

20 April 2023

Pepco Group N.V.
Second 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 the second financial quarter of FY23 ending 31 March 2023.¹

FINANCIAL HIGHLIGHTS

- H1 Group revenue of €2,839m, +22.8% growth year-on-year on a constant currency basis, driven by strong Pepco growth of +36.9%
- H1 Group like-for-like (LFL) revenues up 11.1% in H1, with Q2 LFL of 8.5%
 - Pepco: +15.8% LFL growth in H1; +10.7% LFL growth in Q2
 - Poundland Group: +4.9% LFL growth in H1; +5.7% LFL growth Q2
- New store openings continue across all brands with 166 net new stores added in the first six months
- The business remains on track to deliver full year EBITDA growth in line with guidance communicated at the Q1 update

	Q2			H1		
	Pepco	Poundland Group	Total Pepco Group	Pepco	Poundland Group	Total Pepco Group
Revenue €m ²	710	474	1,184	1,719	1,120	2,839
Revenue Growth YoY Constant Currency ³	30.7%	6.7%	19.7%	36.9%	6.3%	22.8%
Like-for-like Revenue Growth ⁴	10.7%	5.7%	8.5%	15.8%	4.9%	11.1%
Store numbers						
Total stores at end of period				3,101	1,026	4,127
Net new stores in period ⁵				134	32	166

Commenting on the results, Trevor Masters, CEO of Pepco Group, said:

“Pepco has recorded an encouraging second-quarter trading performance against the backdrop of a continuing inflationary environment for both customers and the business. Demand for our products remains strong, and double-digit like-for-like revenue growth demonstrates solid progress for the Group. We have continued to deliver against our strategic priorities, including the successful store refit strategy and profitable store expansion programme – our biggest source of value creation.

“For the first time, the number of net new store openings in Western Europe, including our 100th store in Italy, outweighed the number of openings in Central Europe across the quarter. This is a strategically important milestone for the Group and the continued positive consumer response to our proposition across those markets demonstrates the whole of Europe is addressable to us. We will look to leverage this opportunity further over the rest of the year, and our plans to launch the Pepco brand in Portugal and Bosnia and Herzegovina in the second half of 2023 remain on track.

“While the consumer environment remains challenging due to inflationary pressures, our strategy of price leadership gives us continued conviction in our ability to win customers and market share, which we have grown in our key markets over the last quarter. We remain confident on meeting our guidance for full-year EBITDA, including our targets for the new store opening programme.

“I would also like to take this opportunity to formally welcome Neil Galloway to Pepco as the Group Chief Financial Officer. His impressive track record and experience makes him a valuable addition to the leadership team as we continue to accelerate and deliver on our proven strategy.”

STRATEGIC HIGHLIGHTS

The Group delivered 166 net new store openings during the first half. The number of openings was lower than the same period last year (H1 FY22: 235 net new stores), reflecting different phasing, with the second half of 2023 set to see an acceleration of openings. The Group remains confident of opening at least 550 net new stores during the current financial year.

- Pepco: 134 net new store openings during the first half, including entering the Greek market. Performance across the estate remains strong, particularly in our larger Pepco stores in Spain, which include FMCG
- Poundland Group: 32 net store openings during the period, largely reflecting growth of Dealz Poland, which opened 36 net new stores in the first half to reach a landmark of a total of 200 stores in Poland

Our expansion in Western Europe is progressing well. Italy and Spain continue to be our fastest-growing Western Europe territories, having delivered strong results over the last three years. We recently opened our 100th store in Italy, marking an important milestone for the Group and testament to the success of our profitable pan-European store expansion plans.

Earlier this month, Pepco also opened its 100th store in Serbia, as the brand strengthens its presence and further capitalises on the strong demand for its products in the country. Elsewhere, our plans remain on track to launch the Pepco brand in Portugal and Bosnia and Herzegovina later this year.

PEOPLE

Further to our announcement on 25 November 2022, Neil Galloway joined the Group as Chief Financial Officer on 3 April 2023. Neil joined from IWG plc, a leading provider of flexible workspace in 120 countries, where he was Executive Vice-President. Neil is an experienced public company CFO who has worked in senior finance and commercial roles at multinationals over the last 15 years, including in cross-border retail.

OUTLOOK

Trading across the Group in the first half continued to be positive, with double-digit like-for-like revenue growth during the period. This result was achieved against a backdrop of what remains a challenging environment, where we have seen signs of changing consumer behaviour, particularly in response to high inflation in Central Europe. This highlights the importance, more than ever, of offering the best possible value for money to our customers, leading to our continued market outperformance.

The macro environment the Group faces is more balanced now than in the past 18 months with product input costs starting to ease, though headwinds remain on other costs, including energy. The Group remains on track to meet its new store opening targets, drive returns through our refit programme and keeping a disciplined focus on costs, with an improving margin outlook in the second half. Overall, the Group remains confident on the outlook for the full year, and expects no change to the previous guidance, as communicated at our Q1 trading update in January 2023.

CONFERENCE CALL

Pepco Group will host a conference call for analysts and investors to discuss the Q2 FY23 trading update on Thursday 20 April 2023 at 8.30am BST (9.30am CEST). Investors and analysts who would like to participate in the Q&A session can dial in using the relevant number below and quote "**Pepco – Q2 Trading Update**".

Location	Phone Number
Poland	+48 22 397 9053
United Kingdom	+44 (0) 33 0551 0200
United States	+1 786-697-3501

Alternatively, a live audio webcast of the call will be available via the following link:

https://brrmedia.news/PCO_H1

FORTHCOMING ANNOUNCEMENT DATES

The Group intends to issue H1 interim results for the six months ended 31 March 2023 on 6 June 2023.

ENQUIRIES

Investors and analysts

Tej Randhawa, Investor Relations +44 (0) 203 735 9210
Joanna Kwak, Investor Relations +44 (0) 203 735 9210

EXPLANATORY NOTES

1. The Group financials are prepared on an unaudited basis for the six-month period ending 31 March 2023. Within this, Pepco operates on a calendar month basis with the six-month period ending on 31 March 2023, and Poundland Group operates on a trading week basis with the 26-week period ending on 26 March 2023.
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.
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. Store numbers in FY23 have been re-stated to account for the Dealz Spain stores which are being 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, 31 in FY23 with 11 under conversion. 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.

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