

Pets at Home could return to being worth over £2bn, analysts predict

Pets at Home's value could rise to more than £2bn in the coming months, analysts have predicted.

Experts at Panmure Gordon have raised their target price for the Cheshire retailer to 425p per share, up from its current price of 371p.

The company is currently worth over £1.8bn following a sharp rise in its share price since the middle of December.

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Shares in Pets at Home have not been priced higher than the 425p target since January 2022 and never been higher than the 500p total they reached in August 2021.

Panmure Gordon has upped its target price [after Pets at Home raised its profit expectations](#) and reported a continued rise in its sales.

Last week the company said it now expects its full-year underlying pre-tax profits to be towards the upper end of the current consensus range of £126-136m, ahead of previous guidance of c.£131m.

The increase comes after Pets at Home saw its group revenue rise by 8.8% in the 12 weeks to January 5, 2023, to £347.5m.

Consumer revenue rose 9%, retail sales by 8% and Vet Group sales jumped by 18.1%.

In a briefing note to investors, Panmure Gordon said: "Recent

share price performance has taken PET [Pets at Home] to a point where it is no longer a no-brainer to own the company.

“The 3Q trading performance, while positive, only resulted in marginal upgrades to near-year forecasts which also anticipate a flat FY3/24 as opex inflation and demand uncertainty combine with the revenue effects of increased digital and physical investment.

“Instinctively it is also quite difficult to buy retailers on nearly 18x year 2 PER (even if some of that is optical re the accounting treatment of digital investment).

“But as with other stocks in our coverage we are increasingly taking a longer view based on resilience of the business model and its outputs.

“Here PET scores well largely from the potential of its data capability in-housing – project Polestar – and its relatively low market share in Vet practices.

“The thesis of more efficient harvesting of pet owners over their pets’ lives through effectively enhancing CRM has yet to be tested in more than an embryonic way in our view.

“For this reason we are prepared to look through near term PER based valuation retain our buy recommendation and increase our target price by 20% to 425p.”

It added: “The theory of PET’s strategy chimes well with a retail market where distribution channels have been eroded in the case of physical space and increasingly commoditised as digitisation spreads.

“Brand, service and customer contact will increasingly become the valuable retailer IP and PET is well positioned in all of these areas but is still at a formative stage so far as having the data set and skills to combine them all.”

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