

15 December 2022

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Woolworths Group to acquire 55% of Petspiration Group

Please see attached an announcement on Woolworths Group's proposal to acquire 55% of Petspiration Group.

Authorised by: Kate Eastoe, Group Company Secretary

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Investors and analysts

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Woolworths Group to acquire 55% of Petspiration Group

- Woolworths Group to acquire a 55% equity interest in Petspiration Group
- Founders will continue in leadership roles and together with existing shareholders will retain a 45% interest
- Cash purchase price of \$586 million for 55% interest
- 11.0x LTM Sep-22 EV/EBITDA acquisition multiple¹
- Investment expected to deliver strong returns for shareholders with an IRR in the mid-teens and identified value creation opportunities to support strong earnings growth

Overview and rationale

Woolworths Group today announces that it has entered into an agreement to acquire a 55% equity interest in Petspiration Group ('Petspiration'), a leading Australian and New Zealand speciality pet food, accessories and services retailer for a cash consideration of \$586 million.

Petspiration is the owner and operator of leading retail brand PETstock and has a network of 276 stores, established eCommerce platforms such as Pet.co.nz, a 2.4 million member Petspiration loyalty program, and a strong own brand range including brands such as Caribu and Glow.

Woolworths Group CEO, Brad Banducci, said: "Specialty pet is a large and growing retail segment in which we have limited presence. We are delighted to be investing alongside founders, Shane and David Young, in Petspiration, the number two player in the segment. Specialty pet is a logical adjacency given the high penetration of pet ownership across Australia and New Zealand. The partnership will allow us to meet more of our customers' pet family needs with a complementary range of specialty pet products and services, strengthen the Everyday Rewards loyalty program and unlock opportunities for material value creation across both businesses.

"We will work together to support Petspiration's growth through access to our retail capabilities in areas such as Digital and eCommerce, Supply Chain, Retail Media, Format and Network Development, and Advanced Analytics. We are confident that this investment will deliver a strong return on investment for Woolworths Group shareholders."

Shane and David Young (and other existing shareholders) will retain a 45% equity investment in the business and continue as CEO and Managing Director respectively, running Petspiration as a stand-alone business within Woolworths Group, under a separate board and governance structure. Within Woolworths Group, [Von Ingram, the newly appointed Managing Director of W Living](#), will assume responsibility for bringing the partnership to life and unlocking the value creation opportunities across the Group.

Shane Young said: “This is a unique opportunity to partner with Woolworths Group to continue to grow and strengthen the business we founded in Ballarat just over 30 years ago. We will operate independently of Woolworths Group but will work closely together through our common values to deliver on all the opportunities we have to jointly create value for our pet families and supplier partners.”

Transaction details

Woolworths Group will invest \$586 million for its 55% equity stake in Petspiration. Assuming net debt (including leases)² of approximately \$670 million, this implies an enterprise value of approximately \$1.7 billion. On LTM Sep-22¹ EBITDA of \$158 million, this represents an 11.0x EV/ EBITDA multiple¹.

Over the last five years, Petspiration has delivered strong sales growth both organically and through regional acquisitions with LTM Sep-22¹ sales of \$979 million. Sales growth rates in the specialty pet sector are expected to remain strong, with some moderation post-COVID, as customers increasingly favour specialty pet retailers for their pet family needs. Petspiration is well positioned to continue to grow strongly, as the business builds out and consolidates its national footprint and brand.

The transaction is expected to achieve a mid-teens internal rate of return, with identified value creation opportunities to support strong earnings growth.

The purchase price will be funded from the proceeds realised from the recent sale of a 5.5% interest in Endeavour Group by Woolworths Group.

The transaction remains subject to customary closing conditions including ACCC and NZCC approvals with completion expected in mid calendar 2023.

Analyst and investor call

An analyst and investor call is scheduled for 11:45 am AEDT and will be webcast live at [woolworthsgroup.com.au](https://www.woolworthsgroup.com.au)

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Footnotes

1 Last twelve months (LTM) September 2022 revenue and EBITDA based on on a consolidated basis including the pro-forma impact of recent acquisitions and customary normalisation adjustments

2 Estimated net financial debt of ~\$290 million and lease liabilities of ~\$380 million as at September 2022

Investment in Petspiration Group

December 2022



Investment highlights



Acquiring a 55% equity interest in Petspiration Group, a leading specialty pet food, accessories and services retailer; and a logical growth adjacency



#2 player in fast-growing \$10b speciality pet sector with established stores, services and eCom platform (PETstock and other brands), large loyalty program and strong own brand capabilities



Partnering with the founders - Shane and David Young, who will continue to own a material stake in Petspiration and retain leadership of the business



Material opportunities for joint value creation through access to Woolworths Group's retail capabilities and Petspiration's specialty pet expertise



Investment expected to deliver strong returns for shareholders with an IRR in the mid-teens and identified value creation opportunities to support strong earnings growth



Partnering with Petspiration and its founders to bring *more* to pet families

With ~70% of Australian households owning a pet, partnership with Petspiration strongly complements Woolworths Group's retail ecosystem



Speciality pet is a large and growing retail adjacency

Complementary retail segment with large base of pet owners

Pet supplies and services are an everyday need for many households

~70%

Australian households have at least one pet

3.8x

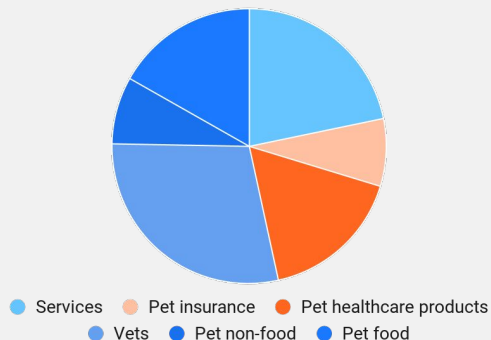
Increase in visit frequency when customers shop both products & services

28%

Higher spend by Australians on their pets (vs. US)

Specialty pet is a ~\$10b opportunity

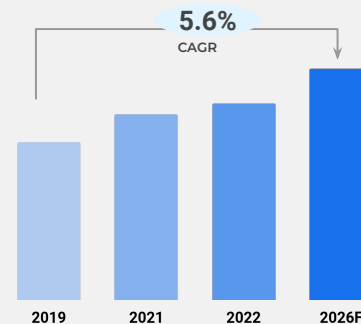
~\$10b sector with strong repeat purchase behaviour



Australian specialty pet sector revenue \$b, 2021

Strong growth prospects

Growth expected to remain strong, despite some moderation post-COVID



Australian specialty pet sector revenue, \$b

Leading specialty pet retailer with a strong store, services, loyalty and eCommerce offer with a strong 30+ year heritage

Petspiration is a leading provider of specialty pet retail products and services across Australia and New Zealand



LTM¹ revenue \$979m, EBITDA \$158m

#2 specialty pet retailer in AU & NZ



2.4m² combined loyalty members

>2m active customers



276³ retail locations

65 vet clinics, 162 grooming salons



>4,300 team members

4 DCs (2 Vic, 1 NSW and 1 Tas)



Established 1P and 3P eCom platforms

~10% online penetration of retail sales⁴

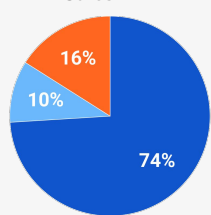


>7,000 SKU own brand range including Caribu & Glow

Strong product sourcing and development capabilities

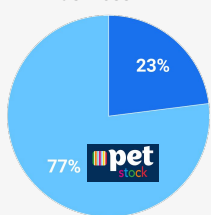
Revenue breakdown⁴

Sales mix



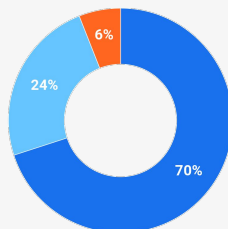
■ Retail ■ Online ■ Other

Business mix



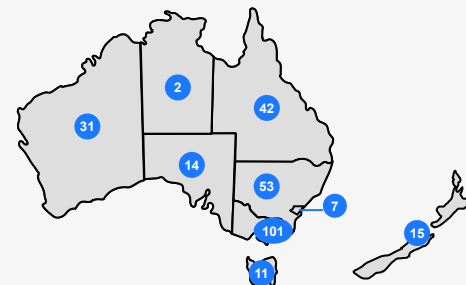
■ PETstock ■ Other

Store network by region



■ Urban ■ Inner regional ■ Outer regional

Retail store locations³



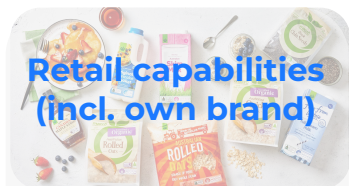
¹ Revenue and EBITDA as at LTM Sep-22 on a consolidated basis including the pro-forma impact of recent acquisitions and customary normalisation adjustments

² Includes PETstock Rewards and Best Friend Pets loyalty members

³ Total stores in the network as at December 2022 (including 25 PETstock franchise stores)

⁴ F22 period ended June 2022

Joint value creation opportunities through partnership



Retail capabilities (incl. own brand)

Store merchandising & promotional effectiveness

Enhanced range of own and exclusive brands

Improved sourcing capabilities

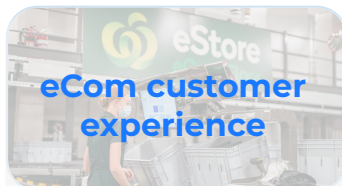


Store network and supply chain

Store network growth opportunities

Supply chain capability and PC+

Format and facilities capabilities

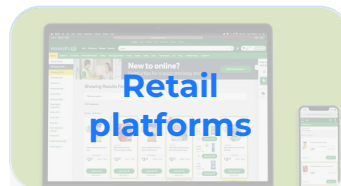


eCom customer experience

Leverage Group digital and media capabilities

Utilise eCom capability, incl. Direct to boot & last mile

Expand marketplace offer

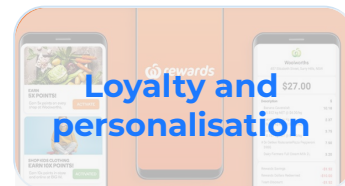


Retail platforms

Unlock retail media opportunities

Advanced data analytics capabilities

Seamless payment solution



Loyalty and personalisation

Another source to earn points for customers

Increase in exclusive Member "Boosts"

Extend reach of Everyday pet insurance



Key investment considerations

Strategic investment in Petspiration Group

- Woolworths Group to invest \$586m to acquire a 55% equity interest in Petspiration
- Founders to retain 45%¹ equity interest and retain leadership roles
 - EV/EBITDA multiple of 11.0x based on LTM² EBITDA of \$158m and assumed net debt (including leases)³ of \$670m
 - Investment expected to deliver mid-teens IRR by delivering identified value creation opportunities

Governance

- Petspiration will operate as a stand-alone business run by its founders and existing management team
- Shane and David Young to remain as CEO and Managing Director, partnering with Von Ingram, MD W Living
- Shareholders agreement and separate board to govern working relationship

Funding and completion

- Transaction will be funded from proceeds realised from the recent sale of a 5.5% interest in Endeavour Group
- Transaction subject to ACCC and NZCC approval and customary closing conditions
- Completion is expected in mid calendar 2023

¹ Including other existing shareholders

² LTM is last twelve months to September 2022 on a consolidated basis including the pro forma impact of recent acquisitions and customary normalisation adjustments

³ Estimated net financial debt of ~\$290 million and lease liabilities of ~\$380 million as at September 2022

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