

13 July 2023

Pepco Group N.V.
Third 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 third financial quarter of FY23 ending 30 June 2023.¹

SUMMARY

- Year to date (“YTD”) 9-month Group revenue of €4,209m, up 19.3% on a constant currency basis, driven by Pepco growth of +29.3% and Poundland Group +7.1%
- Q3 Group revenue of €1,370m, up 12.5% year-on-year on a constant currency basis, with Pepco +15.3% and Poundland Group +8.6%
- Group like-for-like (LFL) revenues up 8.2% YTD and up 2.6% in latest quarter
 - Pepco LFL revenue up 9.6% YTD, but down 1.2% in Q3 reflecting a challenging trading environment in April and May, particularly in Central Europe, and a stronger comparative period in the prior year. Trading has recovered in recent weeks with a positive LFL performance in June and the start to Q4
 - Poundland Group LFL up 6.2% YTD, and up 9.0% in Q3 due to a strengthening FMCG performance
- Net new store openings of 325 in nine months to date (159 in Q3); the Group remains on track to open 550 net new stores in FY23
- Inaugural bond issue of €375m completed, with credit ratings achieved from Fitch, S&P and Moody’s
- The Group maintains its previous guidance on the full year EBITDA outlook

	Q3			9M YTD		
	Pepco	Poundland Group	Total Pepco Group	Pepco	Poundland Group	Total Pepco Group
Revenue €m ²	831	539	1,370	2,550	1,659	4,209
Revenue Growth YoY Constant Currency ³	15.3%	8.6%	12.5%	29.3%	7.1%	19.3%
Like-for-like Revenue Growth ⁴	(1.2)%	9.0%	2.6%	9.6%	6.2%	8.2%
Store numbers						
Total stores at end of period	3,242	1,044	4,286	3,242	1,044	4,286
Net new stores in period ⁵	141	18	159	275	50	325

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

“The past quarter saw the Group make further strategic progress, with 159 net new stores launched as we continued to execute on our profitable store opening programme. We remain confident of meeting our target of opening at least 550 new stores this financial year, with openings weighted towards the fourth quarter.

“As we highlighted at our interim results in June, the macro-economic climate continues to be challenging, particularly in Central Europe, due to elevated levels of inflation. In addition, Pepco’s Q3 growth reflected a period where the business benefited from trading upside in the prior year driven by the influx of people from the Ukraine war into its core markets. Poundland Group delivered a strong trading performance in Q3, driven by consumers prioritising spend on FMCG items. Both Pepco and Poundland Group are in positive LFL growth at the start of Q4.

“We remain committed to supporting our customers in this challenging environment by maintaining our market-leading pricing. We continue to seek improvements in the cost of doing business and leveraging our in-house direct sourcing arm, PGS, which is a key competitive advantage for the Group. Our focus remains on building a bigger, better, cheaper and simpler business and we are well positioned to deliver future success as inflationary pressures ease.”

HIGHLIGHTS

The Group delivered 159 net new store openings during the third quarter. We continue to expect our store opening schedule to be weighted towards the fourth quarter with clear line of sight of reaching our target of 550 net new store openings during the current financial year.

- Pepco: 141 net new store openings during the third quarter, which included entering the Portuguese market with four stores opened by the end of the period. New store openings in Western Europe continued to outnumber the openings in Central Europe, highlighting that the whole of Europe is addressable to us. Elsewhere, our plans remain on track to launch the Pepco brand in Bosnia and Herzegovina later in 2023.
- Poundland Group: 18 net new store openings during the period, largely reflecting the growth of Dealz, which opened 31 new stores in Poland.

REFINANCING

The Group successfully completed its inaugural bond issue in June 2023, with the issue of €375 million 7.25% senior secured notes. The 5-year bond extends our debt maturity profile to July 2028. The proceeds of the new notes refinanced our €300 million Term Facility A. In connection with the offering, the Group also increased the headroom of the RCF from €190 million to €390 million, providing even further financial flexibility for the company.

The offering saw strong demand from investors and was multiple times oversubscribed. The bond is rated Ba3 / BB- / BB+ by Moody's / S&P / Fitch respectively. All three agencies noted the robustness of the business, healthy organic growth profile driven by the store development program, scale, and compelling value offering. In addition, the agencies recognised Pepco Group's robust legal ring-fencing framework and independent governance system.

OUTLOOK

Demand for FMCG products has resulted in a strong performance in our Poundland and Dealz brands, along with our Pepco 'Plus' stores in Western Europe. Pepco experienced challenging trading conditions during April and May, particularly in Central Europe, but the business has seen a recovery over recent weeks, with a positive LFL performance in June which has continued into the early part of the fourth quarter. As highlighted at our H1 update, we are committed to maintaining our price leadership position to deliver the best value for our customers, resulting in market share gains.

We have increased our focus on driving further cost efficiencies, while remaining on track to meet our new store opening targets and driving returns through our refit programme. We maintain line of sight on our input margins and are confident of an improvement in gross margins in the second half of FY23, notwithstanding weaker sales. As a result, our outlook for the full year remains unchanged, and we expect to achieve FY23 EBITDA (IFRS 16) growth in the mid-teens on a constant currency basis, assuming no further significant deterioration in the trading environment.

CONFERENCE CALL

Pepco Group will host a conference call for analysts and investors to discuss the Q3 FY23 trading update on Thursday 13 July 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 – Q3 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/pepcoq3tu>

FORTHCOMING ANNOUNCEMENT DATES

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

- Q4 FY23 trading update: 12 October 2023
- Warsaw (Poland) store visit and modelling session: 17/18 October 2023

ENQUIRIES

Investors and analysts

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EXPLANATORY NOTES

1. The Group financials are prepared on an unaudited basis for the nine-month period ending 30 June 2023. Within this, Pepco operates on a calendar month basis with the nine-month period ending on 30 June 2023, and Poundland Group operates on a trading week basis with the 39-week period ending on 25 June 2023.

2. Revenues are presented excluding VAT and 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. Opening 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 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.

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