10 December 2024

Pepco Group N.V.

Preliminary results for the year to 30 September 2024

Well-positioned for strategic growth

Pepco Group, the fast-growing pan-European variety discount retailer, today reports preliminary unaudited results for the 12 months ending 30 September 2024.[1]

SUMMARY

- Record FY24 Group revenue of €6.2bn, up 10.2% year-on-year ("y-o-y"), driven by new store growth
- Group gross margin sharply improved to 43.9%, up 390 basis points y-o-y, led by Pepco
- Record underlying EBITDA (IFRS 16) of €944m up 25.2%, driven by Pepco EBITDA up 41.7%
- Reported net loss for the year of €662m, related to a non-cash €775m impairment of Poundland, following weak performance and outlook
- Free cash flow of €168m, driving reduced net debt (pre-IFRS 16) to €256m (0.5x pre-IFRS 16 leverage ratio)
- Strong Group balance sheet and liquidity profile
- Initiating new capital returns policy and inaugural FY24 full year dividend

FINANCIAL PERFORMANCE

€m	**FY24**	FY23 (restated)	YoY (reported)	YoY (constant)
Revenue[2]	**6,167**	5,596	10.2%	8.1%
Like-for-like revenue growth (%)[3]	**-3.2%**	+6.0%	n/a	n/a
Gross profit	**2,706**	2,239	20.9%	18.7%
Gross profit margin (%)	**43.9%**	40.0%	390 bps	390 bps
Underlying EBITDA (IFRS 16)[4]	**944**	754	25.2%	23.3%
Underlying EBITDA (pre-IFRS 16)[4]	**515**	402	28.1%	26.6%
Underlying PBT[5]	**271**	214	26.6%	25.7%
Underlying PAT	**179**	157	14.0%	15.3%
Underlying EPS (€ cents)	**31.1**	27.2	14.3%	15.4%
Non-underlying items	**(825)**	(55)	>200%	>200%
Reported PBT	**(554)**	159	<-200%	<-200%
Reported PAT	**(662)**	108	<-200%	<-200%
Reported EPS (€ cents)	**(114.9)**	18.8	<-200%	<-200%
Dividend per share (DPS) € cents	**6.2**	-	-	-
Loss from discontinued operations	**(49)**	(12)	<-200%	<-200%

	FY24	FY23	YoY (reported)
Net debt[6] (pre-IFRS16)	**256**	411	-37.5%
Leverage LTM (pre-IFRS16)	**0.5x**	1.0x	-0.5x
Net debt (IFRS 16)	**1,631**	1,692	-3.6%
Leverage LTM (IFRS 16)	**1.7x**	2.2x	-0.5X

Note:

- *Numbers above based on continuing operations unless stated otherwise.*
- *Austria is classified as a discontinued operation following the Group's exit of Pepco Austria. All numbers above (including comparators) exclude Austria.*

- Group revenue of €6,167m, growing +10.2% y-o-y
  - Pepco revenue +14.2%; Poundland +0.2%; Dealz Poland +39.5%
- LFL revenue declined by 3.2% during FY24
  - Pepco LFL of -2.8%, albeit with an improving performance through the year, and a positive LFL since September 2024
  - Poundland LFL (-3.6%) and Dealz Poland LFL (-4.8%) impacted by clothing and GM transition to Pepco-sourced product
- The Group opened 392 net new stores during the year (FY23: 648) leading to a total of 4,948 stores in operation as at 30 September 2024
  - Pepco, Poundland and Dealz Poland added 331, 13 and 48 net new stores, respectively
  - Streamlined new-store-growth reflects refocus on Pepco CEE, which generates highest returns across Group
- Gross margin improved 390 basis points ("bps") to 43.9% for the year, driven by sharp recovery in Pepco (+530 bps y-o-y)
  - Pepco gross margin of 46.9%; Poundland 38.6%; Dealz Poland 33.4%
- Record underlying EBITDA (IFRS 16) of €944m up 25.2% y-o-y, with EBITDA margin up 180 bps to 15.3%
  - Strong Pepco EBITDA growth of 41.7% to €785m; Poundland EBITDA down 21.5% to €153m; Dealz EBITDA up 242.9% to €24m
- Underlying PAT of €179m up 14.0% y-o-y
- Poundland impairment charge of €775m (primarily goodwill), following a significant decline in performance in FY24 and weaker outlook for profitability amid increasing competitive and cost challenges
- Strong balance sheet and liquidity profile; net debt at end of FY24 was €256m (pre-IFRS 16), representing 0.5x LTM EBITDA (pre-IFRS 16) leverage, well within the Group's financial covenants

Andy Bond, Non-Executive Chair, said:

"I am proud of the progress we have made over the last 12 months. We grew underlying EBITDA by a quarter to €944m across the Group, ahead of expectations, with a strong recovery in gross margin of almost 400 basis points, driven by the performance of our core Pepco brand.

"We started the year with a number of objectives which included rebuilding Pepco's profitability in its core Central and Eastern European (CEE) market, gross margin recovery, adopting a more disciplined approach to investment with more targeted growth, reviewing underperforming areas of the business and delivering stronger cash generation. We have delivered on these objectives, but there remains more to achieve. As a result of renewed confidence in our future, we are announcing an inaugural full year dividend for the Group.

"I am pleased to have handed the reins of the business over to our new CEO, Stephan Borchert, effective 1st October 2024. Stephan brings a wealth of experience in retail businesses internationally alongside a strong track record of delivering results, and I look forward to working with him as he leads this business to future success."

Stephan Borchert, Chief Executive Officer, said:

"Pepco Group has very attractive, market-leading retail businesses, providing great product range, value and convenience to over 60 million customers each month across Europe.

"Within the Group, I see the Pepco concept itself as our key engine for future strategic and financial growth, particularly in Pepco's CEE heartland. Pepco generates the vast majority of the Group's earnings and our highest returns on capital

- we plan to further build on that strong base. In the year ahead, our core focus at Pepco will be to deliver improved like-for-like revenues. Pepco's like-for-like performance has been positive since the start of September - an encouraging start.

"At Poundland, recent performance has been very challenging, impacted by declines in clothing and general merchandise following the transition to Pepco-sourced product ranges at the start of the year. We are taking swift action to get Poundland performance back on track, focusing on a return to Poundland's strengths. We will also closely evaluate Poundland's overall competitive positioning and requirements for future success as an FMCG-led format. We will provide further updates on Poundland during the first half of 2025.

"I am excited to join Pepco Group at this important stage in its evolution toward a company focused on targeted new-store expansion, higher capital returns, and growing earnings and free cash flow. We plan to deliver further strategic and financial progress during FY25, as I will describe in more detail at our Capital Markets Day in March 2025."

CONFERENCE CALL

Pepco Group will host a conference call for analysts and investors to discuss its FY24 preliminary results on Tuesday 10 December 2024 at 8.30am GMT (9.30am CET). Investors and analysts who would like to participate in the Q&A session can dial in using the relevant number below and quote "**Pepco Preliminary Results**".

Alternatively, a live audio webcast of the call will be available via the following link:
https://brrmedia.news/PCO_FY_24

Location	**Phone Number**
Poland	+48 22 397 9053
United Kingdom	+44 (0) 33 0551 0200 / +44 (0) 808 109 0700
United States	+1 786-697-3501

FORTHCOMING DATES

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

- Q1 FY25 trading update: 16 January 2024
- 2025 Capital Markets Day (London): 6 March 2024

ENQUIRIES

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

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Rollo Head, FGS Global +44 (0) 7768 994 987
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EXPLANATORY NOTES

1. The Group financials are prepared on an unaudited basis for the 12-month period ending 30 September 2024. Within this Pepco operates on a calendar month basis with the 12-month period ending on 30 September 2024, and Poundland primarily operates on a trading week basis with the 52-week period ending on 1 October 2024.
2. Constant Currency variances re-translate the current year figures at prior year FX rates so that the year-on-year FX impact is negated (all other figures including Actual Currency variances are translated at the average FX rate for the month in which they are made).
3. LFL revenue growth is translated at constant currency and defined as year-on-year (“y-o-y”) revenue growth for stores open beyond their trading anniversary.
4. Underlying EBITDA is defined as profit on ordinary activities (excluding non-underlying items) net of depreciation, amortisation, finance costs and taxation. Note that pre-IFRS 16 EBITDA differs to IFRS 16 EBITDA to reflect rental costs included in EBITDA.
5. Underlying profit before tax (“PBT”) excludes non-underlying items.
6. Net debt (pre-IFRS 16) represents borrowings from credit institutions and finance lease liabilities (pre-IFRS 16) net of cash and bank balances.

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HIGHLIGHTS

Pepco Group owns and operates a multi-format, pan-European discount variety retail business, with close to 5,000 stores located across 20 territories in Europe, serving more than 60 million shoppers each month. The Group operates two discount formats: 1) a clothing and general merchandise ("GM") led retailer in Pepco, and 2) our FMCG-led businesses through the Poundland and Dealz Poland brands.

Segment performance

€m	**FY24**	FY23 (restated)	YoY (reported)	YoY (constant)
REVENUE				
GROUP	**6,167**	5,596	10.2%	8.1%
- Pepco	**3,853**	3,375	14.2%	12.1%
- Poundland	**2,006**	2,001	0.2%	-1.4%
- Dealz	**307**	220	39.5%	30.9%
UNDERLYING EBITDA (pre-IFRS 16)				
GROUP	**515**	402	28.1%	26.6%
- Pepco	**504**	339	48.7%	46.9%
- Poundland	**28**	75	-62.7%	-62.7%
- Dealz	**3**	(8)	-	-
- Central costs	**(20)**	(4)	<-200%	<-200%

Strong Pepco performance drove Group profitability

- Pepco FY24 sales grew +14.2% to €3.9bn, driven by new store openings at the end of FY23 and in FY24
- FY24 LFL performance of -2.8%, albeit with sequential improvement during year, and a positive LFL performance achieved since September 2024
- Highest gross margins generated across Group at 46.9%, up 530bps y-o-y
- Pepco underlying FY24 EBITDA (pre-IFRS 16) grew 48.7% y-o-y to €504m, delivering the vast majority of the Group's EBITDA performance, with EBITDA margin growing by 300bps to 13.1%
- Opened 331 net new stores, with a focus on the CEE region which generates highest store returns

Poundland financials significantly impacted by underperformance in clothing and GM

- Poundland FY24 revenues flat at €2.0bn
- LFL sales declined by 3.6%, with positive growth in FMCG (67% of Poundland revenues) offset by a negative performance in clothing and GM as the business transitioned to Pepco-sourced product during the year
- Poundland underlying FY24 EBITDA (pre-IFRS 16) fell materially to €28m (FY23: €75m), with EBITDA margin declining by 240 bps to 1.4%, with a weak topline performance compounded by inflationary cost pressures (mainly labour) and high levels of shrinkage
- Net store openings increased by 13 stores, with total store count at 836 stores
- This weaker performance and outlook, compounded by growing competitive and cost pressures, has led to a €775m non-cash impairment of Poundland (primarily goodwill)
- We are taking swift actions to enable the business to recover performance and meet customers' expectations

Dealz Poland making progress

- Dealz revenues up 39.5% to €307m, driven by store expansion
- LFL revenues declined by 4.8%, driven down by a double-digit impact from GM as the business moved to Pepco-sourced product, and a competitive FMCG market in Poland
- Stores grew by 48 net new openings, with 331 across overall Polish estate
- Dealz reported positive EBITDA (pre-IFRS 16) for first time, at €3m, with gross margin improvement to 33.4% (up 430 bps y-o-y)
- Dealz Poland has good potential, and overall has achieved promising results, particularly with younger customers

New capital returns and dividend policy

- Initiating new capital returns policy to support enhanced shareholder value over time
- While the Group will continue to prioritise organic growth, strategic infrastructure investments, balance-sheet strength, and ample liquidity, improving free cash generation enables the Group to begin returning excess cash to shareholders
- Initial dividend will target a payout ratio of 20% of full-year underlying profit. Inaugural full-year dividend of 6.2 Euro cents per share announced.
- Capital returns policy includes the potential for future cash returns over time through ordinary dividends, special dividends and/or share buybacks, in each case, as determined by the Board

Please see below for further detail on all of the above commentary.

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DELIVERING ON THE GROUP'S STRATEGIC PILLARS

Our strategy to date has been outlined by the key pillars below:

- Optimising and expanding our store network
- Enhancing the customer offer
- Driving cost and operational efficiency
- Delivering stronger cash generation through disciplined investment

Notwithstanding these overriding strategic pillars, the year in review was characterised by addressing issues in the business that had arisen through excessive growth during the previous couple of years. In FY24 therefore the focus specifically aimed to:

- Rebuild profitability in Pepco's core Central & Eastern Europe ("CEE") heartland, while formulating a clear plan for profitable expansion in Western Europe
- Ensure we strengthened our customer offer, in particular focusing on regaining price leadership
- Address cost inflation and drive cost optimisation opportunities from our growing scale
- Temper the pace of store openings focusing on higher return locations and markets, while also improving working capital through better supplier and stock management

1. Optimising and expanding our store network

The Group's ambition remains to be Europe's leading variety discount retailer. It aims to achieve this by offering quality clothing and general merchandise ("GM") at the best prices, with stores conveniently located close to our customers, whether that is in high streets, retail parks or shopping malls. The convenience of our store locations, along with maintaining price leadership is critical to provide a compelling value proposition for our customers and grow market share.

The Group strengthened its store profitability and customer positioning in the CEE region during the period, returning to pre-Covid 19 performance. New store growth was principally focused in core existing markets, where we have a strong track record in driving returns. For Pepco, there was a particular focus on growing scale in our core CEE markets, while we continue to assess our performance in Western Europe. For Poundland in the UK, the growth of new stores was primarily driven by the conversion of Wilko stores. Dealz Poland made further progress in Poland.

The Group delivered 392 net new store openings during FY24. This excludes the impact of exiting Austria, which resulted in the closure of 73 stores. Our store opening programme in FY24 partly reflected commitments made during FY23, which resulted in a front-end-loaded store opening schedule. This was reflected by 203 net new stores in Q1, but reducing to 86 net new stores in Q2, and just 103 stores during the second half overall.

New store openings across FY24 by brand

	Pepco	Poundland	Dealz	Total
Store numbers at end of FY23	3,450	823	283	4,556
New openings	376	84	49	509
Closures	(45)	(71)	(1)	(117)
Store numbers at end of FY24	**3,781**	**836**	**331**	**4,948**
Net new openings	*331*	*13*	*48*	*392*

Note: Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers above (including comparators) exclude Austria.

For FY25, by prioritising attractive returns on capital, we are targeting approximately 300 net new stores across the Group, with new stores principally focused on the Pepco brand and primarily in the CEE region.

Pepco - Profitability rebuilt in core CEE business

Our Pepco CEE business remains the key engine driver for the Group, delivering the highest returns across the estate. Pepco's core CEE business generated 53% of FY24 Group's revenues, but given the historically strong profitability of these stores, it generated the vast majority of the Group's EBITDA.

The core CEE estate had seen store profitability (4-wall EBITDA pre-IFRS 16) decline since 2019, as a result of external factors (supply chain disruption, input cost inflation, weak consumer spending, higher freight costs and adverse movements in foreign exchange), as well as internal factors (losing focus on price leadership and unfocused growth). Reversing this trend and driving improving 4-wall EBITDA was a key objective at the start of the year. This is a target that we exceeded by September 2024, driven by higher revenues, a strong recovery in gross margin and various other operating initiatives. We continue to see further opportunity to grow store operating profit during FY25.

Pepco opened 331 net new stores during the year, with 232 net new stores in CEE and 99 net new stores in Western Europe. About 70% of net new store openings were across our core CEE markets during the period. We saw 83 new net store openings in Poland in the period, with 1,339 stores in total at the period end. Outside of Poland, the majority of new openings within the CEE took place in Bosnia and Romania, Serbia and Czechia.

During FY25, our store location strategy will continue to be targeted into the CEE region, given the familiarity of these markets and our confidence in driving returns, which will enable us to improve our strong market position. There remains a significant white space opportunity in our core CEE markets to meet our overall store targets over the next several years.

Western Europe ("WE") remains an important region for future growth for Pepco, particularly within Iberia (Spain, Portugal) and Italy, which account for 87% of WE sales and 82% of stores. While we remain confident in developing a store performance model that will allow us to drive profitable growth and attractive returns in WE, we will continue to manage the pace of new store openings in this region over the near term until we see appropriate and sustainable performance being delivered.

The opening of a new distribution centre ("DC") in Madrid, Spain during September 2024 marks an important step in realising an appropriate economic model for our Iberian operations. It will structurally reduce current high transport and distribution costs, while improving availability in stores which should drive improved sales. The opening of the DC will cut lead times on clothing and GM products within Spain and Portugal, while lowering stock holding and distribution costs. The DC will help support growth in the region for the foreseeable future.

Poundland – Performance impacted by transition to Pepco-sourced clothing and GM ranges

Poundland opened 84 stores during FY24 that was a higher-than-normal store opening programme, which largely reflects 46 Wilko conversions. In addition, we closed 71 stores in the period, as a result of managed lease expiries as well as a number of closures related to the opening of the new Wilko conversions nearby. There has been a mixed performance from the Wilko conversions, with some stores operating above expectations, but others requiring further investment in order to bring the look and feel and product proposition in line with the Poundland offer. It has become clear, however, that larger stores are not where Poundland delivers best performance, and we will be much more focused on any future store openings being of a size of around 700 sqm, which is optimal for the offer.

In FY25, there will be greater scrutiny of new Poundland store openings, given the reduced profitability the business has faced during 2024. New stores will be opened only where we are confident of delivering an appropriate return on investment through delivery of our core offer to our customers. Additional rigour will also be applied to any investment in store refits and improvements.

Poundland's FY24 profit was significantly impacted by not delivering on the ambition of enhancing the business through replacing its traditional clothing and GM ranges with those of Pepco. The rationale for the move was to consolidate sourcing to a larger buy across the Pepco Group in order to drive scale, increase efficiencies, lower prices

for customers and raise Pepco brand awareness. However, it became clear as the year progressed that both the planning and execution of this implementation had shortcomings, with gaps in clothing and GM product for the UK customer, impacting revenues and profitability during the year. It further became clear that our UK customers had a different expectation of the Poundland brand proposition compared with Pepco customers which has led to a fundamental rethink of approach going forward.

Pepco-sourced clothing was first introduced across the Poundland estate from September 2023, bringing new, high-quality ranges into the UK market at a lower price point. While customer reaction to the new Pepco clothing ranges saw positive feedback – notably around value – the product offer did not fully replicate the previous breadth or depth of Poundland's men's and women's ranges and coverage across sizes, leading to lower LFL revenues. The improved clothing offer for children's wear, which is a core strength for Pepco, did not offset the shortfall in adult wear. There was similar disruption for Poundland's new Pepco-sourced GM ranges, which were introduced from March 2024. Notably these had gaps in seasonal ranges, where Poundland has had strength historically, and had a weaker range offer in other categories of historical Poundland strength, for example in DIY.

While we have taken remedial steps to correct sizing and some of the other range issues for FY25, which will address some of the missteps of FY24, it is clear that Poundland will need to take significant steps in order to recover performance and meet customers' needs and expectations.

Dealz – Store growth of 17% and positive EBITDA (pre-IFRS 16)

Our Dealz stores in Poland offer well-known international FMCG brands and GM at low prices, with 3,000 products across 18 sub-categories. Dealz opened 48 net new stores during the year, reaching 331 stores in total that now operate across Poland. Brand awareness continues to grow quickly for our key target customers aged between 19-45 years old.

The performance of Dealz stores in FY24 improved over the prior year, and generated positive EBITDA for the first time, but was impacted by the introduction of Pepco-sourced GM from March 2024, which has not resonated with customers. In the FMCG category the market was highly competitive during the year driven by the large Polish food retailers, and Dealz suffered from not having sufficient range differentiation which it is reviewing. Strengthening the GM offer will be a key focus during FY25 in order to recover sales and improve gross margin.

2. Enhancing the customer offer

The markets in which we operate are becoming increasingly competitive, such that it has become critically important for us to know our customers better and address their changing needs at market leading prices.

Pepco – Better understanding of our customers

Improving our knowledge of customers is a key element of our strategy. We regularly conduct surveys and talk to our customers to understand more clearly consumer trends, brand equity and impacts of macroeconomic activity. This analysis is then used across the business, from buying teams to procurement, in order to tailor our products and store layout to our customers' needs.

The business regularly adapts the offer to ensure a continuing range of new products on store shelves. The offer is regularly refreshed and improved with over 130 new collections every season.

Feedback from our customer surveys continues to highlight that two-thirds of shoppers view low prices as the key reason for Pepco customers to visit a store. The chain has a large base of loyal customers with over half visiting a store more than once a month. We know that customers have faced a more difficult financial period over the last year, which has meant greater appreciation for the affordability of Pepco's customer offer.

Poundland grows digital presence

Poundland's online business has grown rapidly, although from a standing start, following the 2022 acquisition of Poundshop.com, with orders more than doubling under Poundland ownership. During the year, Poundland has transitioned operations to a new distribution hub at Darton, South Yorkshire, which gives the business extra capacity to expand its online operations at pace. Last year, the business combined *Poundshop.com* with its principal *Poundland.co.uk* website as the natural next step in order to allow customers to shop from a more tailored Ecommerce offer from Poundland online. It is clear customers are using the online channel for a different shopping mission with a significantly higher average basket online versus in store.

Poundland has continued to explore the potential for increasing digital engagement with its customers. During the year the business launched its first-ever Rewards app, *Poundland Perks*, allowing customers to save more at the check-out. *Poundland Perks* was previously on trial in around 100 stores on the Isle of Wight, Northern Ireland and Scotland, before rolling out nationwide in October 2024. Customers are rewarded for their spending to earn '*Perks Points*' when they spend in different parts of the store. Customers can then turn these points into digital reward vouchers to spend in store or online, or to save for a bigger purchase. There has been a strong customer response to the app to date, having been downloaded by 1.8 million customers in a six-week period, making it one of the fastest growing retail loyalty apps seen in the UK.

Investing in our people to enhance customer satisfaction

We believe that the ability for colleagues to build rewarding careers enhances both the service we provide to our customers and our employment brand. We continue to invest in the capability of our people both in terms of developing our existing colleagues, and attracting new, high-calibre recruits into the business to continue to support and drive our growth agenda.

We invest in colleague training and development providing mandatory, induction and development training to our people at least on an annual basis through our regional training centres. Additionally, we use tablets in stores to offer more e-learning options. A key focus has been on improving internal career pathways to retain the best talent. Reflecting on our commitment to the development of our colleagues, we promoted over 3,000 colleagues during FY24, which demonstrates our strong commitment to internal development.

Refits and refurbishments

At the end of 2023, we paused our Pepco *New Look* programme, where we were initially targeting to re-fit c. 2,500 Pepco stores in the CEE region, as it was clear this programme was not delivering the expected sales uplift and returns. As a result, while 715 conversions took place in FY23, the number of store refits dropped to 219 in FY24, which were mainly concentrated across Poland, Romania, Czechia and Slovakia. We are currently reviewing our store formats with a view to meeting better the needs of our customers and future conversions will reflect a more considered investment approach as we continue to maintain and enhance our network.

3. Driving cost and operational efficiency

Our strategy has been to focus on improving profitability, cash generation and operational simplicity. This strategy has included a more disciplined approach to new store openings and investment in existing core markets, addressing all non-core and underperforming areas of the business, and driving cost efficiency through labour and end-to-end supply chain improvements to help offset inflationary pressures.

Labour efficiencies are a focus area in both Pepco, against a backdrop of a sustained high wage inflation environment in Central Europe, and Poundland given increases in labour costs. The businesses have delivered a reduction in labour hours of 6.2 FTE per store in FY23 to 5.7 in FY24 through a combination of investment in technology such as self-service tills, more efficient allocation of colleagues on the shop floor, as well as changes in processes to reduce stock handling. In addition, the implementation of modern retail point-of-sale systems has improved the speed and quality of service to our customers and simplifies the work for our colleagues.

Over the last 12 months, we have stopped non-core activities across the business in order to focus on our core retail operations. This has included cancelling early-stage plans for franchising and wholesaling opportunities. We paused Pepco's *New Look* refit programme across the CEE markets, exited loss-making Pepco Austria, paused expansion of our Pepco Plus format in Iberia, and undertook a rigorous performance review of all stores across the Group. We have enforced greater disciplines across our internal investment approvals and revisited our store evaluation processes and capex to provide greater certainty on the results from new store openings and other investments going forward.

Move to a single Pepco format to drive efficiencies

Our Pepco 'Plus' store format, which is currently limited to Spain and Portugal, offers FMCG in addition to our core range (clothing and GM). This format created additional complexity to our operations, alongside the need for larger stores, higher levels of capex and consumed additional time for management instead of focus on our core clothing and GM categories. In order to simplify the business, and to focus on the stronger returns delivered by our standard Pepco format, the Group announced during the year it had paused the rollout of new Pepco Plus stores, pending a more detailed review of the future of this format within the Group.

Pepco Plus represents a very small portion of the overall Pepco estate. At the end of FY24 we operated 123 stores all located in Spain and Portugal, accounting for 3% of overall Pepco stores.

Subsequent to the year end and following a detailed review of the format, the Group has taken a decision to focus on its core clothing and GM format and to develop this to the best that we can make it. Accordingly, we are closely evaluating the best positioning for our Pepco 'Plus' stores in Spain and Portugal over the next 12 months. We do not expect this to impact the business opportunity in these markets given the expected growth opportunity for Pepco generally.

Exit of Pepco Austria

The Group announced on 19 February 2024 that it would cease its operations in Austria. The Group entered the market in 2021 and operated 73 Pepco stores in the country. The decision to discontinue these operations was made as part of the Group's review of performance across all its markets. Pepco Austria was losing cash EBITDA of about €1 million per month, such that the exit has improved underlying EBITDA. Austria has been classified as a discontinued item in the financial statements. In total, Austria has led to a non-cash loss on discontinued operations of €49 million largely reflecting impairment of loans and receivables payable to other subsidiaries of the Group. The cash costs associated with the exit of Austria all incurred during the year amounted to approximately €13 million.

Modernising IT will provide platform for future growth

The rollout of a modern IT platform across the Group is fundamental to the future successful growth of the business, providing a robust system, while delivering operating efficiencies. We have been deploying an Oracle ERP (enterprise resource planning) system across the Group. Poundland successfully launched new modules during summer 2023, giving it a single, modern inventory management and finance solution, while introducing enhanced visibility and management of financial data, along with greater efficiency in managing accounts payable.

For Pepco, the development of a new ERP platform has been under development over the past three years, specifically focusing on the deployment of an Oracle system supporting stock and finance, similar to what had been implemented in Poundland. However, it became clear, following a review earlier in the year, that there were issues with the design and implementation plans for this system. We have now decided to stop the programme, and instead will relaunch a revised programme with clearer objectives and timelines given the strategic changes in Pepco's operations and growth aspirations. The recent recruitment of a new Group CIO will drive this relaunch in order to streamline our model to drive operational efficiencies.

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PGS continues to diversify sourcing footprint

Pepco Global Sourcing (PGS), our captive wholly-owned sourcing entity for clothing and GM, provides a key competitive advantage for the Group. Very few discount retailers have an integrated sourcing entity, instead relying on third-party agents. PGS was fully integrated into Pepco during FY23, helping to drive further operating efficiencies.

PGS supported the delivery of 22% unit volume growth year-on-year during FY24 with its share of the Group's buy (excluding branded products) increasing from 88% to 92% of our clothing and GM ranges. By maintaining direct relations with over 375 suppliers, which represent over 750 factories principally in Asia, we are able to achieve significant cost benefits and negotiate better payment terms, with a consequent positive impact on our working capital.

PGS has continued to focus on diversifying its sourcing footprint. PGS' EU sourcing office, in Poland, saw the value of FOB sourced in the region exceeding our initial expectations, although it remains a small percentage of the overall buy. We expect these near-shore sourcing operations to grow further in FY25, as some of our remaining direct vendors migrate to PGS. We have also increased our sourcing flexibility out of countries such as Cambodia and Pakistan.

4. Delivering stronger cash generation through disciplined investment

Greater focus on disciplined capital investment has improved cash generation. This financial strength positions us well to continue executing our growth strategy while maintaining a strong balance sheet. As reflected in our new capital returns policy, we also expect to return excess cash to shareholders over time.

By delivering more measured growth – doing less, to achieve more – the Group has taken a more disciplined approach to investment capex in FY24. This was principally related to slowing new store growth and refits. The number of gross store openings was significantly lower in FY24 (509) compared to the prior year (806). We also spent significantly less on the Pepco store re-fit programme, with 219 conversions in FY24, compared to 715 in FY23.

With respect to our store investments, we reviewed our store assessment model with a more stringent selection criteria and revised financial targets to drive a better quality pipeline of new stores. In addition to this, we reduced capex spend per store and optimised working capital requirements which helped drive an improved return on invested capital on our newest stores.

As a result, capital expenditure in FY24 was significantly lower y-o-y at €212 million (FY23: €382 million), which supported a strong improvement in free cash generation during the year. Free cash flow for the Group was €168 million, an improvement of €274 million over the same period last year.

In relation to supply chain, we opened a new distribution centre in Spain, to support better market economics for our operations in Iberia. This DC is in a ramp-up phase at present. In relation to IT, we have invested in enhancing cyber security, POS terminals and systems and disaster recovery planning.

All capital allocation decisions moving forward will focus on supporting our strategic objectives of driving LFL sales, targeting higher quality growth, strengthening our core infrastructure and control environment and improving operating cost efficiency. Following significant progress during the year we have confidence that we can deliver improving cash flow and value to our shareholders over the long term, while maintaining a strong balance sheet and healthy liquidity.

HUNGARY FRAUD INCIDENT

Pepco Group was the target of a sophisticated fraudulent phishing attack in its Hungarian business in February 2024, resulting in a loss of approximately €16 million in cash. The Company undertook a full investigation including a review of its phishing training and procedures throughout the Group, which were fully re-communicated throughout the business with mandatory assessments. Additional actions were taken to strengthen IT and controls across the business

based on specific learning from this incident. Despite proactively working with the relevant national and international authorities, it is unlikely we will recover any of the funds which were the subject of the fraud.

PEOPLE

In April 2024, the Group announced the appointment of Stephan Borchert as its Chief Executive Officer, effective from 1 July 2024, concluding an extensive global executive search process undertaken by the Board. Stephan undertook an induction period for three months, during which time Andy Bond remained in his role as Executive Chair. Andy reverted to the role of Non-Executive Chair on 1 October 2024, the start of the new financial year.

Stephan is an accomplished CEO with a strong track record of leading international companies across various sectors including fashion, beauty, pharmacy and healthcare services. Stephan served from 2018 to 2022 as CEO of GrandVision, the global leader in optical retail operating more than 7,400 stores in more than 40 countries worldwide under more than 33 different retail banners, with annual revenue of €4bn. Prior to GrandVision, Stephan was President of Sephora EMEA on the Global Executive Committee.

In addition to Stephan's appointment, there were a number of changes to the Group leadership team in October 2024, including the appointment of a new Group Chief Information Officer and Group Chief People Officer. Pablo de Ayala joined as Group CIO in October 2024 from Avolta, a leading multinational retailer operating in over 70 markets, where he was Group CIO. Viola Schimansky joined as Group CHRO in October from Aldi Nord, a leading global discounter, where she was Managing Director - People & Culture International.

During the period, there were a few changes to the Board. Pierre Bouchut stepped down in his role as Independent Non-Executive Director and Audit Committee Chair at the AGM in March 2024. The Board thanks Pierre for his service and commitment to the Company over the last three years.

Frederick Arnold was appointed to the Board as independent Non-Executive Director on 6 June 2024, replacing Pierre as Audit Committee Chair. Frederick is an experienced senior financial executive who has extensive experience serving as board chair, audit committee chair and chair of a variety of transactional and other special committees across numerous public and private UK and US companies.

In addition, we announced the appointment of Sean Mahoney to the Board as a non-executive director in March 2024. Sean joined the Board's audit and nomination committees. Sean has extensive experience serving as a board director for large public and private companies across Europe and the US. Sean also serves as a director of Ibex Group, an independent investment holding company and Pepco Group's largest shareholder.

CAPITAL ALLOCATION POLICY AND CAPITAL RETURNS

The Group reviewed its approach to allocation of capital with the overriding objective being to enhance shareholder value. We will continuously assess our medium-term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage and shareholder returns.

Our capital allocation framework is centred on maintaining a strong balance sheet and ensuring the business operates with an ample level of liquidity. Where the Group generates excess cash, it will continue to prioritise investment to grow its business organically, consistent with attractive returns on capital. Recognising the current strength of the balance sheet (FY24 pre IFRS 16 financial leverage is 0.5x) and increasingly cash-generative nature of the business, the Board has decided to announce an inaugural full year dividend for FY24.

It is the Board's intention to pay a dividend initially at a payout of 20% of full-year underlying net profit. The Board's expectation is that the absolute amount of dividend will remain stable or increase on a full-year basis, subject to any significant internal or external factors.

Therefore, the Board has recommended a full year dividend of 6.2 Euro cents per share, subject to the approval of shareholders at the Annual General Meeting that will be held on 12 March 2025. Further detail, including payout dates, will be provided in due course.

Alongside the dividend, the Board will also review on an ongoing basis the potential for additional cash returns. Any surplus capital identified over time may be returned to shareholders by further dividends and/or share buybacks, subject to the Board's discretion and shareholder approvals.

CURRENT TRADING

Group like-for-like sales since the start of the new financial year are down 0.6% in the nine weeks to 1 December 2024, with mixed trading across the formats.

Performance has been driven by a recovery to positive like-for-like sales for Pepco in September, October and November 2024. There was double-digit volume growth through lower pricing and a stronger than expected performance in GM. The business has benefited from improved availability across stores and a cleaner inventory position, with older stock now largely removed. Pepco has also seen continued improvement in gross margin y-o-y, largely due to favourable currency movements.

In recent weeks, Pepco has been affected by the technical issues experienced by Blue Yonder, our provider of warehouse management systems. We are one of many international retailers impacted by Blue Yonder's outage. We have been working closely with Blue Yonder and all our DCs are now back in operation. We have incurred some additional costs to remediate the situation and are assessing any wider potential financial impact, but do not currently expect this to be material.

Poundland like-for-like sales have continued to decline led by the same trends seen in the last financial year, with an underperformance of all categories. For Dealz, like-for-like sales were up driven by a stronger performance in food and GM.

OUTLOOK

While it remains early in the year, the Group expects to build on the like-for-like sales momentum delivered by Pepco so far in FY25. Focused price investment on key line items, alongside an improvement in availability and freshness of stock, is expected to drive volume-led growth in revenues during the year. For FY25, we are targeting to open approximately 300 net new stores across the Group, with new stores principally focused on the Pepco brand and primarily in the CEE region.

Management's priority in FY25 will be to deliver continuing progress on like-for-like revenues, which should improve as we overcome supply chain challenges, supported by better prices, while we continue to enhance the core customer proposition. With these foundations, as well as a continued focus on disciplined capex to drive free cash generation, we expect to deliver further strategic progress in FY25.

We plan to update on the Group's strategic plan at a Capital Markets Day investor event that will be held on 6 March 2025. Further details will follow in due course.

FINANCIAL REVIEW

Pepco Group N.V. Consolidated Condensed Financial Statements for the 12-month period ending 30 September 2024 are shown on page 28 onwards.

Introduction

The Group experienced a mixed performance during FY24. While revenues hit record levels at €6.2bn (+10.2%), this was driven by new store expansion, against negative like-for-like ("LFL") sales (-3.2%) in all three brands. Pepco saw quarter-on-quarter improvements in its LFL sales performance through the year, exiting the year in September with positive LFL. We will continue to focus on consistent LFL sales growth as a key priority for the Group across all brands.

Notwithstanding the challenging top line, we delivered better, and earlier than expected gross margin recovery, driven by Pepco. This progress was driven by a combination of better buying from our suppliers, while also benefitting from a more favourable foreign exchange environment and normalised freight costs. Group gross margin improved by 390 bps to 43.9% (FY23: 40.0%), while Pepco's gross margin increased by 530 bps to 46.9% (FY23: 41.6%), recovering to its pre-Covid levels.

This margin recovery, alongside an improving focus on costs, lifted FY24 Group underlying EBITDA (IFRS 16) to a record €944m, up 25.2% on the prior year. This was largely as a result of the improvement in Pepco's underlying EBITDA which increased 41.7% to €785m (FY23: €554m). In contrast, Poundland EBITDA declined by 21.5% to €153m (FY23: €195m), due to weak execution on the transition to Pepco-sourced clothing and general merchandise ("GM"). Dealz delivered positive EBITDA of €24m, although undershot its target for the year due to the impact of transitioning to Pepco-sourced GM.

With tighter discipline on investment spending, particularly driven by reduced store openings, capex reduced significantly to €212m for the year, 45.0% lower than FY23 spend of €382m. Alongside continued focus on improving working capital and optimizing our supply chain finance programme, net financial debt for the year reduced to €256m (FY23: €411m), the lowest level since the Company's IPO in 2021. As a ratio of EBITDA, pre IFRS 16 net financial leverage declined to 0.5x in FY24 (from 1.0x in FY23). With a healthy balance sheet and stronger cash generation the Group is well positioned for future growth.

We took decisive action to exit Austria during the year, given the underperformance across almost all stores in that market and with limited prospect of turning around performance in the medium term. This has allowed better focus in our key markets. The impact of exiting Austria has been classified as discontinued operations in our financial statements.

In February 2024, our discovery of a fraudulent phishing attack in Hungary, perpetrated through a sophisticated social engineering scam, led us to review both our financial and IT control environment to guard against any future similar events occurring. Despite proactively working with the relevant authorities, it is unlikely we will recover any of the funds which were the subject of the fraud.

As a result of the material underperformance in Poundland, along with slower growth prospects and a higher cost outlook in the UK following the recent budget, we have assessed the carrying value of that investment and recognised a non-cash impairment of the goodwill and brand asset related to Poundland of €775m, which has driven a reported net loss for the year for the Group of €662m. On an underlying basis, Group net profit for FY24 was €179m, up 14.0% on the prior year.

Strategic focus

For much of FY24 the focus across the business was on remediating challenges resulting from the over-ambitious pace of store expansion across FY22 and FY23, stretching our resources and infrastructure. From a financial perspective we

have four key operating levers at our disposal to drive profitability and cash generation across our business. These levers, which are covered throughout the financial review are:

- **Revenue** underpinned by LFL performance, supplemented with growth through new store expansion. Key to driving sales is our ability to deliver a relevant product offer at leading price points to retain our existing customers and attract new ones.
- **Gross margin** driven by category mix and our ability to optimise sourcing and buy better, while managing certain external factors such as foreign exchange movements, freight and commodities, balanced with maintaining a price leadership position and managing stock.
- **Operating costs** principally across our store operations in addition to our supply chain, central functions and head office. Notwithstanding inflationary challenges it is critical we focus on growing our sales ahead of costs and drive greater operating leverage through cost efficiencies coming from increased scale.
- **Cash generation** through a combination of discipline on investment spending, with increasing focus on returns, and effective management of our working capital principally driven by focus on stock and supplier management.

We identified a number of areas of focus in FY24 to drive an improvement in financial performance, the following of which we have delivered:

- A recovery in FY24 gross margin, which increased from 40.0% to 43.9% year-on-year, principally driven by the improvement in Pepco by 530bps to 46.9%.
- An improvement in the 4-wall cash EBITDA of our core Pepco business in CEE to pre-Covid levels, a target which has been exceeded during the year. Our average 4-wall cash EBITDA per store in core CEE stores was €218k in FY24 compared with €217k in FY19.
- A slow-down in store expansion with greater focus on improving returns on investment through ensuring we open higher quality stores in our core markets. We opened 509 stores (net 392) in FY24 compared with 806 stores in FY23 (net 648) with a significant reduction in new store capex spend at €129m, compared with €207m in the prior year. Most of the stores opened in FY24 have been focused on our core CEE markets where we continue to deliver strong returns.
- Halting our New Look programme, which did not deliver the required return on investment, resulted in a €38m reduction in capex compared to the prior year.

Where we have underperformed relative to our expectations was in our sales targets, with negative LFL sales for the year across all three brands. Our positive sales performance for the year was driven by store expansion from FY23 (as we annualised prior year openings) and FY24. The need to drive positive LFL sales is a key focus area for FY25.

We also experienced higher operating costs. This was partly related to budgeting our costs for a better sales outturn, which did not materialise, alongside experiencing continuing inflationary challenges in many of our key markets, particularly for labour.

With the underperformance of both Poundland and Dealz in adapting to Pepco-sourced clothing and GM ranges, it became clear during the year that transitioning to a single business and customer offer was not working as expected. Consequently, while each of Poundland and Dealz will have the option to continue to source from Pepco's product range, they will have increasing flexibility to source their own ranges appropriate for their markets and customers. This has resulted in some incremental costs as they resource for this compared with previous plans of closer integration with Pepco.

Aside from the trading performance, we also experienced some disruption and higher costs during the year related to our exit from Austria (shown as a discontinued operation) and the impact of the fraud we experienced in Hungary. Following on from the latter event there was a detailed review of both our IT and control environment, with a variety of actions taken to strengthen these further in order to limit any likelihood of a future recurrence.

In relation to challenges with our supply chain during the year, the events in the Middle East disrupted shipping. This resulted in longer lead times of containers arriving at our operating ports, and having to carry additional stock in the

business, all of which were unplanned. Further temporary delays were incurred later in the financial year, due to the change of Government in Bangladesh, a key sourcing market for our clothing.

Trading environment

Trade across the Group in FY24 remained challenging despite improvements in macroeconomic indicators in our key markets. Whilst inflation and interest rate pressures receded from the levels seen in FY23, they remained relatively high in most markets where we operate relative to historical levels, which maintained pressure on our consumers as to how they prioritised their spend. While Pepco still retains, and has improved, a strong price leadership position in its key clothing and GM categories across the CEE region, we are increasingly operating under a more intense competitive environment.

Various supply chain issues affected the consistent and timely availability of stock in-store, which impacted trade for most of FY24. Product availability issues due to supply chain delays were increasingly mitigated by shipping product earlier, optimising shipping routes, and selectively utilising faster carrier options. However, this led to some surcharges in freight rates as containers had to travel longer routes. Expedited methods, such as air or train freight, needed to be used to guarantee timely stock availability, particularly for our seasonal ranges.

In Pepco, the combination of supply chain delays impacting store availability, together with the more difficult competitive landscape contributed to negative LFL sales for FY24 of -2.8%. This improved sequentially quarter-on-quarter through the year and we exited the year, with positive LFL sales in September 2024. We also made progress in the improvement of inventory in Pepco through the year, with older stock from previous seasons being removed through mark down, improving the overall mix towards higher-margin newer stock.

In the UK, where Poundland operates, we saw increasing competition from the larger format retailers during the year for share of the customers' FMCG spend, resulting in weaker FMCG sales (+1.6% LFL) and margin, as we sought to mitigate this challenge. Performance was principally affected by the transition to Pepco sourced clothing and GM products, which has not met customers' expectations for a variety of reasons. In clothing (-19.1% LFL), there were issues with the offer not fully replicating the previous breadth or depth of Poundland's men's and women's ranges and coverage across sizes. In addition, with average unit prices being materially below Poundland's prior offering (-14.9%), the business required significant increases in volume to deliver improving LFL sales which it was unable to achieve. GM (-9.1% LFL) was also impacted by the Pepco offering not resonating with our UK customers and some of the more traditionally relevant GM products being phased out, for example, some traditionally strong seasonal ranges. LFL sales in Poundland was -3.6% for the year, despite Q1 being +0.9%.

Dealz also traded below expectations with LFL for the year landing at -4.8%, reflecting intense competition from other food retailers, including well established supermarkets, as well as issues with the Pepco-sourced GM offering.

FY24 FINANCIAL PERFORMANCE

PROFIT AND LOSS

The Group delivered strong FY24 underlying IFRS 16 EBITDA growth at +25.2%, with 180bps of EBITDA margin expansion. This was principally driven by the strong gross margin performance by Pepco following a normalisation of commodity costs, better contracting with suppliers, favorable FX movements and a stabilisation of container costs from the prior year.

Operating costs increased by 18.6%, which was driven principally by store expansion and the impact of inflationary pressures, particularly on wages. With weaker than anticipated sales throughout the year, the Group's operating leverage deteriorated by 200bps vs prior year. Recognising this, we are taking a more intense approach to both operating costs and capital investment as we go forward.

Profit and Loss (€m)	FY24	FY23 (restated)	*YoY (reported)*	*YoY (constant)*
Revenue	**6,167**	5,596	*10.2%*	*8.1%*
Like-for-like revenues (%)	**-3.2%**	6.0%	*n/a*	*n/a*
Gross profit	**2,706**	2,239	*20.9%*	*18.7%*
Gross profit margin (%)	**43.9%**	40.0%	*390 bps*	*390 bps*
Operating costs	**(1,762)**	(1,486)	*18.6%*	*16.2%*
Operating costs %	**28.6%**	26.6%	*200 bps*	*200 bps*
Underlying EBITDA	**944**	754	*25.2%*	*23.3%*
Underlying EBITDA margin	**15.3%**	13.5%	*180 bps*	*190 bps*
Underlying EBITDA (pre-IFRS 16)	**515**	402	*28.1%*	*26.6%*
Underlying EBITDA margin (pre-IFRS 16)	**8.3%**	7.2%	*110 bps*	*120 bps*
Depreciation and amortisation	**(564)**	(459)	*22.9%*	*20.5%*
Underlying EBIT (IFRS 16)	**380**	295	*28.8%*	*27.8%*
Net financial expense	**(109)**	(81)	*34.6%*	*32.1%*
Underlying PBT	**271**	214	*26.6%*	*25.7%*
Underlying PAT	**179**	157	*14.0%*	15.3%
Underlying EPS (cents)	**31.1**	27.2	*14.3%*	15.4%
Impairment of Poundland	**(775)**	-	*n/a*	*n/a*
Other non-underlying items	**(50)**	(55)	*-9.1%*	*-12.7%*
Reported PBT	**(554)**	159	*<-200%*	*<-200%*
Tax	**(108)**	(50)	*116.0%*	*110.0%*
Reported PAT	**(662)**	108	*<-200%*	*<-200%*
Reported EPS (cents)	**(114.9)**	18.8	*<-200%*	*<-200%*
Loss from discontinued operations	**(49)**	(12)	*<-200%*	*<-200%*

	FY24	FY23 (restated)	YoY (reported)
Net debt	**1,631**	1,692	-3.6%
Leverage: Net debt to EBITDA	**1.7x**	2.2x	-0.5x
Net debt (pre-IFRS 16)	**256**	411	-37.7%
Leverage (pre-IFRS 16): Net debt to EBITDA	**0.5x**	1.0x	-0.5x

NOTE:

- *Numbers above based on continuing operations and according to IFRS 16 unless stated otherwise.*
- *Austria is classified as a discontinued operation following the Group's exit of Pepco Austria. All numbers above (including comparators) exclude Austria.*
- *All foreign currency revenues and costs are translated at the average rate for the month in which they are made.*

Revenue

Group revenue of €6.2bn grew +10.2% during the year driven by continued store expansion, with 392 net new stores opened in the year. LFL revenue of -3.2% saw all three brands report negative LFL revenue during the year. While Pepco saw sequential improvement quarter-on-quarter during the year, and exited the year with positive LFL revenue in the month of September, there is intense focus on delivering positive sustainable LFL revenues as we move into FY25.

LFL growth %	Pepco	Poundland	Dealz	Total
Q1	(3.5%)	0.9%	(4.6%)	(2.2%)
Q2	(2.8%)	(2.8%)	(4.6%)	(2.9%)
Q3	(2.7%)	(6.9%)	(7.3%)	(4.3%)
Q4	(2.2%)	(6.4%)	(2.8%)	(3.5%)
FY	(2.8%)	(3.6%)	(4.8%)	(3.2%)

Revenue growth (reported) %	Pepco	Poundland	Dealz	Total
Q1	16.2%	3.5%	52.1%	13.0%
Q2	16.4%	7.9%	57.3%	14.9%
Q3	13.7%	(0.7%)	30.1%	9.2%
Q4	10.3%	(8.5%)	23.4%	4.1%
FY	14.2%	0.3%	39.6%	10.2%

Gross Margin %

Group gross margin increased by 390bps YoY to 43.9% in FY24, driven by the 530bps YoY improvement in Pepco gross margin to 46.9%. During the year, the Group's principal currencies of Polish Zloty, British Pound and Euro strengthened against our main purchasing currencies of US Dollars and Chinese Yuan which delivered a transactional FX benefit to the gross margin, particularly in the second half of the year. This benefit is expected to continue to support margin in FY25.

During the fourth quarter of FY24, Pepco commenced a series of targeted product price investments to maintain its price leadership position, which will continue into FY25. This, together with a stronger focus on ensuring availability of key products lines and seasonal ranges, are some of the actions that we expect will underpin the recovery of sales into FY25.

Gross margin %	Pepco	Poundland	Dealz	Total
Q1	42.9%	39.6%	31.7%	41.7%
Q2	49.1%	37.8%	32.9%	45.0%
Q3	47.3%	38.4%	35.6%	44.3%
Q4	49.5%	38.1%	33.6%	45.2%
FY	46.9%	38.6%	33.4%	43.9%

Operating costs

FY24 Group operating costs increased by €276m to €1,762m (FY23: €1,486m). The largest element of our operating costs relates to the costs of operating our stores, which increased by 13% during the year, from €1,165m in FY23 to €1,310m in FY24, driven by an increase in trading space in Pepco. Store costs are principally driven by movements in rent, labour and utility costs and the growth in the overall number of operated stores.

- Store costs: The ratio of Group store operating costs to revenues increased by 40bps to 21.3% in FY24 (from 20.8%), driven by lower-than expected LFL growth during the year and store labour cost increases in both Pepco and Poundland due to inflationary pressures and minimum wage increases in the UK. Rent costs also increased 21.2% to €459m.

- SG&A costs: FY24 Group SG&A costs increased to €452m in FY24 (from €321m in FY23) driven largely by increases in payroll costs, including bonuses, due to headcount growth and wage inflation, additional store opening and closure costs, increased IT system running costs and investments in strategic projects across the Group.

Underlying EBITDA

Group underlying (IFRS 16) EBITDA increased 25.2% to €944m (FY23 €754m) during the year largely driven by sales growth coming from increasing store numbers, and gross margin expansion, offset by higher operating costs, principally linked to store expansion. Group underlying (pre-IFRS 16) EBITDA of €515m (8.3% of sales) represents an increase of 28.1% year-on-year.

Whilst we report on an IFRS 16 basis as a Group, we recognise that our business historically disclosed pre-IFRS 16 financial information. The following table provides a summary of the impact of IFRS16 on EBITDA and PBT:

€m	FY24			FY23		
	FY24	IFRS16 Impact	FY24 (pre-IFRS 16)	FY23	IFRS16 Impact	FY23 (pre-IFRS 16)
Underlying EBITDA	944	(430)	515	754	(351)	402
Underlying PBT	271	(4)	267	214	(8)	206
Non-Underlying Items	(825)	6	(819)	(55)	(1)	(56)
Reported PBT	(554)	2	(552)	159	(9)	150
Net Debt/(cash)	1,631	(1,374)	256	1,692	(1,281)	411

IFRS16 lease costs in the year have increased from €351m to €430m (+23%) driven by the continued store roll-out of the business.

Profit before tax

FY24 Group statutory loss before tax was €554m (FY23: profit of €159m), driven principally by the non-cash impairment of Poundland. At an underlying level, FY24 Group underlying PBT increased by 27% to €271m (FY23: €214m).

Our effective interest rate has increased to 6.85% (FY23: 3.75%) due to our secured bond incurring interest of 7.25% and other debt facilities being subject to variable interest rates which have increased year on year. These facilities, including the increased revolving credit facility (RCF) from €190m to €390m, provide additional liquidity given the ongoing growth and expanding scale of the business.

Tax

In FY24 the Group's tax charge was €108m (FY23: €50m), representing an effective tax rate of -19.4% (FY23: 31.8%). Our effective tax rate is significantly distorted by non-underlying items and the de-recognition of previously recognised deferred tax assets, with the Group's underlying effective tax rate in FY24 being 33.8% (FY23: 26.8%).

	FY24			FY23 (restated)		
€m	**Underlying**	**Non-Underlying**	**Reported**	**Underlying**	**Non-Underlying**	**Reported**
(Loss)/profit before taxation	271	(825)	**(554)**	214	(55)	**159**
Taxation (charge)/credit	(92)	(16)	**(108)**	(57)	7	**(50)**
(Loss)/profit after taxation	179	(841)	**(662)**	157	(48)	**108**
Effective tax rate	33.8%	-1.9%	**-19.4%**	26.8%	12.3%	**31.8%**

In our five largest operating markets of the UK, Poland, Spain, Romania, and Czechia, the headline rate of corporate tax is currently 25%, 19%, 25%, 16%, and 21% respectively, with performance in each operating territory impacting our effective tax rate.

Non-underlying items

In FY24 non-underlying items totalled €825m (FY23: €55m) including:

- €775m relating to the non-cash impairment of Poundland (primarily goodwill)
- €29m relating to ERP Software-as-a-Service (SaaS) costs which is considered to be unusual and material costs by nature
- €16m relating to the fraud in Hungary
- €4m relating to Poundland restructuring

- €1m relating to the Value Creation Plan (VCP) scheme

Other than the fraud in Hungary the other non-underlying items are consistent with prior reporting.

Discontinued operations

The Group announced on 19 February 2024 that it would cease its operations in Austria. The Group entered the market in 2021 and operated 73 Pepco stores in the country. The decision to discontinue these operations was made as part of the Group's review of performance across all its markets. Austria has been classified as a discontinued item in the accounts. In total, the Austria exit led to a non-cash loss on discontinued operations of €48.5m, largely reflecting impairment of loans and receivables payable to other subsidiaries of the Group.

SEGMENTAL REPORTING

During FY23, we reviewed the changing operating and financial profile of the Group as it continues to evolve and expand. We took a decision to change the segmental reporting of the Group in FY24 as follows:

- Four geographic segments: UK and Republic of Ireland ("ROI"), Poland, Central and Eastern Europe, and Western Europe
- Three trading segments: Pepco, Poundland, Dealz

	Q4 FY24				FY24			
	Pepco	**Poundland**	**Dealz**	**Group**	**Pepco**	**Poundland**	**Dealz**	**Group**
Revenue €m[2]	938	472	76	**1,486**	3,853	2,006	307	**6,167**
Revenue Growth YoY Constant Currency[3]	11.8%	-10.0%	17.5%	**4.0%**	12.1%	-1.4%	30.9%	**8.1%**
Like-for-like Revenue Growth[4]	-2.2%	-6.4%	-2.8%	**-3.5%**	-2.8%	-3.6%	-4.8%	**-3.2%**
Store numbers								
Total stores at start of period	3,713	845	324	**4,882**	3,450	823	283	**4,556**
New openings	79	2	7	**88**	376	84	49	**509**
Closures	(11)	(11)	-	**(22)**	(45)	(71)	(1)	**(117)**
Total stores at end of period	3,781	836	331	**4,948**	3,781	836	331	**4,948**
Net new stores in period	68	(9)	7	**66**	331	13	48	**392**
Total trading store space growth (m^2)	1.8%	-0.4%	2.5%	**1.4%**	10.9%	8.8%	17.9%	**10.8%**

Note: Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers above (including comparators) exclude Austria

Geographic segments

The business delivered strong sales growth in all regions other than the UK and ROI, driven by the growth of stores in these markets. The Group's revenue growth during the year was driven by a strong performance from Pepco and Dealz.

Revenue (€m)	**FY24**	**FY23**	***YoY (reported)***	***YoY (constant)***
UK & ROI	**2,006**	2,001	*0.2%*	*-1.4%*
Poland	**1,618**	1,414	*14.4%*	*7.3%*
CEE	**1,950**	1,816	*7.4%*	*8.1%*
Western Europe	**592**	365	*62.2%*	*62.2%*
Total	**6,167**	5,596	*10.2%*	*8.1%*

Like-for-like revenue (%)	**FY24**	**FY23**
UK & ROI	**(3.6%)**	5.5%
Poland	**(3.6%)**	4.9%
CEE	**(1.7%)**	8.3%
Western Europe	**(6.5%)**	(0.3%)
Total	**(3.2%)**	6.0%

Store numbers (#)	**FY24**	**FY23**	***YoY***
UK & ROI	**836**	823	*13*
Poland	**1,670**	1,539	*131*
CEE	**1,893**	1,744	*149*
Western Europe	**549**	450	*99*
Total	**4,948**	4,556	*392*

Trading segments

Pepco represents 62.5% of total Group FY24 revenue (FY23: 60.3%) and more than the entirety of the Group's FY24 operating profit. Poundland and Dealz contributed 32.5% and 5.0% of total FY24 revenue respectively (FY23: 35.8% and 3.9%). The significant change in operating profit contribution was driven by an improvement in performance in Pepco and Dealz, while Poundland performance declined due to the negative performance of its clothing and GM categories following a poor transition to Pepco-sourced products.

Revenue (€m)	**FY24**	FY23	*YoY (reported)*	*YoY (constant)*
Pepco	**3,853**	3,375	*14.2%*	*12.1%*
Poundland	**2,006**	2,001	*0.2%*	*-1.4%*
Dealz	**307**	220	*39.5%*	*30.9%*
Total	**6,167**	5,596	*10.2%*	*8.1%*

Like-for-like revenues (%)	**FY24**	FY23
Pepco	**(2.8%)**	6.4%
Poundland	**(3.6%)**	5.5%
Dealz	**(4.8%)**	11.3%
Total	**(3.2%)**	6.0%

Operating profit (€m)	**FY24**	FY23	*YoY (reported)*	*YoY (constant)*
Pepco	**411**	271	*51.7%*	*50.2%*
Poundland	**(3)**	43	*-107.0%*	*-104.7%*
Dealz	**(8)**	(14)	*42.9%*	*42.9%*
Other	**(20)**	(5)	*<-200%*	*<-200%*
Total	**380**	295	*28.8%*	*27.8%*

Pepco

Pepco FY24 sales grew at +14.2% driven by the annualisation of store openings in FY23, along with the in-year impact of opening 331 net new stores in FY24. This took the total number of Pepco stores to 3,781, with new space growth of +11%. LFL revenues landed at -2.8% for the year, albeit showed a steady improvement quarter-on-quarter, exiting the year in positive territory.

In FY24, Pepco did not enter any new territories, as management focused its attention on rebuilding profitability in its core CEE region, alongside tighter capital investment and delivering operational improvements. We continued the expansion into Western Europe, but at a slower pace than in FY23, with 99 new stores opened (vs. 302 in FY23), predominately in Italy (+42) and Spain (+29). In February 2024 the group announced the exit from Austria, as the market had not achieved the level of profitability that was expected and to focus management's attention on driving results in more profitable markets.

As we move into FY25, we are seeing some early signs of recovery driven by better performance of our key value items in GM and clothing, reflecting better prices alongside improved stock availability in our stores.

FY24 Underlying operating costs (IFRS 16) in Pepco has increased by 20.1% year-on-year in absolute terms. A large portion of this relates to the expansion of the estate, inflationary pressures, cost associated with upgrading capacity and capability in specific teams and investment in strategic projects.

Pepco's FY24 underlying EBITDA (IFRS 16) increased by 41.7% to €785m (FY23: €554m), with the underlying EBITDA margin expanding 400bps year-on-year to 20.4%. This was driven by gross margin improvements, partly offset by cost headwinds. On a pre-IFRS 16 basis, FY24 underlying EBITDA was €504m, up by 48.7% versus FY23.

Pepco	**FY24**	**FY23 (restated)**	***YoY (reported)***	***YoY (constant)***
Revenue (€m)	**3,853**	3,375	*14.2%*	*12.1%*
LFL (%)	**-2.8%**	6.2%		
Gross Profit (€m)	**1,807**	1,404	*28.7%*	*26.5%*
Gross Profit (%)	**46.9%**	41.6%	*530 bps*	*530 bps*
Op Costs (€m)	**(1,021)**	(850)	*20.1%*	*17.9%*
Op Costs (%)	**26.5%**	25.2%	*130 bps*	*130 bps*
EBITDA IFRS 16 (€m)	**785**	554	*41.7%*	*39.7%*
EBITDA IFRS 16 (%)	**20.4%**	16.4%	*400 bps*	*400 bps*
Stores (#)	**3,781**	3,450	*331*	
EBITDA pre-IFRS 16 (€m)	**504**	339	*48.7%*	*46.9%*
EBITDA pre-IFRS 16 (%)	**13.1%**	10.1%	*300 bps*	*310 bps*

Poundland

Poundland's FY24 performance was characterised by a weak performance in LFL sales (-3.6%). The main driver of LFL sales underperformance was led by GM (-9.1%) and clothing (-19.1%), following the transition to Pepco-sourced ranges at the beginning of the year. FMCG, which is 67% of Poundland's sales mix, delivered +1.6% LFL sales for the year, with consumers continuing to experience pressure from macroeconomic factors.

Issues with Poundland's new Pepco-sourced ranges include the new clothing offer not fully replicating the previous depth of Poundland's men's and women's ranges, coverages across sizes, as well as relatively low unit prices. In GM, the offering did not resonate with the UK consumer, and some of the more traditionally relevant products and categories, such as stationery and gardening, being phased out, or with reduced space allocation in stores.

Stock shrink also become a material issue for Poundland, rising to c. €52m in FY24, up 30% over the last two years. Management is committed to putting measures in place to minimise the impact of this widespread industry trend, while also seeking to ensure the safety of our store-based colleagues.

Gross margin for the year expanded by 100bps, following better margin from the Pepco ranges and benefits from reduced container costs. Further margin benefits were limited by the mix impact from a disappointing performance in GM and clothing.

Operating costs (IFRS 16) as a percentage of sales increased by 300bps to 30.9%. This is due to provision releases in FY23, compounded by inflationary pressures across FY24, predominately due to UK wage inflation. SG&A cost increases in Poundland were driven by one-off adjustments in FY23 that were not repeated in FY24, increased Oracle

running costs following the full deployment on this system in Poundland, and one-off marketing costs related to a TV campaign.

Poundland reported FY24 EBITDA (IFRS 16) of €153m, below the prior year at €195m. EBITDA margin declined by 220bps to 7.6%. Pre-IFRS 16 EBITDA was €28m in FY24, falling by 62.7% due to sales underperformance, provision movements and year-on-year inflationary cost increases.

Poundland	**FY24**	**FY23 (restated)**	***YoY (reported)***	***YoY (constant)***
Revenue (€m)	**2,006**	2,001	*0.2%*	*-1.4%*
LFL (%)	**-3.6%**	5.5%		
Gross Profit (€m)	**774**	753	*2.8%*	*1.1%*
Gross Profit (%)	**38.6%**	37.6%	*100 bps*	*90 bps*
Op Costs (€m)	**(620)**	(557)	*11.3%*	*9.5%*
Op Costs (%)	**30.9%**	27.9%	*300 bps*	*300 bps*
EBITDA IFRS 16 (€m)	**153**	195	*-21.5%*	*-22.6%*
EBITDA IFRS 16 (%)	**7.6%**	9.8%	*(220) bps*	*(210) bps*
Stores (#)	**836**	823	*13*	
EBITDA pre-IFRS (€m)	**28**	75	*-62.7%*	*-62.7%*
EBITDA pre-IFRS (%)	**1.4%**	3.8%	*(240) bps*	*(230) bps*

Dealz Poland

Similar to Pepco, Dealz delivered strong sales growth of 39.5%, driven by space growth, as LFL sales landed at -4.8%. Dealz added 48 net stores during the year, all in Poland, the only country in which the company now operates. The negative LFL sales result was driven by the weak performance in GM (-12%) as a result of the transition to Pepco-sourced ranges at the beginning of the year. FMCG also performed below expectations with a LFL of -3%, impacted by a highly competitive food market in Poland.

Gross margin for the year expanded by 430bps to 33.4%. This was driven by FX benefits as a result of the relative strength of the Polish zloty against Dealz' buying currencies. IFRS 16 operating costs as a percentage of sales improved by 40bps to 25.5%, driven by sales leverage, helping to offset the absolute increase in the cost base (+€21m) as a result of the store expansion, as well as other inflationary pressures.

At an IFRS 16 level, Dealz EBITDA increased by €17m, to hit €24m in FY24, driven by revenue growth. This represents a 470bps expansion year-on-year. FY24 pre-IFRS 16 EBITDA was €3m, increasing from a LBITDA of €8m in FY23.

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Dealz Poland (€m)	FY24	FY23 (restated)	YoY (reported)	YoY (constant)
Revenue (€m)	**307**	220	*39.5%*	*30.9%*
LFL (%)	**-4.8%**	11.3%	-	-
Gross Profit (€m)	**102**	64	*59.4%*	*50.0%*
Gross Profit (%)	**33.4%**	29.1%	*430 bps*	*430 bps*
Op Costs (€m)	**(78)**	(57)	*36.8%*	*28.1%*
Op Costs (%)	**25.5%**	25.9%	*(40) bps*	*(40) bps*
EBITDA IFRS 16 (€m)	**24**	7	*>200%*	*>200%*
EBITDA IFRS 16 (%)	**7.9%**	3.2%	*470 bps*	*470 bps*
Stores (#)	**331**	283	*48*	-
EBITDA pre-IFRS (€m)	**3**	(8)	-	-
EBITDA pre-IFRS (%)	**0.9%**	-3.6%	*450 bps*	*440 bps*

CASH FLOW

Pepco Group (€m)	FY24	FY23 (restated)	YoY (reported)
Underlying EBITDA pre-IFRS 16	**515**	402	*113*
Working capital	**8**	33	*(25)*
Working capital – pre-IFRS 16 movements	**(5)**	(32)	*27*
Tax paid	**(85)**	(75)	*(10)*
Operating Cash Flow	**432**	328	*104*
Non-underlying items	**(52)**	(52)	-
Capex	**(212)**	(382)	*170*
Free Cash Flow (unlevered)	**168**	(106)	*274*
Net interest paid	**(33)**	(16)	*(17)*
Financing activities	**(120)**	116	*(236)*
Proceeds on sale of PPE	**2**	1	*1*
Discontinued items	**(13)**	(18)	*5*
Net cash flow	**3**	(22)	*25*
Effect of exchange rate fluctuations	**30**	9	*21*
Cash and cash equivalents at the beginning of the period	**330**	344	*(14)*
Cash and cash equivalents at the end of the period	**363**	330	*33*
Net debt: IFRS 16	**1,631**	1,692	
Leverage: IFRS 16 (x EBITDA LTM)	**1.7x**	2.2x	
Net debt: pre-IFRS 16	**256**	411	
Leverage: pre-IFRS 16 (x EBITDA LTM)	**0.5x**	1.0x	
Impact of IFRS 16 on leverage	**1.2x**	1.2x	
Current ratio	**1.0**	0.9	

Operating cash flow before capex and non-underlying items increased by €104m year-on-year to €432m in FY24. Free cash flow improved by €274m to €168m in FY24, allowing a repayment of borrowings. There was a small improvement in working capital, with an increase in supply chain financing offset by higher year-end inventory.

Lease payments of €442m grew 16.3% year-on-year, reflecting the growth in the store portfolio.

Capex was significantly lower for FY24 at €212m (FY23: €382m) reflecting greater investment discipline along with a slower store roll-out, fewer store refits and a focus on our core CEE markets. In FY24, capex represented 3.4% of revenues and the principal areas of expenditure were as follows:

- €129m was invested in opening 509 gross new stores (FY23: 806 gross new stores). This included 84 stores in the UK & ROI, 166 in Poland, 160 in CEE and 99 in Western Europe. UK expansion was largely driven by the opening of a number of stores obtained via the collapse of Wilko
- €40m was invested in store refit programmes
- €22m was invested in IT
- €12m was invested in supply chain infrastructure principally relating to the opening of a new DC in Spain
- The remaining €9m investment relates to maintenance capex, largely store upkeep

BALANCE SHEET

We saw growth in core balance sheet items such as "Property, plant and equipment", and "Right of use assets" which are largely driven by additions from our continued store expansion program. Additions totalled €205m and €403m respectively for these line items.

On an annual basis, we are obliged to perform an impairment analysis of the goodwill held on the Group's balance sheet to determine if the carrying value can be recovered. As a result of the significant deterioration in Poundland's performance, resulting from the weak execution to Pepco-sourced clothing and GM ranges, along with slower growth prospects, increased competition and a higher cost outlook in the UK following the recent budget, we have fully impaired the goodwill of €725m recognised on the acquisition of Poundland. We have also recognised an impairment of €38m relating to the Poundland brand as well as €13m of impairments related to fixed assets.

Inventory increased by 10.3% to €1,235m in FY24 (FY23: €1,120m), representing an increase in stock days from 122 to 130. Stock holding has increased due to continued growth in store numbers and in bringing forward stock purchases into Q4 earlier than last year in order to ensure the Group is ready for the peak Christmas trading period.

Financing

Following the issue of an inaugural Eurobond in FY23 to refinance our earlier Term Loan A, there were no financing events in FY24. However, we did exercise our option to extend the maturity of our €390m Revolving Credit Facility (RCF) by a year from April 2026 to April 2027.

The ratings agencies maintained their corporate ratings on the company as follows: Fitch at 'BB', Moody's at 'Ba3' and S&P Global at 'BB', in line with our key peers.

As of 30 September 2024, the Group's total gross external debt (excluding lease liabilities) was €620m, and made up as follows:

- €375m 7.25% bond due 2028
- €250m Term Loan B due 2026
- Zero drawn on the Company RCF
- €7m finance leases
- Less €12m of debt issuance costs which have been capitalised

Cash at 30 September 2024 was €363m, €33m lower than prior year, partly reflecting pay down of our RCF, resulting in a net financial debt position of €256m (FY23 €411m). Our net debt to underlying LTM EBITDA leverage ratio is as follows:

- 0.5x on a pre-IFRS 16 basis (excluding leases)
- 1.7x on an IFRS 16 basis (including leases)

This puts our leverage at the lowest level since Pepco Group's IPO in 2021 and significantly below our covenant levels. This outturn reflects much stronger discipline and focus on cash and balance sheet management.

Net external finance expenses increased from €80m in FY23 to €109m in FY24. Of this, non-lease related interest costs increased by €12m to €32m, an effective interest rate of 6.85%.

HEDGING AND FOREIGN EXCHANGE

The Group does not hedge the translation impact of profits generated in non-Euro countries. As a result of currency movements during the period, underlying EBITDA in FY24 was higher by around €14 million. The average and period end exchange rates relative to the Group were as follows:

	Average rate		**Period-end rate**	
	FY24	**FY23**	**FY24**	**FY23**
EUR/PLN	**4.354**	4.728	**4.279**	4.681
CNY/PLN	**0.557**	0.651	**0.545**	0.636
USD/PLN	**4.020**	4.631	**3.822**	4.389

The Group does hedge the transactional FX Risk for inventory purchased in Asia, and paid for in US Dollars (USD) and Chinese Yuan (CNY) against Pepco and Poundland's own operating currencies, in order to reduce the volatility on the gross margin. All of the Group's FX Contracts are accounted for in Cash Flow Hedge Relationships. During FY24 there has been general depreciation of USD and CNY against the Polish Zloty (PLN) in particular which is reflected in a continued reduction in the net liability balance sheet position for the Group's Derivative Financial Instruments against FY23.

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Consolidated income statement

for the year ended 30 September 2024

	Note	**Year to 30 September 2024 €000**	Year to 30 September 2023 (Restated) €000
Continuing operations			
Revenue	6	**6,166,749**	5,595,664
Cost of sales		**(3,460,720)**	(3,356,213)
Gross profit		**2,706,029**	2,239,451
Administrative expenses		**(2,371,764)**	(1,997,171)
Goodwill impairment		**(724,824)**	-
Other non-financial assets impairment		**(54,578)**	(3,130)
Operating (loss) / profit from continuing operations	8	**(445,137)**	239,150
Financial income	9	**31,803**	10,245
Financial expense	10	**(140,785)**	(90,550)
(Loss) / Profit before taxation from continuing operations for the year		**(554,119)**	158,845
Taxation		**(107,520)**	(50,481)
(Loss) / Profit from continuing operations for the year		**(661,639)**	108,364
Loss on discontinued operations		**(48,530)**	(11,733)
(Loss) / Profit for the year		**(710,169)**	96,631
Earnings per share			
Basic earnings per share from continuing operations		**(114.9c)**	18.8c
Basic earnings per share from discontinued operations		**(8.4c)**	(2.0c)
Basic earnings per share		**(123.3c)**	16.8c
Diluted earnings per share from continuing operations		**(114.1c)**	18.7c
Diluted earnings per share from discontinued operations		**(8.4c)**	(2.0c)
Diluted earnings per share		**(122.4c)**	16.7c

Full disclosures to the financial statements will be available in the Annual Report once published.

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Consolidated statement of other comprehensive income

for year ended 30 September 2024

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
(Loss) / Profit for the year	**(710,169)**	96,631
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	**48,942**	46,909
Effective portion of changes in fair value of cash flow hedges	**121,518**	(38,060)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(85,240)**	(128,442)
Deferred tax on items that are or may be reclassified subsequently to profit or loss	**(8,238)**	34,924
Other comprehensive income / (loss) for the year, net of income tax	**76,982**	(84,669)
Total comprehensive (loss) income for the year	**(633,187)**	11,962

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Consolidated statement of financial position

at 30 September 2024

	30 September 2024 €000	30 September 2023 (Restated) €000
Non-current assets		
Property, plant and equipment	**742,833**	746,437
Right-of-use asset	**1,304,678**	1,225,683
Goodwill and other intangible assets	**107,316**	847,477
Trade and other receivables	**52**	46
Derivative financial instruments	**1,766**	6,232
Deferred tax asset	**106,434**	113,414
	2,263,079	2,939,289
Current assets		
Inventories	**1,235,457**	1,119,547
Tax receivable	**253**	865
Trade and other receivables	**102,874**	143,132
Derivative financial instruments	**32,741**	42,106
Cash and cash equivalents	**363,336**	330,417
	1,734,661	1,636,067
Total assets	**3,997,740**	4,575,356
Current liabilities		
Trade and other payables	**1,380,519**	1,270,302
Current tax liabilities	**21,683**	—
Lease liabilities	**346,594**	304,794
Borrowings	**-**	118,794
Derivative financial instruments	**51,259**	91,045
Provisions	**20,504**	2,254
	1,820,559	1,787,189
Non-current liabilities		
Trade and other payables	**3,396**	21,763
Lease liabilities	**1,034,395**	988,377
Borrowings	**612,980**	610,270
Derivative financial instruments	**1,227**	1,730
Provisions	**13,767**	28,319
	1,665,765	1,650,459
Total liabilities	**3,486,324**	3,437,648
Net assets	**511,416**	1,137,708
Equity attributable to equity holders of the parent		
Share capital	**5,760**	5,760
Share premium reserve	**13**	13
Cash flow hedge reserve	**(4,351)**	(32,391)
Merger reserve	**(751)**	(751)
Translation reserve	**25,535**	(23,407)
Share-based payment reserve	**39,908**	33,013
Retained earnings	**445,302**	1,155,471
Total shareholders' equity	**511,416**	1,137,708

Full disclosures to the financial statements will be available in the Annual Report once published.

Consolidated statement of changes in equity

for the year ended 30 September 2024

	Share capital €000	Share premium €000	Cash flow hedge reserve[1] €000	Translation reserve[2] (Restated) €000	Merger reserve[3] €000	Share-based payment reserve[4] €000	Retained earnings (Restated) €000	Total equity (Restated) €000
Balance at 1 October 2023	**5,760**	**13**	**(32,391)**	**(23,407)**	**(751)**	**33,013**	**1,155,471**	**1,137,708**
Total comprehensive income for the period								
Profit for the year	—	—	—	—	—	—	(710,169)	(710,169)
Other comprehensive income for the period	—	—	28,040	48,942	—	—	—	76,982
Total comprehensive income for the period	—	—	28,040	48,942	—	—	(710,169)	(633,187)
Transactions with owners, recorded directly in equity								
Issue of share capital	—	—	—	—	—	—	—	—
Equity-settled share-based payments	—	—	—	—	—	6,895	—	6,895
Total contributions by and distributions to owners	—	—	—	—	—	6,895	—	6,895
Balance at 30 September 2024	**5,760**	**13**	**(4,351)**	**25,535**	**(751)**	**39,908**	**445,302**	**511,416**

1 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.

2 The translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations from their functional currency to the presentation currency of the parent.

3 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the subsidiaries acquired.

4 The Group implemented a Value Creation Plan (VCP) for its Executive Directors.

Full disclosures to the financial statements will be available in the Annual Report once published.

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Consolidated statement of cash flows

for the year ended 30 September 2024

	Note	30 September 2024 €000	30 September 2023 (Restated) €000
Cash flows from operating activities			
(Loss)/profit for the period from continuing operations:		**(661,639)**	108,364
Adjustments for:			
Depreciation, amortisation and impairment		**972,430**	160,092
Right-of-use asset depreciation		**364,757**	302,940
Financial income		**(31,803)**	(10,245)
Financial expense		**140,785**	90,550
Profit on sale of property, plant and equipment		**(270)**	(477)
Equity-settled share-based payment expenses		**6,895**	(2,817)
Taxation		**107,520**	50,481
		898,675	698,888
Decrease/(increase) in trade and other receivables		**42,459**	(57,660)
Increase in inventories		**(49,514)**	(175,075)
Increase in trade and other payables		**11,932**	321,239
Decrease in provisions and employee benefits		**(3,993)**	(17,208)
Settlement of derivatives		**6,801**	(38,099)
Cash generated by operations		**906,361**	732,085
Tax paid		**(85,449)**	(75,424)
Net cash from operating activities in discontinued operations		**(1,909)**	(3,946)
Net cash inflow from operating activities		**819,003**	652,715
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		**2,290**	1,445
Interest received		**22,960**	2,897
Acquisition of a subsidiary net of cash acquired		**(8,465)**	—
Additions to property, plant and equipment		**(204,559)**	(356,664)
Additions to other intangible assets		**(7,189)**	(25,815)
Net cash from investing activities in discontinued operations		**(78)**	(7,159)
Net cash outflow used in investing activities		**(195,041)**	(385,296)
Cash flows from financing activities			
Proceeds from the issue of share capital		—	10
Proceeds from borrowings net of fees incurred		—	431,215
Repayment of borrowings		**(120,000)**	(315,000)
Interest paid		**(56,184)**	(18,809)
Payment of interest on lease liabilities		**(77,311)**	(60,188)
Repayment of lease liabilities		**(364,274)**	(319,992)
Net cash from financing activities in discontinued operations		**(2,970)**	(6,781)
Net cash outflow from financing activities		**(620,739)**	(289,545)
Net increase/(decrease) in cash and cash equivalents		**3,224**	(22,146)
Cash and cash equivalents at beginning of period		**330,417**	343,933
Effect of exchange rate fluctuations on cash held		**29,696**	8,610
Cash and cash equivalents at end of period		**363,336**	330,417

Full disclosures to the financial statements will be available in the Annual Report once published.

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Notes to the consolidated financial statements

1. Basis of preparation

Pepco Group N.V. (the Company) is a public limited liability company incorporated in the Netherlands (registration number 81928491) and domiciled in the United Kingdom. The Company has a primary listing in on the Warsaw Stock Exchange. The registered address is 14th Floor, Capital House, 25 Chapel Street, London, NW1 5DH, United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU (Adopted IFRSs), and also comply with the statutory provisions of part 9 of Book 2 of the Dutch Civil Code. The parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and with part 9 of Book 2 of the Dutch Civil Code.

The accounting policies have, unless otherwise stated, been applied consistently to all years presented in these Group financial statements.

2. Going concern

In determining the appropriate basis of preparation of the 2024 consolidated financial statements, the Board of Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

At the time of publication, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future, which is not less than twelve months from publishing these financial statements. The Group undergoes a rigorous and comprehensive annual budgeting and long-term planning process which is reviewed and challenged by various stakeholders across management and the Board. This financial plan, which is ultimately approved by the Board, is then utilised to measure business performance and it also forms the 'base case' upon which the going concern analysis has been based.

In assessing going concern, the Group has considered a 2-year period to the end of FY26, beyond the minimum requirement of twelve months form the date of publishing the financial statements. The Directors have considered a severe but plausible downside sensitivity and a reverse stress test. The analysis suggested that despite the harsh scenario assumptions, which the management judge to be very unlikely, the Group still retains sufficient headroom across the assessment period and is able to meet all the requirements of its lending covenants.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position will be set out in the Executive Chair's and CFO's reports. Since the going concern assessment uses a base case which has been built on the financial plan, careful consideration has been given to the current macroeconomic environment and the future implications and impacts it may have.

Given the above, the Directors have deemed the application of the going concern basis for the preparation of these consolidation financial statements to be appropriate.

3. New accounting standards and policies

No new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

4. Accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of intangible assets (goodwill and other intangible assets) and right-of-use assets

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets and right-of-use assets. Goodwill is tested for impairment annually and at other times when such indicators exist. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.
When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty are the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied.

Life of brand asset

The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on the trading history of the business, future financial projections and ongoing investment in the business, along with the retail segment occupied by Poundland and the active proposition development happening within the business. The brand is amortised on a straight-line basis.

Key judgements

The judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Lease discount rate

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease is based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset.

Management calculates appropriate discount rates based upon the marginal cost of borrowing currently available to the business as adjusted for several factors including the term of the lease, the location and type of asset and how often payments are made.

Management considers that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets.

Leases

Management exercises judgement in determining the lease term on its lease contracts. Within its lease contracts, particularly those in respect of its retail business, break options are included to provide operational and financial security should store performance be different to expectations. At inception of a lease, management will typically assess the lease term as being the full lease term as such break options are not typically considered reasonably certain to be exercised.

As stated in the accounting policies, the discount rate used to calculate the lease liability is based on the incremental borrowing rate. Incremental borrowing rates are determined quarterly and depend on the lease term, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including the risk-free rate based on government bond rates, country specific risk and entity specific risk.

5. Segmental analysis

Operating segments are defined as components of the Group about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance.

The Group has identified three significant revenue-generating operating segments. One being business trading under the Pepco banner, one being business trading under the Poundland banner, and the final being business trading under the Dealz banner in Poland. In previous reporting periods, the Group referred to two significant revenue-generating operating segments therefore this represents a change and a restatement has been made to ensure results are provided on a comparative basis. A final "other" operating segment includes the Group's sourcing operations, Group functions and other activities that do not meet the threshold requirements for individual reporting.

EBITDA is the primary profit metric reviewed by the CODM and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before depreciation, amortisation, impairment, profit/loss on disposal of tangible and intangible assets and other expenses.

Tax and interest are not reviewed by the CODM on an operating segment basis.

Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. Investments in subsidiaries within the Group, along with relevant consolidation adjustments and eliminations are allocated to the relevant segment. Assets and liabilities included within the "other" segment relate to balances held by the Group's sourcing operations.

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
External revenue		
Pepco	**3,853,169**	3,374,980
Poundland UK & ROI	**2,006,333**	2,000,633
Dealz Poland	**307,247**	220,051
Group external revenue	**6,166,749**	5,595,664
Underlying EBITDA		
Pepco	**785,292**	554,768
Poundland UK & ROI	**153,319**	195,325
Dealz Poland	**24,166**	6,535
Other	**(18,750)**	(3,089)
Group underlying EBITDA	**944,027**	753,539
Reported EBITDA		
Pepco	**743,029**	523,355
Poundland UK & ROI	**147,169**	174,231
Dealz Poland	**22,348**	2,453
Other	**(20,766)**	1,899
Group EBITDA	**891,780**	701,938
Less reconciling items to operating profit		
Depreciation of right-of-use asset	**(364,757)**	(302,940)
Impairment of right-of-use asset	**(6,104)**	-
Depreciation of property, plant and equipment	**(182,382)**	(147,390)
Impairment of property, plant and equipment	**(9,767)**	(3,130)
Impairment of goodwill	**(724,824)**	-
Amortisation of other intangibles	**(10,646)**	(9,572)
Impairment of other intangibles	**(38,707)**	-
Profit on disposal of property, plant and equipment	**270**	477
Other expenses	**-**	(233)
Group operating (loss) / profit from continuing operations	**(445,137)**	239,150

All income statement disclosures are for the continuing business only. The total asset, total liability and capital expenditure disclosures are for the entire Group.

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
Depreciation and amortisation		
Pepco	**367,587**	283,845
Poundland UK & ROI	**156,295**	152,480
Dealz Poland	**32,352**	22,102
Other	**1,551**	1,475
Group depreciation and amortisation	**557,785**	459,902
Impairment of property, plant and equipment, goodwill, intangible and right of use assets		
Pepco	**4,362**	3,130
Poundland UK & ROI	**775,040**	-
Dealz Poland	**-**	-
Other	**-**	-
Group Impairment of property, plant and equipment, goodwill, intangible and right of use assets	**779,402**	3,130
Total assets		
Pepco	**2,802,349**	2,591,652
Poundland UK & ROI	**999,492**	1,774,542
Dealz Poland	**172,474**	154,102
Other	**23,425**	55,060
Group total assets	**3,997,740**	4,575,356
Total liabilities		
Pepco	**2,047,329**	1,793,047
Poundland UK & ROI	**679,969**	786,055
Dealz Poland	**94,321**	97,108
Other	**664,705**	761,438
Group total liabilities	**3,486,324**	3,437,648

Additions to non-current assets		
Pepco	**439,790**	561,587
Poundland UK & ROI	**143,942**	196,524
Dealz Poland	**29,273**	70,577
Other	**1,947**	946
Group additions to non-current assets	**614,951**	829,634

6. Geographical analysis

Revenue comprises the consideration paid for products by external customers at the point of sale in stores, net of value added tax and promotional sales discounts. The Group's disaggregated revenue recognised relates to the following geographical segments:

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
UK and Republic of Ireland	**2,006,333**	2,000,633
Poland	**1,617,790**	1,413,973
Rest of Central and Eastern Europe	**1,950,271**	1,816,043
Rest of Western Europe	**592,355**	365,015
	6,166,749	5,595,664

7. Non-underlying items

The Group believes underlying profit, an alternative profit measure, is a valuable way in which to present business performance as it provides the users of the accounts with a clear and more representative view of ongoing business performance. Non-underlying items, which are removed from the reported IFRS measures, are defined as material, exceptional, unusual and other items.

Underlying performance measures should be considered in addition to IFRS measures and are not intended to be a substitute for them. The Group also uses underlying financial performance to improve the comparability of information between reporting periods and geographical units and to aid users in understanding the Group's performance. Consequently, the Group uses underlying financial performance for performance analysis, planning, reporting and incentive setting.

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
Reported EBITDA from continuing operations	**891,780**	701,938
Group Value Creation Plan (VCP)	**893**	(1,905)
Impact of implementation of IFRIC interpretation on SaaS arrangements	**29,661**	42,351
Restructuring costs	**5,450**	11,155
Hungary Fraud Incident	**16,243**	-
Underlying EBITDA from continuing operations	**944,027**	753,539
Reported operating (loss) / profit from continuing operations	**(445,137)**	239,150
Group Value Creation Plan (VCP)	**893**	(1,905)
Impact of implementation of IFRIC interpretation on SaaS arrangements	**29,159**	43,493
Restructuring costs	**3,689**	14,285
Hungary Fraud Incident	**16,243**	-
Impairment of Goodwill and Brand	**775,051**	-
Underlying operating profit from continuing operations	**379,898**	295,023
Reported (loss) / profit before taxation from continuing operations for the year	**(554,119)**	158,845
Group Value Creation Plan (VCP)	**893**	(1,905)
Impact of implementation of IFRIC interpretation on SaaS arrangements	**29,159**	43,493
Restructuring costs	**3,689**	13,473
Hungary Fraud Incident	**16,243**	-
Impairment of Goodwill and Brand	**775,051**	-
Underlying profit before tax from continuing operations	**270,916**	213,906

IFRS 2 charge: A Value Creation Plan ("VCP") was approved by the Board of Directors in March 2020 as a reward tool to incentivise the top management of the Pepco Group and to retain them post an IPO. The Group treat the VCP associated costs as Non-Underlying Costs on the basis;;

- The VCP was specific IPO related incentive which is not a typical share based payment scheme; and
- The scheme was implemented prior to the IPO and the total cost of the scheme (€45.3m) is already reflected in the share price achieved at IPO.

Management believe it is beneficial for the users of the financial statements to understand the underlying operational performance without it being skewed by the impact of the VCP charges.

Impact of implementation of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred: Following the IFRIC interpretation on accounting for SaaS costs, the Group has expensed previously capitalised costs in relation to certain SaaS projects as part of the retrospective application of the new accounting policy. In FY23 and FY24, the Group has specifically expensed costs related to significant ERP programmes.

Restructuring costs: The Group undertook strategic decision in the year to restructure the Poundland business. The non-underlying costs relate to head office cost reduction and strategic change to rationalise costs across the business.

Hungary fraud incident: During FY24, the Group incurred a loss due to a fraud incident which occurred in Pepco Hungary. The loss to the business is a non-underlying expense as it was material, exceptional and unusual in nature. All costs have been captured that relate to this issue and classified as non-underlying.

Impairment in Goodwill and Brand: During FY24 the Group have impaired goodwill and brand assets recognised on the acquisition of Poundland. In addition, right of use assets and property, plant and equipment impairments relating to Poundland have also been incurred. These are all considered to be non-underlying as they are material, exceptional and unusual in nature.

8. Operating profit

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
Operating profit for the period has been arrived at after charging:		
Expense relating to short-term, low-value and variable leases	**57,316**	53,704
Depreciation of tangible fixed assets and other items:		
Owned	**182,382**	147,390
Depreciation of right-of-use assets	**364,757**	302,940
Impairment of property, plant and equipment	**9,767**	3,130
Amortisation of other intangibles	**10,646**	9,572
Impairment of Goodwill	**724,824**	-
Impairment of other intangible assets	**38,707**	-
Impairment of Right of Use Assets	**6,104**	-
Cost of inventories recognised as an expense	**3,419,474**	3,273,908
Write downs of inventories recognised as an expense	**92,201**	67,203

	Year to 30 September 2024 €000	Year to 30 September 2023 €000
Auditors' remuneration		
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts	**538**	540
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries	**1,182**	960
Fees payable to other auditors and their associates for the audit of the Company's subsidiaries	**782**	867
Fees payable to other auditors and their associates in the current year in relation to prior year audit	**128**	244
Total audit fees	**2,630**	2,611
Audit related services	**165**	147
Other services	**-**	132
Total auditors' remuneration	**2,795**	2,890

9. Financial income

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
Bank interest income	**22,960**	2,897
Foreign exchange gains	**8,843**	7,348
	31,803	10,245

10. Financial expense

	Year to 30 September 2024 €000	Year to 30 September 2023 (Restated) €000
Interest on bank loans and amortisation of capitalised finance costs	**67,789**	35,684
Interest on lease liabilities	**77,311**	60,188
Ineffective element of hedging	**(263)**	1,918
Unrealised foreign currency losses on borrowings	**(4,052)**	(7,240)
	140,785	90,550

11. Restatement note

	Year to 30 September 2023 Old €000	Adjustment	Year to 30 September Old 2023 €000
Balance Sheet			
Current assets			
Inventory	1,134,618	(15,701)	1,119,547
Trade and other receivables CA	143,522	(390)	143,132
Current liabilities			
Trade and other payables CL	1,266,195	4,107	1,270,302
Non-current liabilities			
Trade and other payables NCL	21,894	(131)	21,763
Equity			
Translation reserve	(25,784)	2,377	(23,407)
Retained earnings	1,177,285	(21,814)	1,155,471
Income Statement			
Cost of sales	(3,353,740)	(2,473)	(3,356,213)
Gross Profit	2,241,924	(2,473)	2,239,451
Administrative expenses	(1,997,161)	(10)	(1,997,171)
Impairment in other non-financial assets	-	(3,130)	(3,130)
Earnings per share			
Basic earnings per share	17.8c	(1.0c)	16.8c
Diluted earnings per share	17.7c	(1.0c)	16.7c

The prior year balances have been restated and the impact on the relevant financial statement line items have been highlighted above. The restatement has been made as a result of a number of prior period errors that have been noted during FY24. The most significant adjustment relates to the incorrect capitalisation of costs into inventory which once corrected reduces inventory and reduces retained earnings, as these costs were incorrectly capitalised in periods prior to FY23. The remaining adjustments relate to releases of debit balances present in receivables and payables which were required to be written off.