

12th January 2023

Pepco Group N.V. – Q1 Trading Announcement
Continued strong growth and strategic progress

The fast-growing pan-European variety discount retailer, Pepco Group, owner of the Pepco and Dealz brands in Europe and Poundland in the UK, today reports a trading update for the first financial quarter of FY23 ending 31st December 2022.¹

Q1 Highlights

- Group revenues for Q1 of €1,654m which represents revenue growth year-on-year (“YoY”) of 27% on a constant currency basis, up 24% on an actual basis
- Group Q1 like-for-like (“LFL”) growth of 13.0% on a constant currency basis, with all brands delivering very strong growth:
 - Pepco: +19.7% LFL
 - Poundland Group: +4.4% LFL
- Delivered record trading days in Q1 across all the brands following a very successful Christmas trading period, outperforming the wider market
- New store openings continue across all brands with 105 net new stores added so far this year

	Q1		
	Pepco	Poundland Group	Total Pepco Group
Revenue €m ²	1,009	645	1,654
Revenue Growth YoY Constant Currency ³	41%	9%	27%
Like-for-like Revenue Growth ⁴	19.7%	4.4%	13.0%
Stores #			
Total Stores End of Q1	3,025	1,041	4,066
New Stores ⁵	100	5	105

Delivering against strategic priorities

In Q1, we continued to progress our accelerated store expansion programme, the Group’s single biggest driver of value creation. We plan to accelerate our openings through the year and remain on track to deliver our target of 550 net new stores in FY23:

- Pepco Group: 105 net new stores opened this quarter, including our new market of Greece where we opened Pepco in October 2022 and now have 8 stores which are performing strongly
- Pepco: 100 new store openings in Q1, including 15 in Spain which have been converted from Dealz into Pepco
- Poundland Group: store estate increased by 5 stores with 25 new stores opened, of which the majority were in Dealz Poland; whilst 20 Dealz stores in Spain were closed and converted into Pepco (5 had not been completed by the end of the Quarter)

In addition to our openings programme, we completed 37 store renewals in Q1 at Poundland, where we are continuing our Diamond refit programme adding chilled and frozen food. Our extensive “New Look” re-fit of around 2,500 Pepco stores in Central & Eastern Europe, as trialled in Wroclaw and Warsaw, will start in earnest in January 2023. In Spain, we have seen a strong performance from our new Pepco Plus stores – which offer the full range of Pepco clothing and GM and Poundland Group FMCG – with up to 80 additional Pepco Plus stores to be opened through the rest of the financial year. Following the successful trial in Spain of store conversions from Dealz to Pepco, we are now trialing a small number of Pepco-branded stores in the Republic of Ireland. We have converted 5 existing Dealz stores to the Pepco brand with one more to be converted in Q2 FY23, and initial customer feedback has been positive.

Continued strong trading performance

Trading continued to be strong in Q1 across the Group, led by Pepco and supported by good performances in Poundland and Dealz Poland. Our LFL benefitted in part from a Covid-impacted comparative Q1 in FY22, where trading across a number of stores was disrupted by government restrictions. In Q1 FY23, we delivered record trading days in all the brands. Pepco, in particular, capitalised on very strong Christmas trading where we benefited from enhanced stock levels in Q4 FY22.

Our price leadership strategy focused on delivering the best value to our customers continues to prove successful in the current environment and we feel strongly positioned to continue to outperform our underlying markets in clothing, GM and FMCG categories. Inflation remains at elevated levels across our markets, albeit with inflation in clothing and footwear running significantly below the headline inflation rates.

Outlook

Whilst trading conditions continue to be challenging, we are confident in the structural advantages of our discount customer proposition and our continued strategic progress. Assuming the macro trading environment performs as we expect, we remain on track for another year of consistent performance, with an increased store opening target and robust underlying like-for-like for Pepco, Poundland and Dealz Poland. We anticipate that EBITDA growth on an IFRS16 basis, and assuming constant FX rates, will be in the mid-teens for FY23, which would be consistent with the first quarter.

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

“We had a very successful Christmas trading period with record trading days at each of our brands, as we continued to outperform the wider market across Europe. We benefitted from re-building our stock to appropriate levels, enabling us to satisfy the strong demand that we experienced. In this very busy trading period, I would like to take this opportunity once again to thank all our colleagues across the Pepco Group for their hard work and ongoing commitment to serving our customers.

“We have seen a strong performance in Western Europe, particularly in Italy and in Spain. We had a strong opening in Greece this quarter and we are looking forward to launching in Portugal in spring 2023. In addition, we are excited about the prospects for Dealz in Poland, where we continue to expand rapidly with 16 new stores added this quarter.

“We are increasingly focused on leveraging the scale and diversity of the great business we have built to unlock the potential of the Group as a whole, by combining the impressive strengths and capabilities of each of the brands we operate. Whilst the market environment continues to be challenging, we remain confident in the strength of our customer proposition and our price leadership position, as well as our ability to deliver against our strategic growth priorities.”

For further information, please contact:

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Conference Call details:

Pepco Group plans to host an Q1 Trading Update Call on Thursday 12th January at 08:30 GMT (09:30 CET). Trevor Masters (CEO) and Mat Ankers (Interim CFO) will give a short overview of the results followed by ~30 minutes Q&A at which we would invite questions from you.

Investors and analysts who would like to participate in the Q&A session, please dial in 5-10 minutes prior to scheduled start time and quote "Pepco". You will then be asked to provide your name and organisation. The operator will take you through when and how to ask a question.

Additionally, if you wish to just view the webcast please follow up this link to register:

Attend the webcast: <https://stream.brrmedia.co.uk/broadcast/63bd25afdd6e715032015f33>

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United States	+1 786-697-3501

Future Market Events

1. AGM: 2 February 2023
2. 1H Trading and Pre-Close Results: 20 April 2023

Explanatory Notes:

1. The Group financials are prepared on an unaudited basis for the three-month period ending 31st December 2022. Within this the 'Pepco (Apparel-led multi-price)' segment operates on a calendar month basis with the three-month period ending on 31st December 2022, and the 'Poundland Group (FMCG-led price-anchored)' segment primarily operates on a trading week basis with the 13-week period ending on 25th December 2022.

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 at the end of FY22 have been re-stated reflecting the successful conversion of 15 Dealz stores into Pepco Plus stores during Q4 FY22; which were previously reported under the Dealz banner and are now reported under the Pepco banner.

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.