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## **Private Equity Challenge – Pets at Home company assessment**

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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 company is explored in depth.

**Key words – Bjarne Bo Renner**

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

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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 – Bjarne Bo Renner

### Private Equity Challenge - Pets at Home company assessment

Identifying the optimal target for a private equity acquisition is a critical process that requires meticulous analysis. The success of a PE investment hinges on the target company's alignment with the investor's strategic goals, financial health, market position, and growth potential. This report thoroughly analyzes Pets at Home Group Plc, a prominent UK pet care market leader, evaluating its suitability as a potential private equity acquisition target.

#### 1. Pets at Home – At a Glance

##### *1.1 Company Overview*

Pets at Home Group Plc, headquartered in Handforth, Cheshire, stands as the United Kingdom'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, more than 440 veterinary practices, and a robust online presence, Pets at Home is supported by approximately 16,000 employees. Since its initial public offering (IPO) in 2014, Pets at Home 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 from organizations such as McKinsey and Sky, and CFO Mike Iddon, a 30+ years seasoned financial executive with a background at Tesco and New Look, the company has strategically positioned itself to align with evolving consumer trends, leveraging the expertise of its leadership team to drive innovation and adaptability across its integrated pet care offerings.

##### *1.2 Strategic Highlights*

- **Market Leadership:** Pets at Home is the leading player in the UK pet care market, holding a 23% share of the £8.2 billion market.

- **Loyalty Program:** The company's VIP loyalty program boasts 7.8 million active members, providing over a decade's worth of proprietary pet and customer data to drive personalized engagement.
- **Digital Expansion:** The launch of a new customer app and website in FY24 resulted in a 12% year-over-year growth in online order value, positioning the company for significant omnichannel value generation.
- **Veterinary Services:** Pets at Home operates the largest branded veterinary business in the UK, including both standalone and in-store clinics, and continues to expand through subscription services and omnichannel strategies.

### *1.3 Segment Overview*

Pets at Home operates through two synergistic business segments:

**Retail Business:** The retail segment offers a wide range of pet products, including food, toys, grooming essentials, and accessories, both online and in-store. It also features in-store grooming services and leverages the VIP loyalty program to drive customer retention, cross-selling, and personalized engagement (Pets at Home Group Plc 2024).

**Veterinary Business:** The veterinary segment comprises a mix of owned and joint-venture veterinary practices, delivering a seamless and all-encompassing pet healthcare experience. This includes in-clinic treatments and remote consultations. The company's exceptional joint-venture approach provides extensive financial, operational, HR, and marketing support to its partners, allowing veterinarians to focus on clinical excellence (Pets at Home Group Plc 2024).

### *1.4 Financial Performance (FY24)*

Pets at Home demonstrated robust financial performance in FY24, with a total revenue of £1,477m, an EBIT of £145m, and a net income of £98.9m split across its segments:

- *Retail:* Contributed 90.1% of revenue (~£1,330m) and 59.2% of EBIT (~£86.2m).
- *Vet Group:* Contributed 9.7% of revenue (~£147m) and 40.8% of EBIT (~£59.3m).

This portfolio highlights the complementary nature of the company's operations and its ability to capture value across multiple facets of the pet care market. The company is well-positioned to maintain its market leadership while expanding its veterinary business for growth.

### ***1.5 Proven Track Record of Ownership Success***

Pets at Home has a well-documented history of being a highly successful investment for Private Equity firms. Bridgepoint acquired the company in 2004 for £230 million and sold it to KKR in 2010 for £955 million, generating an 8x return on investment. KKR further amplified the company's value between 2010 and 2014, culminating in Pets at Home's IPO on the London Stock Exchange in 2014. This marked a significant milestone, showcasing the company's market leadership and strong potential for sustained growth. The company's ability to consistently deliver exceptional returns under PE ownership underscores its strong fundamentals, scalability, and effective management. Its continued appeal to institutional investors is evident in its current ownership structure, with major shareholders including Schroder Investment Management (11.15%), Capital Research Global Investors (7.91%), and Fidelity Management & Research Company (3.85%), reflecting confidence in its future.

## **2. Retail Business Overview**

The retail segment of Pets at Home serves as the foundation of its integrated pet care ecosystem, offering a wide range of products and services tailored to the diverse needs of pets. By capitalizing on omnichannel capabilities, premiumization trends, and innovative store formats, the company is positioned to sustain its leadership position in the UK pet care market.

### ***2.1 Product Offering and Customer Experience***

The retail business of Pets at Home offers a comprehensive array of pet products, catering to the diverse needs of pet owners across three primary categories.

The *food category*, which accounts for £814 million (55.1% of total Pets at Home revenue), encompasses a wide selection of wet and dry food tailored for various pet types, including dogs,

cats, small animals, fish, reptiles, and birds. This ensures nutritional adequacy for every pet, making it a cornerstone of the retail segment.

The *accessories category* contributes £466 million (31.5% of total PaH revenue) and includes essential items such as bedding, collars, leashes, toys, grooming tools, and pet apparel. These products cater to both the functional and lifestyle preferences of pet owners.

In addition to products, the retail segment offers various *in-store services*, accounting for £50 million (3.4% of total PaH revenue). These services include pet grooming, training, and microchipping, which not only diversify revenue streams but also enhance customer retention by providing a holistic care experience.

The VIP loyalty program, with its 7.8 million active members and 1.7 million subscription members, is crucial in enhancing this offering. The program provides personalized discounts, exclusive benefits, and tailored marketing, driving retention and higher lifetime value. With over 10 years of proprietary data, the VIP program is a key enabler for targeted engagement and cross-selling opportunities (Pets at Home Group Plc 2024).

## ***2.2 Store Concept and Formats***

Pets at Home operates a network of over 450 retail locations, with an average store size ranging from 6,000 to 9,000 square feet. The store formats include flagship standalone stores, urban formats, and retail park locations. These stores are designed with pet-friendly layouts to promote increased dwell time and drive additional purchases. Physical stores are supported by in-store events and click-and-collect services, ensuring seamless customer engagement across online and offline channels. Moreover, two-thirds of store locations integrate grooming and veterinary services, creating convenient, one-stop solutions for pet owners.

## ***2.3 Growth Drivers***

Several growth drivers present significant opportunities for the retail business in the coming years. The company's integrated omnichannel strategy, which seamlessly combines online and

in-store platforms, enhances customer engagement and drives sales across multiple channels, positioning PaH to capture more market share. As consumers increasingly opt for premium pet food and wellness products, PaH stands to benefit from the premiumization trend, boosting growth in high-margin categories. The VIP loyalty program also offers long-term customer retention by providing personalized discounts and offers, reinforcing customer loyalty. Additionally, PaH's strategy of co-locating grooming and veterinary services within stores creates a comprehensive pet care ecosystem, promoting cross-sell opportunities and offering a holistic approach to pet care. Finally, the post-pandemic surge in pet ownership further amplifies demand for products and services, fueling long-term growth prospects (Bergmann, et al. 2022).

#### ***2.4 Risks and Challenges***

Despite its strong market position, PaH faces several challenges that could impact its future performance. Rising competition from online retailers and specialized providers, such as Zooplus, poses a risk to PaH's market share as consumers turn to alternative sources for pet care products and services. Economic pressures, including inflation and changes in disposable income, may reduce demand for premium products and services. During economic downturns, pet owners may opt for more affordable alternatives, impacting PaH's revenue from high-margin categories. Reputational risks are also a concern, as any publicized incidents related to animal care or service quality could erode consumer trust and loyalty. Maintaining high standards of animal welfare and service delivery is crucial to preserving the brand's reputation. To sustain its competitive edge in the evolving pet care market, PaH must address these challenges effectively. This involves enhancing its online presence and digital capabilities, maintaining a strong focus on customer loyalty and retention, and ensuring operational resilience through proactive risk management and supply chain optimization.

### **3. Veterinary Business Overview**

The veterinary services segment at Pets at Home is a critical component of the company's integrated pet care ecosystem, combining a strategic network of practices with value-enhancing services. This business leverages high-margin opportunities and growth potential within the veterinary care market, driven by increasing pet ownership since COVID and rising consumer spending on pet health and wellness (Bain & Company 2024).

With 448 veterinary practices across the UK, the segment includes both owned (~56) and joint venture (JV) practices (~392). Approximately 300 of these practices are co-located within PaH retail stores, creating a seamless one-stop-shop experience for pet owners. The segment features a robust EBIT margin of 40.5% significantly contributing to the group's profitability.

The business also incorporates 24/7 telehealth services, enhancing accessibility and convenience, capitalizing on industry trends such as digitalization and increased demand for remote consultations. With over 1.7 million active vet clients, Pets at Home has solidified its position as the largest integrated veterinary services provider in the UK.

#### ***3.1 Owned Practices***

Pets at Home directly operates 56 practices under a full-profit capture model, allowing the company to retain 100% of the EBITDA generated. In FY24, the owned practices generated £89.35 million, equating to 6% of the group's total revenue. Each owned practice delivers robust financial performance, with average sales of approximately £1.59 million per practice.

The owned practice model enables Pets at Home to maintain full control over operations, ensuring consistency in service delivery and maximizing margin potential. However, the scalability of this model is constrained by the high capital intensity required to set up and operate these practices (Pets at Home Group Plc 2024).

### ***3.2 Joint Venture Practices***

The remaining 392 practices operate under a 50/50 joint venture (JV) model, which is integral to Pets at Home's capital-light expansion strategy. Under this arrangement, the company partners with skilled veterinary professionals who co-own and manage the practices, while Pets at Home provides operational support, infrastructure, and branding.

This model allows Pets at Home to capture approximately 16% of practice revenue as management fees, contributing £44.6 million (3% of total revenue) in FY23. On average, these JV practices deliver £1.4 million in annual sales, with a compound annual growth rate (CAGR) of 13% from FY19 to FY23. EBITDA per practice has also seen substantial growth, with a 58% CAGR over the same period, reaching approximately £420,000 per JV clinic.

The JV structure offers several advantages, including scalability, professional ownership ensuring high service standards, and recurring dividend payments averaging over £150,000 per clinic annually. However, it also faces risks such as reliance on partners for operational excellence and potential reputational challenges from service delivery inconsistencies.

### ***3.4 Growth Drivers***

The veterinary segment benefits from increased pet healthcare spending, driven by rising pet ownership and greater awareness of pet health, leading to higher demand for preventative care and treatments (Bain & Company 2024). Advances in veterinary care, including the growing availability of advanced healthcare options and the popularity of pet insurance, increase lifetime spending on pet health (Bain & Company 2024). Strategic investments in recruiting and training veterinary professionals support the scaling of service capacity, enabling the business to meet growing demand. The integrated joint venture model, which partly co-locates veterinary services with Pets at Home stores, promotes convenience and cross-selling opportunities across pet care services. The expansion of 24/7 telehealth services enhances customer convenience, particularly for urgent and remote consultations, increasing brand loyalty.

### ***3.5 Risks and Challenges***

Despite these growth drivers, the veterinary segment faces several risks. Veterinary staff shortages are a significant challenge, as the industry struggles to recruit and retain skilled professionals, which could constrain growth and quality. The market is increasingly competitive, with pressure from independent clinics, corporate chains, and telehealth-only providers that may impact pricing and market share.

Rising operational costs, particularly labor and facility expenses, can erode margins in an inflationary environment. Regulatory risks, such as changes in veterinary regulations or increased compliance requirements, could add operational complexity and costs (i.e., CMA investigation). Additionally, veterinary services are discretionary, making them sensitive to economic downturns that could reduce customer spending on non-essential treatments.

## **4. Market Positioning**

Pets at Home holds a leading 23% market share in the £8.2 billion UK pet care industry. Its integrated model, combining retail and veterinary care services both online and offline, differentiates PaH from competitors and establishes it as a comprehensive, all-in-one provider. PaH is strategically positioned with stores all over the country to capitalize on the UK's robust pet ownership culture, supported by a stable pet population, of approximately 36 million pets.



## 5. Management Team

Pets at Home benefits from a diverse and experienced management team, collectively bringing extensive experience across the UK retail industry and consumer goods sector. The leadership team's combined expertise in customer engagement, financial management, operational efficiency, and legal compliance is pivotal in executing its integrated service model (Figure 13). However, the performance of the management team, particularly CEO Lyssa McGowan and the newly appointed executives (Anja Madsen – COO Retail business) and Richard Denning-Smitherman – MD Vet business), must be critically assessed. Monitoring their progress will be essential to ensure that Pets at Home continues to innovate, remains market leader, and sustains growth across retail and veterinary segments (Pets at Home Group Plc 2024).

## 6. ESG Assessment

Pets at Home has made significant strides in its Environmental, Social, and Governance (ESG) initiatives, aligning its operations with the purpose of "Creating a better world for pets and the people who love them." The company's ESG framework is structured around three core pillars: Planet, Pets, and People (Pets at Home Group Plc 2024).

### ***6.1 Planet: Environmental Sustainability***

PaH has achieved a 44% reduction in Scope 1 and 2 emissions since 2016 and is committed to net zero emissions by 2040, as part of its Science Based Targets initiative (SBTi) approved goals. The company has implemented various sustainability measures, including the rollout of LED lighting, renewable electricity contracts, and a focus on recycling, with 79% of waste being recycled. PaH also collaborates with sustainable product suppliers to minimize environmental impacts. However, achieving net-zero emissions remains a significant challenge, particularly due to the complexities of its supply chain and the reliance on raw materials like palm oil and soy, which are associated with deforestation and biodiversity risks. Only 40% of suppliers have undergone PaH's sustainability audits, highlighting a gap in PaH's oversight of its supply chain practices. A comprehensive action plan is necessary to engage suppliers more robustly and ensure all raw materials and end consumer products meet sustainability certifications (Pets at Home Group Plc 2024).

### ***6.2 Pets: Advocating for Pet Care***

PaH positions itself as a leader in pet welfare by adopting the highest clinical standards, partnering with ethical breeders, and providing comprehensive pet care expertise. The company has demonstrated its commitment through initiatives such as responsible pet ownership education, training over 51,000 children to date, with plans to reach 300,000 by 2028 and 420 adoption centers, partnering with 323 community partnerships to find pets a home. Furthermore, its branded pet food complies with FEDIAF standards, has raised £9.2 million through the Pets Club Lifelines initiative and is the largest grant giver to pet rescues in the UK. PaH fulfills its responsibility as market leader and sets a positive example. The Pets Foundation and Club Lifelines are well regarded by customers. The focus on pets coming first should be maintained in the future to scale its initiatives and remain credible in advocating for pet care.

### ***6.3 People: Employee and Community Development***

PaH invests in staff training and promotes career development, aiming to be the best employer in the pet care sector. With 83% of employees strongly aligned with its ESG pillars, 800+ trained pet care experts, 6000+ nutritionists, 266 veterinary graduates, and over 16,000 hours volunteered for community initiatives, the company demonstrates a strong commitment to employee and community well-being. Despite these successes, diversity remains an area for improvement, as ethnic representation stands at only 4.9%, highlighting the need for more inclusive hiring and retention strategies. Additionally, addressing workforce resilience through retention in the context of veterinary staff shortages will be key to sustaining long-term growth.

### ***6.4 Governance Assessment***

Pets at Home maintains a robust governance structure, emphasizing effective oversight and compliance. The Board of Directors is well balanced, with eight members featuring diverse expertise in strategic leadership, M&A, and sustainability, among others (Figure 14). A majority are non-executive directors (6/8), with good gender diversity (5/8 female). The board demonstrates a balance of stability and experience, with 50% of members having served for 3 to 8 years and 75% falling within the 50 to 65 age range. The governance framework includes clear divisions of responsibility, supported by four board committees: Audit & Risk, Governance, Remuneration, and ESG. In FY24, 100% meeting attendance was achieved, highlighting strong engagement. Compliance aligns with the 2018 UK Corporate Governance Code, with preparations for the 2024 updates underway. The Executive Management Team drives strategy and implementation, while dedicated senior leadership teams oversee retail, consumer, and veterinary segments. Key focus areas include sustainability, CMA investigations, and AI risks. The evaluation highlights a robust governance structure but notes risks such as CMA reviews and the integration of new leadership team members in 2024, which need to be closely monitored by the board (Pets at Home Group Plc 2024).

## **7. Conclusion**

Pets at Home emerges as an attractive target for private equity acquisition, driven by its dominant market position, robust financial performance, and significant growth potential across both its retail and veterinary segments. The company's integrated and omnichannel business model, which offers a one stop shop experience, is further enhanced by its well-established VIP loyalty program. This model positions PaH as a unique and comprehensive player in the pet care industry, facilitating cross selling opportunities and strong customer retention. PaH's financial performance is characterised by consistent revenue growth and high EBIT margins, particularly in its veterinary segment, although recent years have seen some margin dilution. The company's scalability, evidenced by its successful joint venture model for veterinary practices and its robust digital expansion, adds to its attractiveness for potential investors. While potential challenges such as rising competition and reputational risks require careful monitoring, they appear manageable given the presence of an experienced leadership team, a robust governance structure, and strong ESG commitments. In conclusion, the company's robust foundation provides significant opportunities for additional value creation initiatives by the private equity investor. This enables a pathway for further growth and profitability through strategic international expansion, optimization of operational models, and the continued activation of its loyal customer base. Overall, PaH underscores its status as an attractive potential target for private equity acquisition.

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Appendix

Figure 1: Overview of key market trends



















		Description	Impact on market
1	 <b>Pet population penetration</b>	<ul style="list-style-type: none"> <li>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</li> <li>One time penetration increase due to increased pet purchases during COVID</li> </ul>	 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	 <b>Pet humanisation</b>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>	 Increasing share under regular care, increased frequency of vet visits, and increasing share of more expensive complex care
3	 <b>Pet life expectancy</b>	<ul style="list-style-type: none"> <li>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</li> </ul>	 Older pets have higher vet visit frequency and require more expensive complex and specialist care
4	 <b>Insurance &amp; health plan penetration</b>	<ul style="list-style-type: none"> <li>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</li> <li>Market participant results indicate trend of increasing penetration of insurance and health plans continuing across most countries</li> </ul>	 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	 <b>Growth of (specialist) care</b>	<ul style="list-style-type: none"> <li>Specialist care (e.g. referral centres, 24h emergency rooms) are becoming more profitable and outgrowing generalist segment</li> <li>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</li> </ul>	 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	 <b>Premiumisation</b>	<ul style="list-style-type: none"> <li>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)</li> <li>Owners become increasingly sophisticated - considering ingredients, health implications and sustainability</li> </ul>	 Leads to higher willingness to pay for products and services in the premium segment and by that increase the overall market size
7	 <b>Like-for-like price development</b>	<ul style="list-style-type: none"> <li>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</li> <li>At the same time, pressure from insurance companies and customers to reduce prices</li> </ul>	 Gradually increasing as vets professionalize pricing  In some countries, pressure to reduce or stop price increases
8	 <b>Online shopping of medicine and food</b>	<ul style="list-style-type: none"> <li>Medicine, food &amp; 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</li> <li>While leading to more competition for clinics, vet chains with well-established online channels are in strong position to capture share</li> </ul>	 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

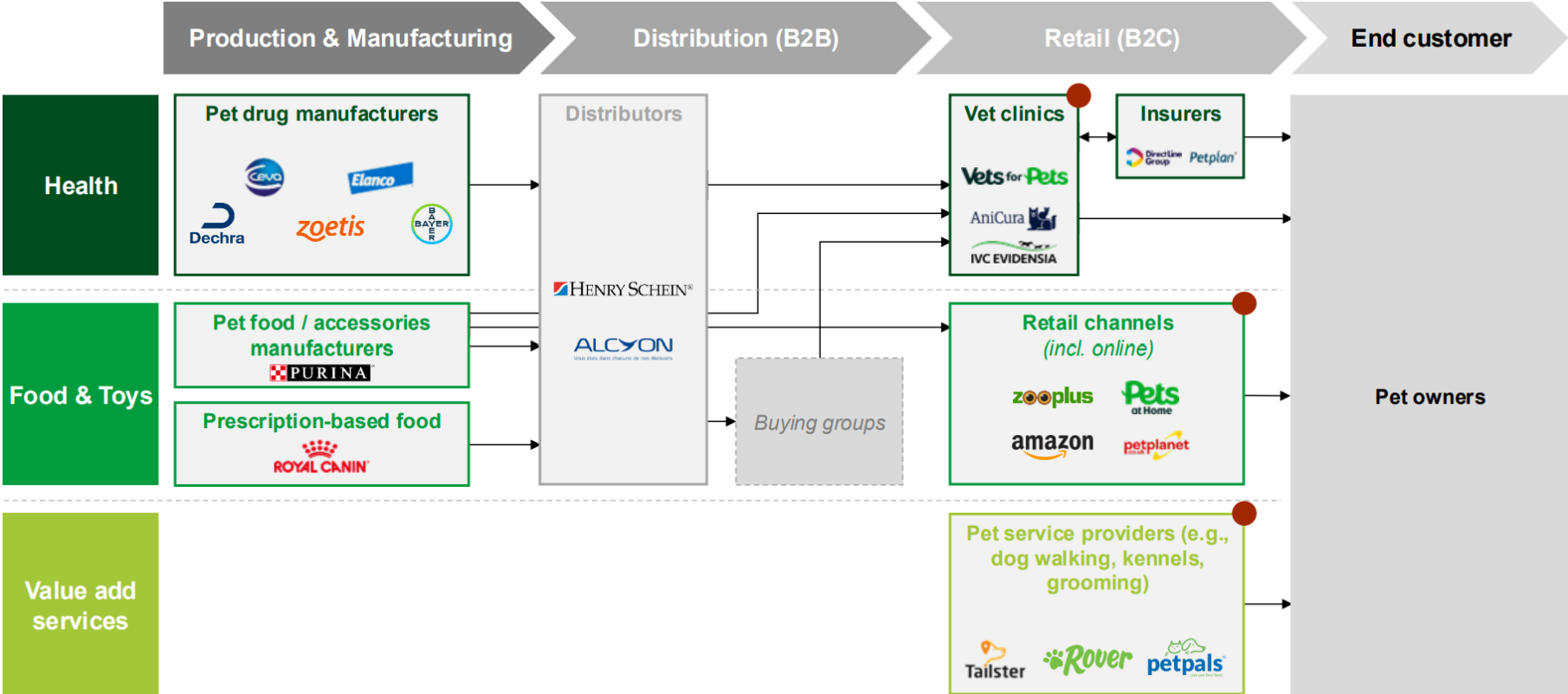


Figure 3: Vet market size & growth

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

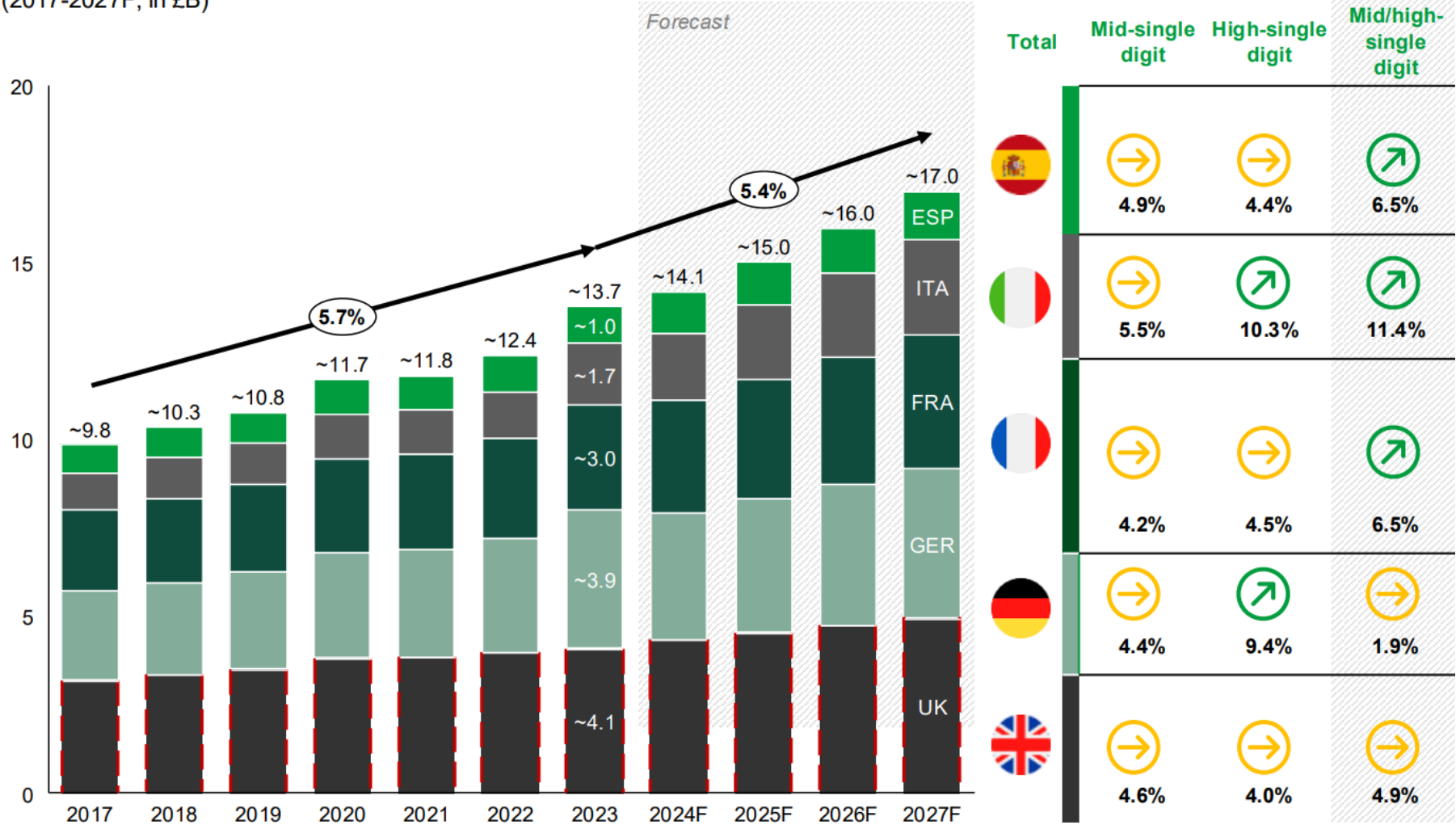


Figure 4: Competitive overview UK vet market

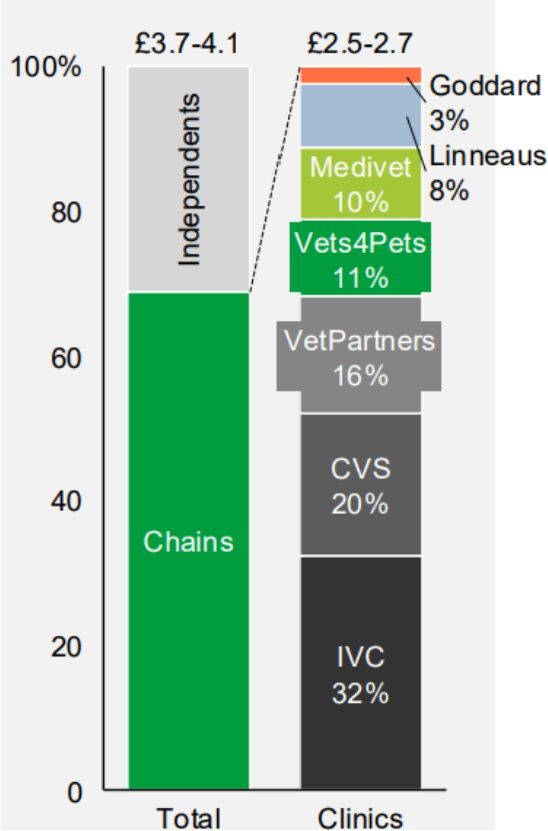


Figure 5: Top Line Growth

(in £m)	Actuals					CAGR 20-24A
	FY2020	FY2021	FY2022	FY2023	FY2024	
<b>Retail</b>						
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%
<b>Total retail revenues</b>	<b>937.6</b>	<b>1,018.9</b>	<b>1,206.9</b>	<b>1,278.7</b>	<b>1,330.1</b>	<b>9.1%</b>
<b>Vet</b>						
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 <sup>1)</sup>	6.2	7.5	9.8	10.8	12.6	19.4%
<b>Total vet revenues</b>	<b>121.2</b>	<b>123.9</b>	<b>110.9</b>	<b>125.5</b>	<b>146.5</b>	<b>4.9%</b>
<b>Total revenues</b>	<b>1,058.8</b>	<b>1,142.8</b>	<b>1,317.8</b>	<b>1,404.2</b>	<b>1,476.6</b>	<b>8.7%</b>
<b>In % of total revenues</b>						
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 <sup>1)</sup>	0.6%	0.7%	0.7%	0.8%	0.9%	
<b>Total Vet Revenues (incl. JV)</b>	<b>351.3</b>	<b>376.8</b>	<b>457.1</b>	<b>492.9</b>	<b>563.6</b>	<b>12.5%</b>
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%	
<b>JV revenues (without PaH share)</b>	<b>275.9</b>	<b>294.3</b>	<b>356.0</b>	<b>378.2</b>	<b>429.7</b>	<b>11.7%</b>
% of total vet practices revenue	78.5%	78.1%	77.9%	76.7%	76.2%	
<b>Consumer revenues<sup>2)</sup></b>						
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%	
<b>Consumer revenue</b>	<b>1,334.7</b>	<b>1,437.1</b>	<b>1,673.8</b>	<b>1,782.4</b>	<b>1,906.3</b>	<b>9.3%</b>
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	
<b>Total revenues</b>	<b>1,058.8</b>	<b>1,142.8</b>	<b>1,317.8</b>	<b>1,404.2</b>	<b>1,476.6</b>	<b>8.7%</b>
<b>Total costs</b>						
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%
<b>Total costs</b>	<b>(946.6)</b>	<b>(1,046.2)</b>	<b>(1,185.7)</b>	<b>(1,266.7)</b>	<b>(1,343.8)</b>	<b>9.2%</b>
<b>In % of total revenues</b>						
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%)	
<b>Total</b>	<b>(89.4%)</b>	<b>(91.5%)</b>	<b>(90.0%)</b>	<b>(90.2%)</b>	<b>(91.0%)</b>	
Other income and expenses <sup>1)</sup>	(0.9)	(0.8)	12.4	12.2	12.7	
<b>Adj. EBIT</b>	<b>111.3</b>	<b>95.8</b>	<b>144.5</b>	<b>149.7</b>	<b>145.5</b>	<b>6.9%</b>
<b>% margin</b>	<b>11%</b>	<b>8%</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>	
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%	
<b>Total D&amp;A</b>	<b>109.3</b>	<b>105.4</b>	<b>103.9</b>	<b>102.3</b>	<b>101.7</b>	
<b>Adj. EBITDA</b>	<b>220.6</b>	<b>201.2</b>	<b>248.4</b>	<b>252.0</b>	<b>247.2</b>	<b>2.9%</b>
<b>% margin</b>	<b>20.8%</b>	<b>17.6%</b>	<b>18.8%</b>	<b>17.9%</b>	<b>16.7%</b>	
Net Income	74.9	61.6	105.8	112.0	98.9	7.2%
<b>Excluded non-recurring expenses and gains</b>						
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%
<b>Retail</b>						
<b>Revenue</b>	<b>937.6</b>	<b>1,018.9</b>	<b>1,206.9</b>	<b>1,278.7</b>	<b>1,330.1</b>	<b>9.1%</b>
% growth		8.7%	18.5%	5.9%	4.0%	
<b>EBITDA</b>	<b>186.0</b>	<b>162.9</b>	<b>202.5</b>	<b>na</b>	<b>na</b>	<b>na</b>
% margin	19.8%	16.0%	16.8%	-	-	
<b>EBIT</b>	<b>81.7</b>	<b>63.1</b>	<b>102.2</b>	<b>98.7</b>	<b>86.2</b>	<b>1.3%</b>
% margin	8.7%	6.2%	8.5%	7.7%	6.5%	
<b>Vet</b>						
<b>Revenue</b>	<b>121.2</b>	<b>123.9</b>	<b>110.9</b>	<b>125.5</b>	<b>146.5</b>	<b>4.9%</b>
% growth		2.2%	(10.5%)	13.2%	16.7%	
<b>EBITDA</b>	<b>34.7</b>	<b>38.3</b>	<b>45.9</b>	<b>na</b>	<b>na</b>	<b>na</b>
% margin	28.6%	31.0%	41.4%	-	-	
<b>EBIT</b>	<b>29.6</b>	<b>32.7</b>	<b>42.3</b>	<b>51.0</b>	<b>59.3</b>	<b>19.0%</b>
% margin	24.4%	26.4%	38.1%	40.6%	40.5%	
<b>In % of total revenues</b>						
Retail	88.6%	89.2%	91.6%	91.1%	90.1%	
Vet	11.4%	10.8%	8.4%	8.9%	9.9%	
<b>In % of total EBITDA</b>						
Retail	84.3%	80.9%	81.5%	na	na	
Vet	15.7%	19.1%	18.5%	na	na	
<b>In % of total EBIT</b>						
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)

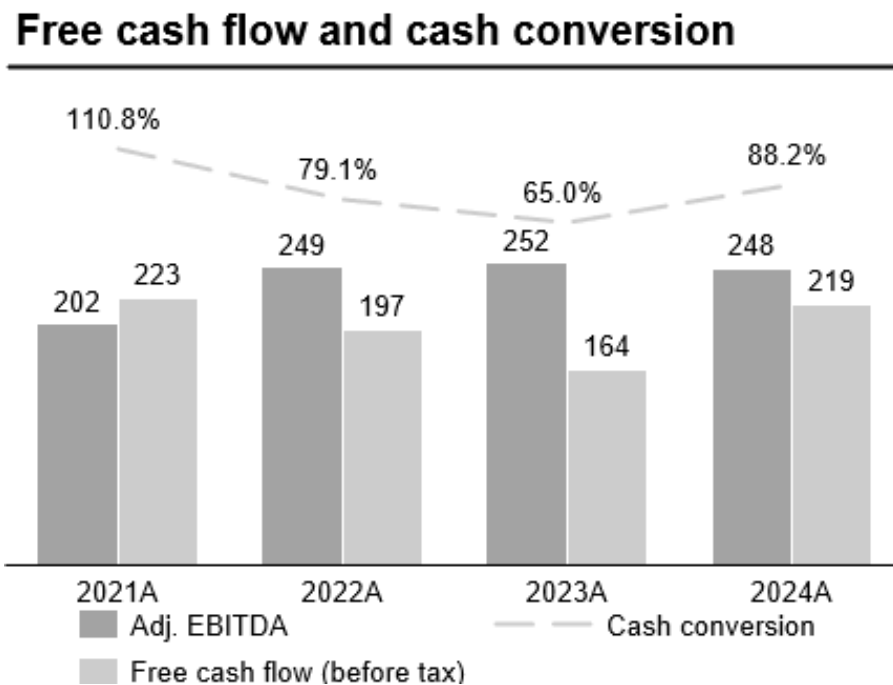


Figure 9: Football Field

Valuation Date: 31-Dec-2024

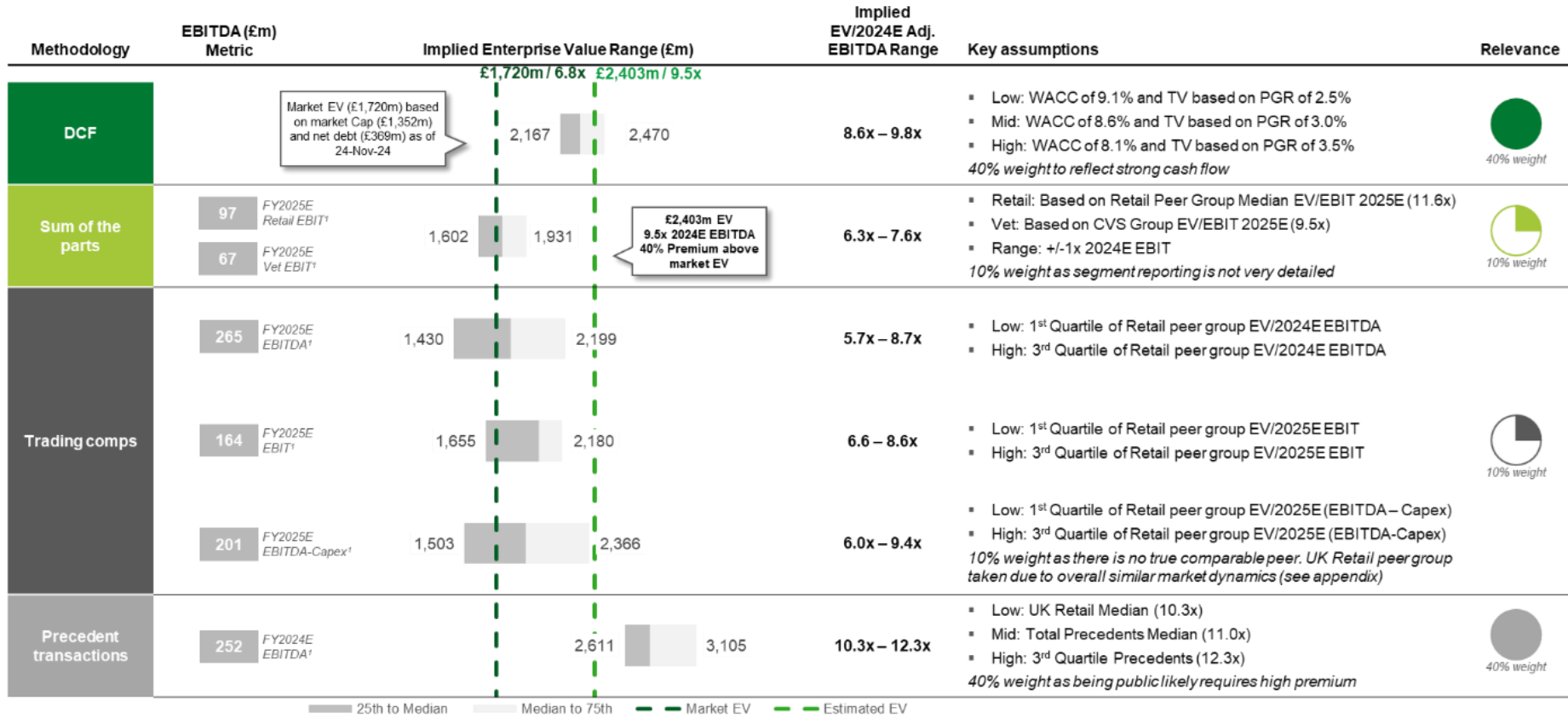


Figure 10: Capitalisation table

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%
<b>Total Sources</b>	<b>2,508.6</b>	<b>100%</b>	<b>Total Uses</b>	<b>2,508.6</b>	<b>100%</b>

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%
<b>Financial debt</b>	<b>800.0</b>	<b>3.0x</b>	<b>32%</b>
Lease Liabilities	380.8	1.5x	15%
<b>Total debt</b>	<b>1,180.8</b>	<b>4.7x</b>	<b>47%</b>
Equity	1,327.8	5.3x	53%
<b>Total capitalization</b>	<b>2,508.6</b>	<b>9.9x</b>	<b>100%</b>

Dec-24E adj. EBITDA

252.5

Figure 11: Indicative terms

Facility:	Indicative terms <sup>1</sup>			
	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 <b>A</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	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%
11.5	55.0%	45.0%	37.5%	31.7%	26.9%		
Exit in 2029 <b>B</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%
11.5	45.4%	37.8%	32.1%	27.6%	23.9%		
Exit in 2030 <b>C</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	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%		

Figure 13: Management team

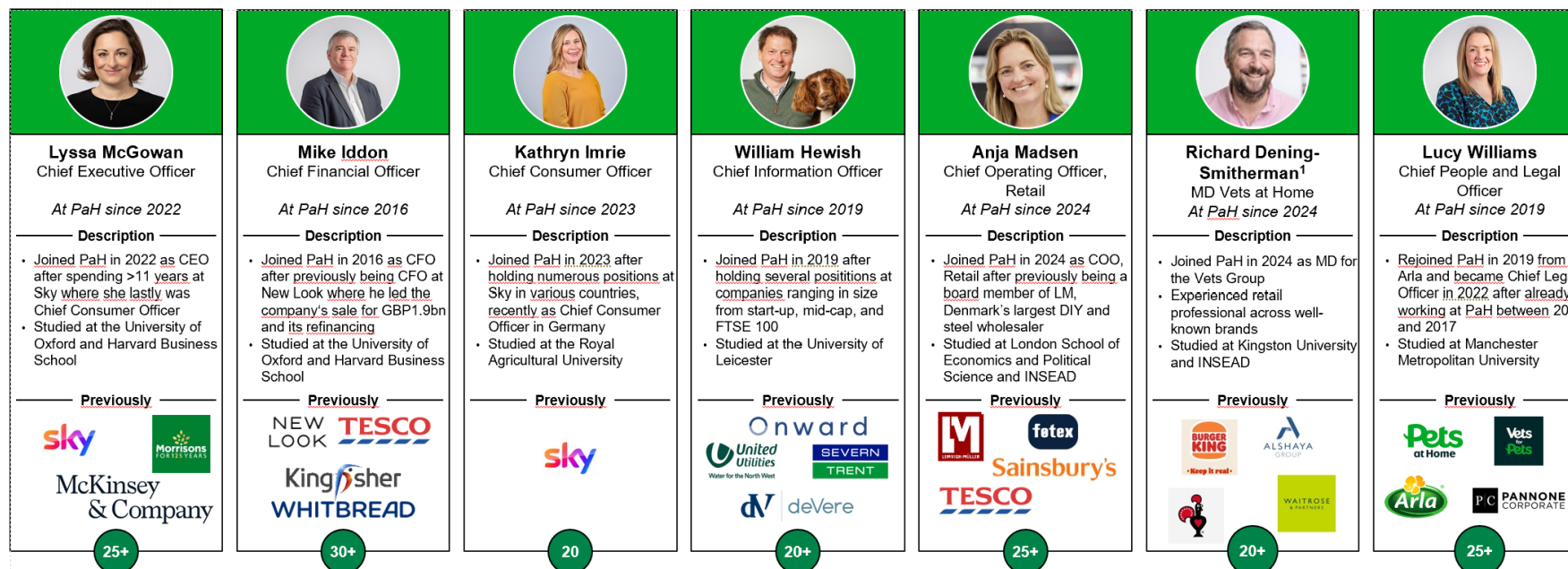
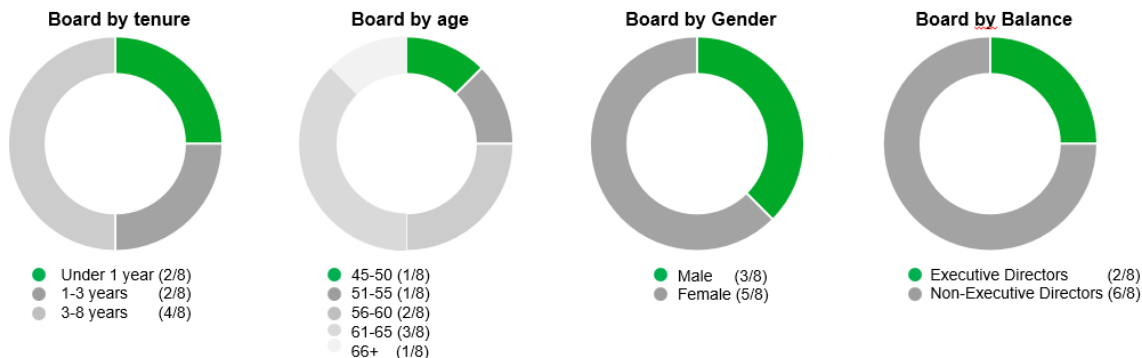


Figure 14: Board of Directors

**Board composition**

Board members: 8 | Meeting attendance: 100%



Expertise	Board of Directors <sup>2</sup>							
(non-exhaustive)	IB	ZP	SD	RB	NM	AA	CEO	CFO
Pet owner	✓	✗	✓	✓	✗	✗	✓	✗
Strategic Leadership	✓	✓	✓	✓	✓	✓	✓	✓
Regulatory	✓	✓	✓	✓	✓	✗	✗	✓
M&A	✓	✓	✗	✓	✓	✗	✓	✓
Omnichannel	✓	✓	✗	✓	✓	✗	✓	✓
Veterinary	✗	✗	✓	✗	✗	✗	✗	✗
IT & Technology	✗	✓	✗	✓	✗	✓	✓	✗
Sustainability & Climate	✓	✓	✓	✓	✗	✗	✗	✗

IB = Ian Burke, ZP = Zarin Patel, SD = Susan Dawson, RB = Roger Burley, NM = Natalie MacDonald, AA = Angelique Augereau