

12 October 2023

**Pepco Group N.V.**  
**Fourth Quarter FY23 Trading Update**

Pepco Group, the fast-growing variety discount retailer which owns the Pepco and Dealz brands in Europe and Poundland in the UK, today reports a trading update for its fourth financial quarter of FY23 ending 30 September 2023.<sup>1</sup>

**SUMMARY**

- Record full year Group revenue of €5,649m, up 17.7% on a constant currency basis, driven by Pepco growth of 24.8% and Poundland Group 8.4%
- Q4 Group revenue of €1,441m, up 12.5% year-on-year (YoY) on a constant currency basis, with Pepco up 12.6% and Poundland Group up 12.4%
- Group like-for-like (LFL) revenues were flat in Q4, and up 6.0% in FY
  - Pepco LFL revenue declined 2.4% in Q4 reflecting challenging trading, as previously reported, with LFL turning negative in August and worsening in September. LFL was up 6.3% in FY
  - Poundland Group LFL was up 4.1% in Q4, and up 5.6% in FY
- Record number of net new store openings during Q4 (343), with 668 opened in total during the year
- Full year underlying EBITDA (IFRS 16) expected to be approximately €750m (FY22: €731m)

	Q4			FY23		
	Pepco	Poundland Group	Total Pepco Group	Pepco	Poundland Group	Total Pepco Group
Revenue €m <sup>2</sup>	864	577	1,441	3,413	2,236	5,649
Revenue Growth YoY Constant Currency <sup>3</sup>	12.6%	12.4%	12.5%	24.8%	8.4%	17.7%
Like-for-like Revenue Growth <sup>4</sup>	(2.4%)	4.1%	0.2%	6.3%	5.6%	6.0%
<b>Store numbers</b>						
Total stores at end of period	3,523	1,106	4,629	3,523	1,106	4,629
Net new stores in period <sup>5</sup>	281	62	343	556	112	668

**Commenting on the results, Andy Bond, Executive Chair of Pepco Group, said:** “Group performance over the past year has been mixed against a challenging market backdrop. We opened a record number of new stores and delivered strong double-digit revenue growth resulting in record Group revenues. We will deliver profit growth year-on-year and our highest ever EBITDA outturn of approximately €750m.

“As first announced on 12 September, the trading environment deteriorated significantly in the last quarter across Pepco’s markets, notably in Central and Eastern Europe (CEE), with weaker sales, a lower than forecast gross margin and higher costs, resulting in a reduced level of profitability in our core markets, which we are addressing.

“I look forward to outlining my key priorities at the upcoming Capital Markets Day, which includes refocusing on customers in our core CEE business, implementing a more targeted growth plan in markets where we have a presence, and accelerating the transition into a single business. By doing so, we aim to improve profitability and cash generation in our established business and deliver more measured growth. With a market-leading customer proposition, strong balance sheet and resilient operating cash flow, the Group is well placed for future success across Europe.”

## HIGHLIGHTS

The Group delivered a record 668 net new store openings during the financial year, significantly above the minimum target set of at least 550 net new store openings. Overall, we opened 343 net new stores during the fourth quarter, itself a record of new openings delivered in a single quarter. We expect to see the full year benefit of these new stores over the coming 12 months.

- Pepco: 281 net new store openings during the fourth quarter. Pepco opened in its 19<sup>th</sup> market, entering Bosnia and Herzegovina during September with 9 stores. This follows on from the successful launch in Portugal earlier this summer where we currently operate 14 stores.
- Poundland Group: 62 net new store openings during the fourth quarter, largely reflecting the growth of Dealz Poland, which opened 48 net new stores. Dealz had 283 stores as at the period end.
  - In September, Poundland agreed to take over up to 71 Wilko store leases in the UK. We have already reopened 20 Wilko stores as a Poundland stores and expect to continue to open stores at these sites over the coming weeks. The stores will trade through the important fourth calendar quarter of 2023. These new stores will carry with them the new range of Pepco clothing, alongside the extensive FMCG and general merchandise ranges that Poundland is famous for.

## PEOPLE

As reported on 12 September 2023, Trevor Masters informed the Board of Directors of Pepco Group N.V. of his decision to step down as Group CEO and leave the business with immediate effect. Andy Bond, Chair of the Board, has stepped into the role of Executive Chair, leading the executive team and overall management of the company until a successor CEO is appointed.

As reported on 28 September 2023, the Group management team structure was reorientated recognising the current business underperformance. Anand Patel, the Managing Director of the Pepco business, stepped down with immediate effect, replaced by Barry Williams, the Managing Director of Poundland. Austin Cooke, the previous Chief Operating Officer (COO) of Poundland, assumed the role of Managing Director of Poundland. In addition, a new Group Executive Committee was established to place greater focus on addressing costs and initiatives that are likely to generate appropriate returns in the near term, accelerate the transformation into a single business and refocus on our core markets.

## OUTLOOK

Following our recent trading update on 28 September, we expect to deliver underlying FY23 EBITDA (IFRS 16) of approximately €750 million (FY22 EBITDA: €731 million) on a constant currency basis. This outturn reflects weaker than expected sales during the fourth quarter within Pepco's markets, a lower gross margin as we cycle more slowly through older stock, and the impact of higher costs, partly reflecting the investment in a record number of new store openings during the fourth quarter. We have also taken an additional stock provision to facilitate selling through excess stock in the business.

The Group maintains a robust balance sheet with strong operating cashflows, and access to over €400 million in liquidity (from cash and credit facilities). This foundation, alongside strong brand equity and market share in our core CEE market and a proven profitable store model, gives us continuing confidence in the opportunity of building Europe's leading variety discount retailer.

## CAPITAL MARKETS DAY

There will be no conference call taking place today, noting that the Group will host a Capital Markets Day (CMD) in Warsaw, Poland on 17-18 October 2023 hosted by Andy Bond (Executive Chair), Neil Galloway (CFO) and other key members of senior management. The event will consist of Pepco and Dealz store visits in the afternoon of 17 October, with management presentations on the morning of 18 October focused on modelling and select parts of the strategy.

The CMD is an invite-only, in-person event for analysts and investors. A recording of the CMD will be available on the Group website following the event.

#### **FORTHCOMING ANNOUNCEMENT DATES**

The Group intends to issue the following updates in the near future:

- Capital Markets Day in Warsaw, Poland: 17/18 October 2023
- FY23 Preliminary Results: 12 December 2023

#### **ENQUIRIES**

##### Investors and analysts

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#### **EXPLANATORY NOTES**

1. The Group financials are prepared on an unaudited basis for the twelve-month (Full Year) & three-month (Fourth Quarter) period ending 30 September 2023. Within this the Pepco segment operates on a calendar month basis with the three-month period ending on 30 September 2023, and the Poundland Group segment primarily operates on a trading week basis with the 14-week period ending on 1 October 2023, noting a 53<sup>rd</sup> week in FY23.
2. Revenues are unaudited with foreign currency revenues translated at the average rate for the month in which they are made.
3. Revenue growth is reported on a constant currency basis using the prior year actual rate applied to both current and prior years.
4. LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary and is reported on a constant currency basis. Absolute LFL revenue and LFL growth are each unadjusted for the impact of Covid in both financial years.
5. Opening store numbers in FY23 have been restated to account for the Dealz Spain stores which were converted to Pepco stores. At the end of FY22, there were 57 Spanish Dealz stores included within the Poundland Group store total that are now included within the opening FY23 Pepco base; this includes 15 converted in FY22 and 42 in FY23. Converted stores are assumed to be LFL stores within the Pepco base.

#### **TRUE AND FAIR STATEMENT**

The management of Pepco Group N.V. are responsible for preparing this update and state that, to the best of their knowledge, the information contained herein regarding Pepco Group N.V. is correct as of the date of publication of this document and that it fairly reflects the Group's financial situation and business activities.