits and often requiring complex and costly treatments. This trend drives demand for both routine and specialised veterinary care, as well as associated spending on pharmaceuticals, diagnostics, and therapeutic interventions, thereby fueling growth in the sector.

The growing demand for veterinary services and pharmaceutical products has been accompanied by a rise in the overall cost of pet ownership. Consequently, pet owners are increasingly relying on insurance and health plans to fund their pets' healthcare expenses. Thus, adoption of *pet insurance and health plans* is on the rise across Europe, enabling more pet owners to access advanced veterinary treatments without the constraints of cost sensitivity. Owners with insurance are more likely to seek preventative care and opt for specialised services, resulting in higher lifetime spending per pet. This trend aligns with the broader shift

toward professionalised care and reflects a maturing market where predictable and consistent spending patterns are becoming more prevalent.

The increased investment in pet healthcare has, in turn, indirectly facilitated the development and availability of more complex treatments. Thus, specialised veterinary services, such as referral centers and emergency clinics, are emerging as a high growth segment, outpacing generalist care in profitability and demand. These services cater to the growing need for complex medical treatments, driven by factors such as longer pet lifespans and the increasing availability of advanced diagnostic and therapeutic options. Regulatory frameworks, such as mandatory microchipping of cats by 2024, are further contributing to the segment growth.

Another important determinant is *premiumisation*. Closely tied to pet humanisation is the trend of premiumisation, where pet owners exhibit a preference for high quality, ethical, and sustainable products. This includes non-processed, organic pet foods and luxury services that enhance pet well-being. Premiumisation drives growth by expanding market value and encouraging higher spending per pet, reflecting owners' emotional and financial commitment to their pets as family members.

Another factor contributing to market growth especially in developed markets is the *like for like price development*. Pricing dynamics in the pet care market reflect a gradual professionalisation, particularly among larger veterinary chains. Prices for treatments and services are expected to increase steadily as the market matures and becomes more structured. However, in some regions, price sensitivity remains a limiting factor, particularly in commoditised segments such as basic food or routine services. Competitive pressures also constrain the ability to raise prices significantly, especially in the face of rising competition from online and discount retailers.

Last but not least, there is a strong trend towards *online shopping of medicine and food*. The growth of e-commerce in the pet care market has accelerated, particularly during the COVID-19 pandemic, as pet owners shifted to online purchasing of food, medicine, and accessories.

While online sales still represent a relatively small share of the overall market, they are growing rapidly, driven by convenience, price transparency, and the ability to access a wider range of products. This shift is reshaping traditional retail dynamics, as well established online platforms capture a growing share of the market. At the same time, this trend introduces pricing pressures and intensifies competition, requiring traditional players like PaH to strengthen their digital capabilities to remain competitive.

In summary, the European pet care market is evolving, driven by pet humanisation, longer lifespans, premium services, and e-commerce growth. These trends create opportunities for companies to align with shifting consumer preferences and industry advancements. (Cuberes, et al. 2022).

4 Retail market – deep dive

The market for PaH can be divided into two primary segments: (i) the pet food and accessory retail market, and (ii) the veterinary care market. This section focuses on analysing the competitive landscape in the European and UK markets.

The European pet care retail market can be broadly categorised into two primary segments: generalist and specialist players. Within the generalist segment, supermarket chains, that supply a broad variety of products of which pet foods and accessories are only a small part, are the predominant actors, while the specialist segment is primarily represented by omnichannel retailers, focusing e.g., only on pet products, such as Pets at Home. Additionally, the market can be further delineated based on the distribution channel, distinguishing between brick and mortar retailers and online platforms. When these two dimensions are combined, the market can be conceptualised as comprising six interrelated clusters: (i) pure online pet care specialists, (ii) physical pet care specialist stores, (iii) omnichannel pet care specialists, (iv) generalist online retailers, (v) generalist gardening and DIY retailers, and (vi) supermarkets. PaH falls into the third cluster, characterised as an omnichannel pet care specialist (Roland Berger 2022).

Across most European markets, the majority of pet food is predominantly sold through non-specialised supermarket chains, although a significant proportion is also distributed via online channels. Among the various retail formats, specialised online and omnichannel retailers are experiencing the most rapid growth across all pet supply categories. This growth is driven in large part by the ability of specialised retailers to access a wider array of pet food producers, as some manufacturers choose not to supply generalist retailers. Furthermore, in many European countries, establishing a strong brand presence through physical retail stores remains an essential strategic approach. Notably, while gardening and DIY retailers reduced their focus on pet care products between 2010 and 2019, several have begun to re-invest in the sector in recent years in an effort to reclaim lost market share (Roland Berger 2022); (Bergmann, et al. 2022).

A closer examination of the UK pet retail market reveals a balanced distribution of market share between specialist and generalist retailers, with both groups holding approximately equal stakes. The market is concentrated among a few large players, with the top six accounting for 79% of the total market share. Within the generalist segment, traditional brick and mortar retailers, such as Tesco, and emerging online suppliers, like Amazon, have secured substantial portions of the market. Tesco, as the largest supermarket chain in the UK, holds the leading position with an estimated 26% market share. Its prominence is partly attributed to its ability to combine pet and grocery shopping in a single location, making it a convenient choice for pet owners. Sainsbury's, the UK's second largest supermarket chain, holds a distant second place with 13% of the market share. Recognising the growth potential in the pet care sector, Sainsbury's has launched its own private label pet food line to tap into this expanding market. Amazon, as an online-only retailer, has also gained a notable presence, currently capturing around 9% of the market.

On the specialist side of the market, PaH stands as the dominant player, commanding ~ 22% of the market share, primarily due to its focus on the UK market. Zooplus, a German based online-

only pet care retailer, holds a smaller share of about 5%, positioning itself as a significant competitor in the online segment. Jollyes, another specialist pet retailer, was acquired by TDR Capital, a British private equity firm, in early 2024 and currently represents around 4% of the UK pet retail market. This structure underscores intense competition between generalists and specialists, shaping the UK pet care retail landscape.

In summary, the UK pet retail market is characterised by a high level of market concentration, with a few key players holding the majority of the market share. Online retailers, in particular, have gained significant traction, especially following the onset of COVID-19. Within this landscape, together with Tesco, PaH is positioned at the top, both leading the market by a considerable margin. Given the market's concentrated nature and the limited potential for differentiation, achieving scale is critical for capitalising on unit economies and engaging in price competition. As the market leader, PaH is exceptionally well positioned to leverage these advantages and maintain its competitive edge (Roland Berger 2022); (Bergmann, et al. 2022).

5 Veterinary market – deep dive

Following the analysis of the pet retail market, which is the primary focus of PaH, this section will turn to an examination of the veterinary services market in Europe and the UK. Similar to the retail market, the veterinary services sector can be categorised along two key dimensions: firstly, by size, as measured by the number of practices or clinics owned by the chain; and secondly, by geographic focus, distinguishing between local and international players. This framework allows for the classification of the market into three main clusters: (i) small local chains, (ii) large local chains, and (iii) large international chains.

Vets for Pets fits into the second cluster, as a large local chain. With approximately 447 practices and a focus solely on the UK market, Vets for Pets exemplifies the characteristics of large local players, which typically hold a strong market presence in specific regions, while some are beginning to explore opportunities for international expansion. Across the European

landscape, the leading international consolidators include firms such as IVC Evidensia, Linnaeus, Anicura, and CVS. These companies have established a significant global presence, owning over 500 and, in some cases, thousands of clinics worldwide.

Over the past five years, the European veterinary services market has experienced rapid growth, with the key geographies expanding at a CAGR of 5.7% from 2017 to 2023, reaching a value of approximately £13.7bn. This growth has been primarily driven by the expansion of the German veterinary market, which saw a CAGR of 9.4% from 2019 to 2023. In contrast, the UK market has experienced more steady, yet stable, growth, with growth rates historically ranging between 4% and 5% (Figure 3); (Cuberes, et al. 2022).

Looking ahead, the overall European veterinary services market is projected to experience slightly slower growth (5.4% annually) influenced by macroeconomic challenges such as higher interest rates and overall economic slowdown. Key growth regions will likely be less mature markets like Italy, with a projected growth rate of 11.4%, as well as France and Spain, who are both anticipated to grow at 6.5% per year. In contrast, the UK market is expected slower growth at 4.9%, reflecting its more mature status compared to other countries.

The UK stands out for its notably high degree of consolidation in the veterinary sector, surpassing that of other European markets. By 2023, veterinary chains accounted for ~ 70% of the market, with the remaining 30% consisting of smaller practices that are either too small to attract consolidators – typically those with fewer than three veterinarians – or determined to retain their independence. This trend reflects a decade long journey of consolidation, which has shaped the industry into a strongly competitive and concentrated landscape led by seven prominent groups: IVC, CVS, VetPartners, Vets for Pets, Medivet, Linnaeus, and Goddard.

In contrast, other regions have yet to experience a comparable wave of consolidation or have only recently embarked on this process. A notable example within Europe is the German market, where the level of consolidation remains below 10%. In this context, Anicura and TPP

are emerging as key players, driving rapid expansion and currently accounting for 38% and 32%, respectively, of the consolidated segment. Other countries such as France exhibit a slightly higher degree of consolidation, ranging from approximately 10% to 20%, yet still offer substantial potential for further expansion. At the other end of the spectrum is Italy, which remains one of the least consolidated markets. This is primarily due to the prevalence of small clinics, commonly referred to as ‘ambulatorios,’ which has so far impeded significant consolidation efforts (Cuberes, et al. 2022); (Roland Berger 2022).

Zooming in on the British market for veterinary services reveals a sector that is dominated by seven major players (Figure 4). At the forefront is IVC Evidensia, Europe’s largest veterinary chain, which operates over 1,000 clinics and a market share of 32%. As one of the early consolidators in the industry, IVC Evidensia has undergone significant development. Acquired by EQT in 2021, the company initially focused on first opinion practices (FOP) before gradually shifting its emphasis to specialist care and veterinary hospitals. Closely following IVC Evidensia is CVS Group (~20% market share), the first consolidator to emerge in the market. While its growth has been steadier in recent years, CVS offers a diverse range of services, including veterinary clinics, diagnostic laboratories, and crematoria.

VetPartners holds third place in the British veterinary services market, with ~ 16% market share. Like IVC Evidensia, it has been private equity owned since its acquisition by BC Partners in 2018 and targets similar types of clinics as IVC and CVS. In recent years, VetPartners has seen substantial growth, bringing it closer to CVS, though its expansion has recently slowed due to the CMA intervention in the sector regarding competition concerns. In fourth place is Vets for Pets, with an 11% market share. Unlike CVS and IVC, its core focus has historically been on first opinion practices, and its clinics are typically smaller. However, the company has been steadily increasing its presence in the referrals segment (Cuberes, et al. 2022).

Notably, CVS remains the only major publicly listed player in a market otherwise dominated by private equity or corporate ownership. This dynamic reflects the sector's strong appeal to financial investors – a trend not confined to the UK. Similar interest is evident in other European markets, such as Germany, where Tierarzt Plus Partner was acquired earlier this year by the private equity firm Inflexion (Inflexion 2024).

6 Conclusion

The European pet care market, valued at approximately £69bn, is a dynamic and evolving sector underpinned by robust growth and diverse consumer demands. Trends such as pet humanisation, premiumisation, increased pet ownership, and technological advancements are driving demand across all segments of the market. Within this landscape, PaH has established itself as a prominent player, leveraging its omnichannel approach to retail and veterinary services to cater to the needs of pet owners and differentiate itself from the competition.

The pet retail industry, PaH's primary market, exhibits relatively low cyclicalities, resulting in stable growth rates that provide a strong foundation for private equity investment. Furthermore, the company's market-leading position within a highly competitive and concentrated sector, where economies of scale are critical to success, reinforces the strength of the investment thesis. At the same time, the analysis of the veterinary services market further highlights the opportunities and challenges in its secondary segment. The UK's highly consolidated market contrasts with less mature markets in Europe, presenting varying growth trajectories abroad. While the UK offers stable and predictable growth, other regions, such as France, provide opportunities for higher growth rates.

As Pets at Home continues to navigate this competitive landscape, its ability to adapt to shifting market dynamics such as the shift to e-commerce and finding future growth markets will be pivotal. By leveraging its market position, scale, and integrated value chain, Pets at Home is poised to maintain its competitive edge and capitalise on the steady growth forecasted for both

the British and European pet care sector. This combination of strategic positioning, industry expertise, and alignment with favourable market trends positions the company as a compelling investment opportunity in a thriving and resilient industry.

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Appendix

Figure 1: Overview of key market trends



















		Description	Impact on market
1	 Pet population penetration	<ul style="list-style-type: none"> Long-term demographics trends in Western and Southern Europe, e.g. having fewer kids and at older age, support a gradual increase in pet ownership penetration One time penetration increase due to increased pet purchases during COVID 	 Increasing pet population partially supported by COVID leads to substantial uptick in veterinary service demand throughout the next 2-10 years (due to higher demand towards the end of pet's lives)
2	 Pet humanisation	<ul style="list-style-type: none"> In countries where pets are treated as family members, pets are taken to vets more often compared to countries where pets are treated as animals Survey indicates an increasing share of humanisation which has been fuelled by perceived loneliness throughout the COVID lockdown period, with an increasing share of owners letting pets sleep in their bed 	 Increasing share under regular care, increased frequency of vet visits, and increasing share of more expensive complex care
3	 Pet life expectancy	<ul style="list-style-type: none"> Avg. life expectancy of pets are increasing, which is both an effect of and further increasing # of vet visits and spend per pet – pets in older age groups typically have more complex conditions and need more frequent and advanced treatments 	 Older pets have higher vet visit frequency and require more expensive complex and specialist care
4	 Insurance & health plan penetration	<ul style="list-style-type: none"> Pet owners with insurance and/or health plans tend to spend more on vet services as they become less price sensitive and visit vet more frequently Market participant results indicate trend of increasing penetration of insurance and health plans continuing across most countries 	 Pets with insurance or health plan have higher vet visit frequency with more preventative and specialist care, owners become less price sensitive, and lifetime spend becomes more consistent
5	 Growth of (specialist) care	<ul style="list-style-type: none"> Specialist care (e.g. referral centres, 24h emergency rooms) are becoming more profitable and outgrowing generalist segment Treatments are more complex and typically more expensive than generalist care. Care in general is partially driven by the regulatory environment – e.g. as of 2024 all cats in the UK are required to be microchipped 	 Increasing number of visits as pets receive care for more complex conditions and live longer, and spend as specialist treatments are significantly more expensive
6	 Premiumisation	<ul style="list-style-type: none"> Tied to the humanisation of pets, there is a notable premiumisation trend mainly related to food, as owner treat pets like family members (i.e. high-quality food, non-processed food, and premium services) Owners become increasingly sophisticated - considering ingredients, health implications and sustainability 	 Leads to higher willingness to pay for products and services in the premium segment and by that increase the overall market size
7	 Like-for-like price development	<ul style="list-style-type: none"> Like-for-like prices for treatments are expected to be gradually increasing, partly driven by the consolidation as vet chains implement more professionalised pricing practices At the same time, pressure from insurance companies and customers to reduce prices 	 Gradually increasing as vets professionalize pricing  In some countries, pressure to reduce or stop price increases
8	 Online shopping of medicine and food	<ul style="list-style-type: none"> Medicine, food & other product sales are increasingly moving to online channels (although still a small share), accelerated by Covid-19 as pet owners were encouraged to stay home While leading to more competition for clinics, vet chains with well-established online channels are in strong position to capture share 	 Increasing spend per pet from up-selling as basket size typically increases online  Potentially decreasing price level and increased competition against other suppliers

Figure 2: Pet care value chain

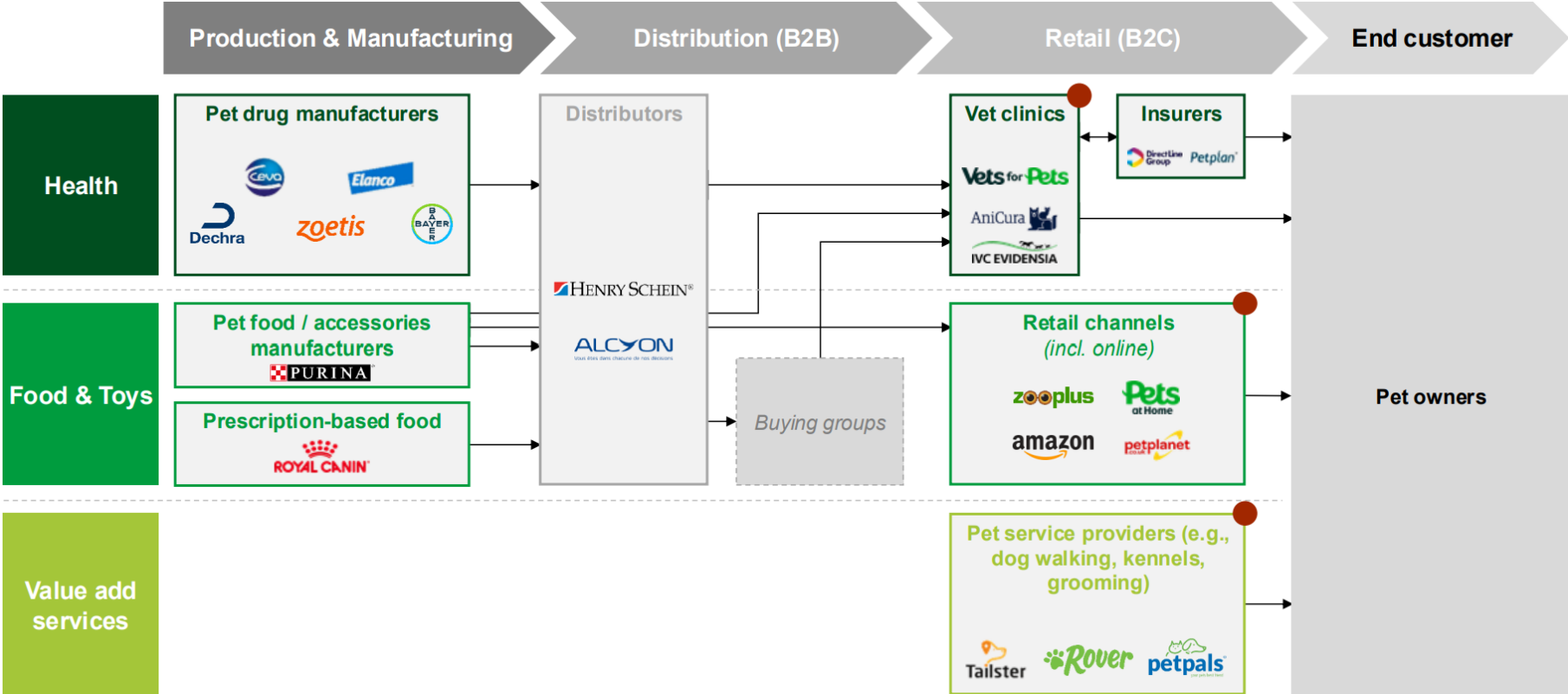


Figure 3: Vet market size & growth

Vet Services market in focus countries
(2017-2027F, in £B)

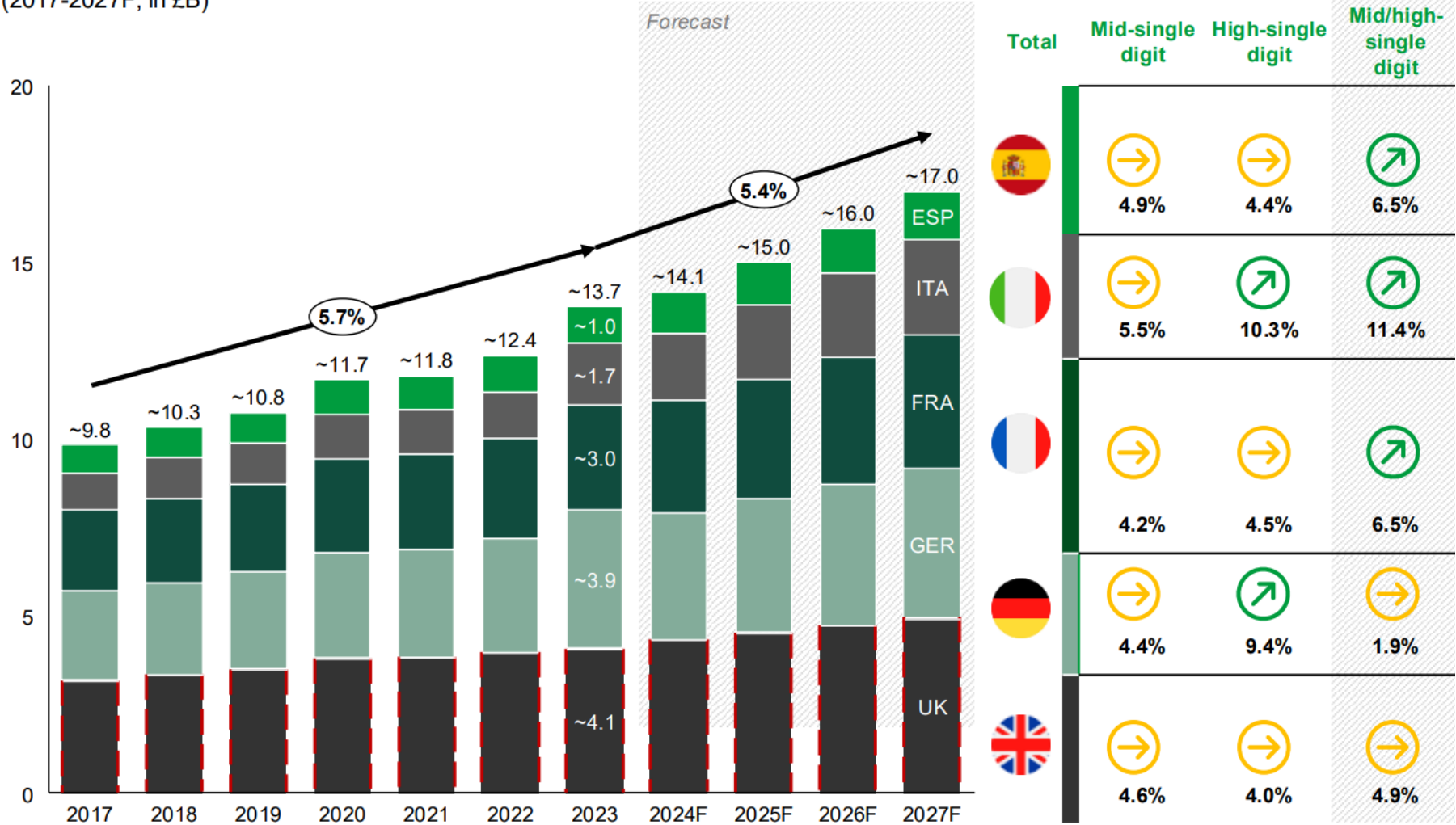


Figure 4: Competitive overview UK vet market

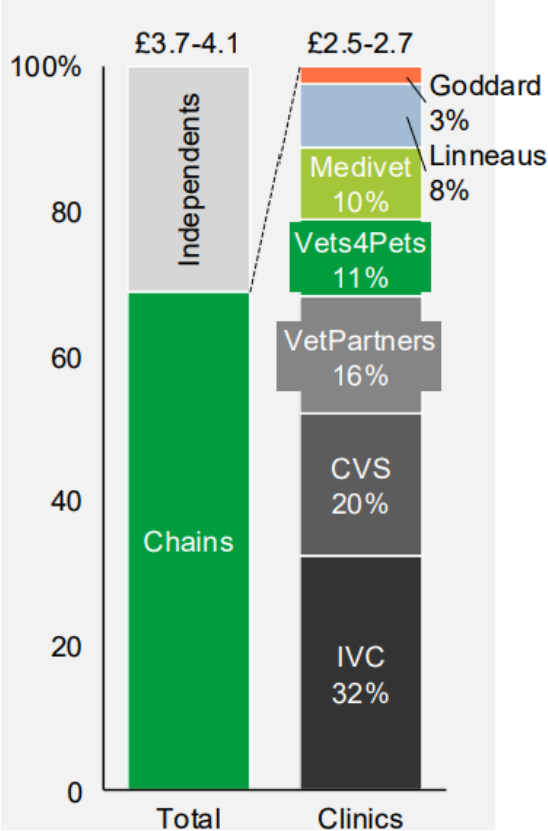


Figure 5: Top Line Growth

(in £m)	Actuals					CAGR 20-24A
	FY2020	FY2021	FY2022	FY2023	FY2024	
Retail						
Food	517.4	551.5	668.8	744.8	814.2	12.0%
Accessories	375.3	431.4	490.6	486.4	465.5	5.5%
Services	44.9	36.0	47.5	47.5	50.4	2.9%
Total retail revenues	937.6	1,018.9	1,206.9	1,278.7	1,330.1	9.1%
Vet						
JV fee income	93.4	90.9	69.9	77.2	89.3	(1.1%)
Company managed practices	21.6	25.5	31.2	37.5	44.6	19.9%
Other ¹⁾	6.2	7.5	9.8	10.8	12.6	19.4%
Total vet revenues	121.2	123.9	110.9	125.5	146.5	4.9%
Total revenues	1,058.8	1,142.8	1,317.8	1,404.2	1,476.6	8.7%
In % of total revenues						
Food	48.9%	48.3%	50.8%	53.0%	55.1%	
Accessories	35.4%	37.7%	37.2%	34.6%	31.5%	
Services	4.2%	3.2%	3.6%	3.4%	3.4%	
JV fee income	8.8%	8.0%	5.3%	5.5%	6.0%	
Company managed practices	2.0%	2.2%	2.4%	2.7%	3.0%	
Other ¹⁾	0.6%	0.7%	0.7%	0.8%	0.9%	
Total Vet Revenues (incl. JV)	351.3	376.8	457.1	492.9	563.6	12.5%
Joint venture fee income	(53.8)	(57.0)	(69.9)	(77.2)	(89.3)	13.5%
% of total vet practices revenue	15.3%	15.1%	15.3%	15.7%	15.8%	
Revenue by company managed practices	(21.6)	(25.5)	(31.2)	(37.5)	(44.6)	19.9%
% of total vet practices revenue	6.1%	6.8%	6.8%	7.6%	7.9%	
JV revenues (without PaH share)	275.9	294.3	356.0	378.2	429.7	11.7%
% of total vet practices revenue	78.5%	78.1%	77.9%	76.7%	76.2%	
Consumer revenues²⁾						
Group revenue	1,058.8	1,142.8	1,317.8	1,404.2	1,476.6	8.7%
% of consumer revenue	79.3%	79.5%	78.7%	78.8%	77.5%	
Total vet revenues	275.9	294.3	356.0	378.2	429.7	11.7%
% of consumer revenue	20.7%	20.5%	21.3%	21.2%	22.5%	
Consumer revenue	1,334.7	1,437.1	1,673.8	1,782.4	1,906.3	9.3%
Subscription revenue	93.9	90.0	100.4	119.4	190.6	19.4%
% of consumer revenue	7.0%	6.3%	6.0%	6.7%	10.0%	

Figure 6: Cost Structure

(in £m)	Actuals					CAGR 20-24A
	FY2020	FY2021	FY2022	FY2023	FY2024	
Total revenues	1,058.8	1,142.8	1,317.8	1,404.2	1,476.6	8.7%
Total costs						
Cost of sales	(540.0)	(583.2)	(670.6)	(729.6)	(785.3)	9.8%
Selling and distribution expenses	(313.8)	(321.0)	(393.9)	(416.1)	(442.2)	9.0%
Administrative expenses	(92.8)	(142.0)	(121.2)	(121.0)	(116.3)	5.8%
Payroll costs	(227.5)	(254.4)	(264.8)	(293.5)	(317.7)	8.7%
% of selling and distribution & Admin. Exp.	56.0%	54.9%	51.4%	54.6%	56.9%	
Total Employees	9,561	10,004	10,795	11,377	12,031	5.9%
Payroll costs per employee	0.024	0.025	0.025	0.026	0.026	2.6%
Total costs	(946.6)	(1,046.2)	(1,185.7)	(1,266.7)	(1,343.8)	9.2%
In % of total revenues						
Cost of sales	(51.0%)	(51.0%)	(50.9%)	(52.0%)	(53.2%)	
Selling and distribution expenses	(29.6%)	(28.1%)	(29.9%)	(29.6%)	(29.9%)	
Administrative expenses	(8.8%)	(12.4%)	(9.2%)	(8.6%)	(7.9%)	
Total	(89.4%)	(91.5%)	(90.0%)	(90.2%)	(91.0%)	
Other income and expenses ¹⁾	(0.9)	(0.8)	12.4	12.2	12.7	
Adj. EBIT	111.3	95.8	144.5	149.7	145.5	6.9%
% margin	11%	8%	11%	11%	10%	
PPE Depreciation	28.3	26.9	25.4	25.7	26.5	
% of PPE	22.9%	23.0%	25.5%	24.0%	20.9%	
RoU assets depreciation	71.1	70.3	69.7	66.8	65.1	
% of RoU assets	15.0%	16.5%	18.9%	19.8%	19.1%	
Intangibles amortization	9.9	8.2	8.8	9.8	10.1	
% of intangibles	1.0%	0.8%	0.9%	1.0%	1.0%	
Total D&A	109.3	105.4	103.9	102.3	101.7	
Adj. EBITDA	220.6	201.2	248.4	252.0	247.2	2.9%
% margin	20.8%	17.6%	18.8%	17.9%	16.7%	
Net Income	74.9	61.6	105.8	112.0	98.9	7.2%
Excluded non-recurring expenses and gains						
Non-recurring cost of sales	(6.9)	0.6	0.1	-	-	
Non-recurring Impairment gain / (loss) on receivables	0.3	-	-	-	-	
Profit on disposal of subsidiary	-	30.2	19.2	-	-	
Non-recurring selling and distribution expenses	-	-	-	(10.1)	(21.4)	
Non-recurring administrative expenses	(1.0)	(1.9)	-	(2.8)	(4.8)	
Adj. for Depreciation and Amortisation in non-recurring items	-	-	-	1.1	7.9	

Figure 7: Segment Analysis

(in £m)	Actuals					CAGR 20-24A
	FY2020	FY2021	FY2022	FY2023	FY2024	
Total revenue	1,058.8	1,142.8	1,317.8	1,404.2	1,476.6	8.7%
Total EBITDA	220.6	201.2	248.4	252.0	247.2	2.9%
Total EBIT	111.3	95.8	144.5	149.7	145.5	6.9%
Retail						
Revenue	937.6	1,018.9	1,206.9	1,278.7	1,330.1	9.1%
% growth		8.7%	18.5%	5.9%	4.0%	
EBITDA	186.0	162.9	202.5	na	na	na
% margin	19.8%	16.0%	16.8%	-	-	
EBIT	81.7	63.1	102.2	98.7	86.2	1.3%
% margin	8.7%	6.2%	8.5%	7.7%	6.5%	
Vet						
Revenue	121.2	123.9	110.9	125.5	146.5	4.9%
% growth		2.2%	(10.5%)	13.2%	16.7%	
EBITDA	34.7	38.3	45.9	na	na	na
% margin	28.6%	31.0%	41.4%	-	-	
EBIT	29.6	32.7	42.3	51.0	59.3	19.0%
% margin	24.4%	26.4%	38.1%	40.6%	40.5%	
In % of total revenues						
Retail	88.6%	89.2%	91.6%	91.1%	90.1%	
Vet	11.4%	10.8%	8.4%	8.9%	9.9%	
In % of total EBITDA						
Retail	84.3%	80.9%	81.5%	na	na	
Vet	15.7%	19.1%	18.5%	na	na	
In % of total EBIT						
Retail	73.4%	65.8%	70.8%	65.9%	59.2%	
Vet	26.6%	34.2%	29.2%	34.1%	40.8%	

Figure 8: Free Cash Flow (Pre-tax)

Free cash flow and cash conversion

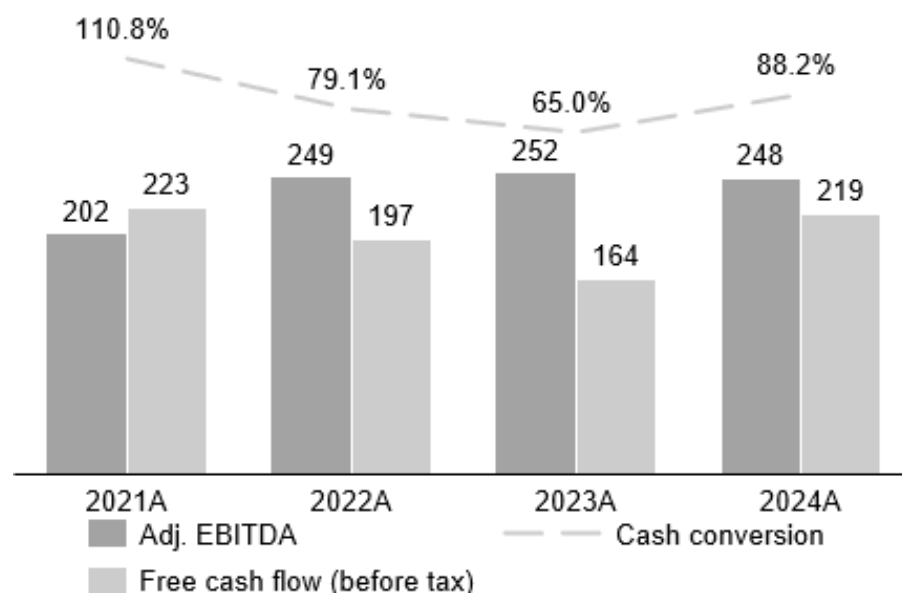


Figure 9: Football Field

Valuation Date: 31-Dec-2024

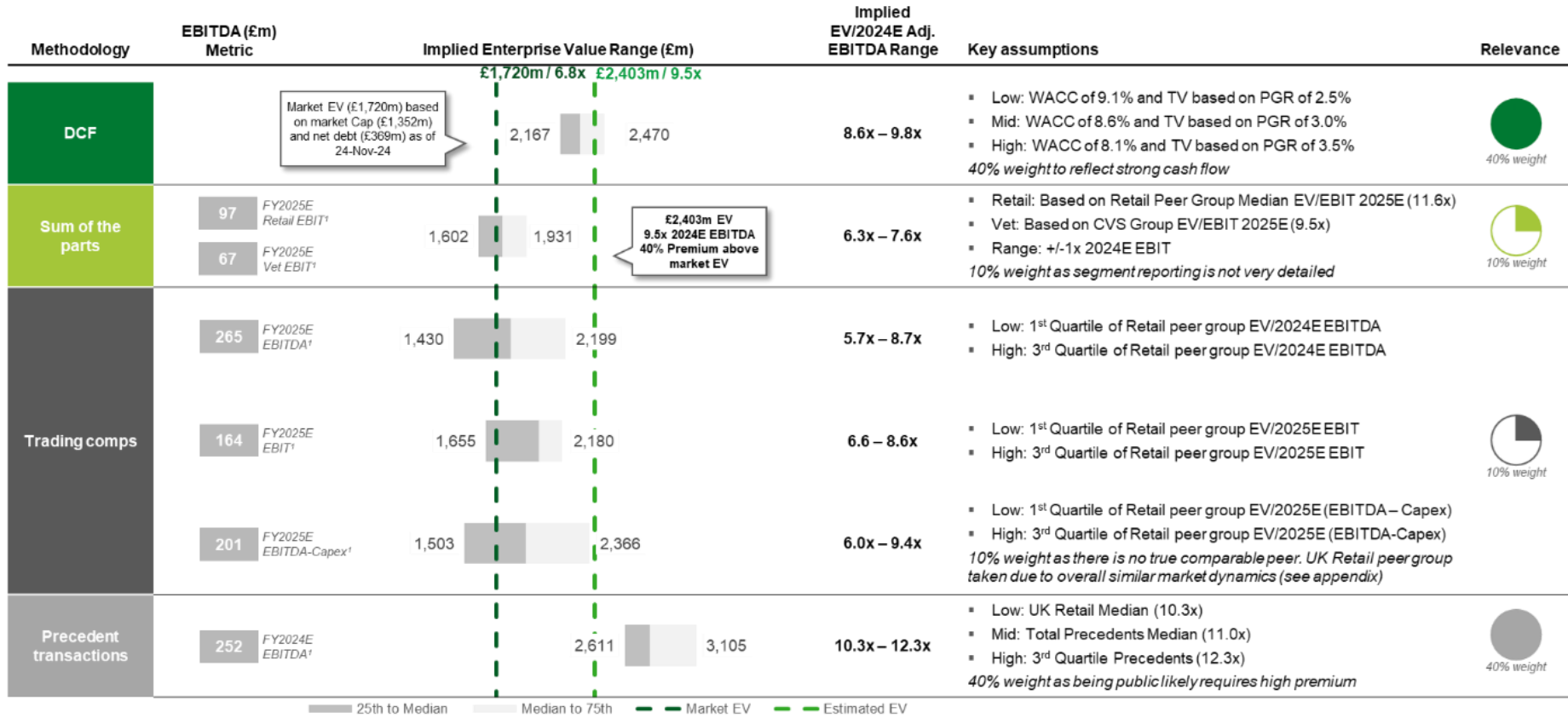


Figure 10: Capitalisation table

Sources	£m	%	Uses	£m	%
Debt financing	800.0	32%	Purchase price of EV	2,029.7	80.9%
Equity financing	1,327.8	53%	Net debt refinancing (ex. Leases)	(11.9)	(0.5%)
Lease liabilities roll-over	380.8	15%	Lease liabilities	380.8	15.2%
			Fees & expenses	110.0	4.4%
Total Sources	2,508.6	100%	Total Uses	2,508.6	100%

Sources	£m	x LTM EBITDA	%
Term Loan A	200.0	0.8x	8%
Term Loan B	500.0	2.0x	20%
Mezzanine	-	0.0x	-
Capex Facility	100.0	0.4x	4%
Financial debt	800.0	3.0x	32%
Lease Liabilities	380.8	1.5x	15%
Total debt	1,180.8	4.7x	47%
Equity	1,327.8	5.3x	53%
Total capitalization	2,508.6	9.9x	100%

Dec-24E adj. EBITDA

252.5

Figure 11: Indicative terms

Facility:	Indicative terms ¹			
	Term Loan A	Term Loan B	Mezzanine	Capex Facility
Amount: in £m	200	500	0	100
Multiple:	0.8x	2.0x	0.0x	0.4x
Assumed rating:	A-	BB+	B	BB+
Spread:	3.25%	3.75%	8.00%	3.75%
Fees:	1.50%	1.50%	0.00%	1.50%
Annual repayment:	20%	-	20%	-
Currency:	£	£	£	£
Maturity:	5y	5y	5y	5y
Pricing:	S + 325bps	S + 375bps	S + 800bps	S + 375bps
Financial Covenant:	DSCR; Net leverage	DSCR; Net leverage	NC12/101	DSCR; Net leverage

Figure 12: Return sensitivities

Scenario		IRR Sensitivity					
Exit in 2028 A	Exit EV/NTM Cash EBITDA (x)	Entry EV / NTM Cash EBITDA (x)					
			7.5	8.5	9.5	10.5	11.5
		7.5	38.1%	29.2%	22.5%	17.3%	13.1%
		8.5	42.9%	33.7%	26.8%	21.4%	17.0%
		9.5	47.3%	37.8%	30.7%	25.1%	20.6%
		10.5	51.3%	41.5%	34.2%	28.5%	23.9%
Exit in 2029 B	Exit EV/NTM Cash EBITDA (x)	Entry EV / NTM Cash EBITDA (x)					
			7.5	8.5	9.5	10.5	11.5
		7.5	33.4%	26.4%	21.2%	17.1%	13.6%
		8.5	36.8%	29.7%	24.3%	20.1%	16.5%
		9.5	39.9%	32.6%	27.1%	22.8%	19.2%
		10.5	42.7%	35.3%	29.7%	25.3%	21.6%
Exit in 2030 C	Exit EV/NTM Cash EBITDA (x)	Entry EV / NTM Cash EBITDA (x)					
			7.5	8.5	9.5	10.5	11.5
		7.5	30.1%	24.4%	20.1%	16.7%	13.9%
		8.5	32.7%	26.9%	22.5%	19.0%	16.1%
		9.5	35.1%	29.2%	24.7%	21.1%	18.2%
		10.5	37.2%	31.2%	26.7%	23.1%	20.1%
	11.5	39.2%	33.2%	28.6%	24.9%	21.8%	