

December 2021

# PEPCO Group



Full Year Results for the Year Ended 30 September 2021

# Today's Agenda

- 1 Highlights *Andy Bond (Group CEO)*
- 2 Financial Update *Nick Wharton (Group CFO)*
- 3 Strategic Progress *Andy Bond (Group CEO)*
- 4 Supply Chain *Andy Bond (Group CEO)*
- 5 Current trading & Outlook *Nick Wharton (Group CFO)*
- 6 Q&A



**PEPCO**  
Group

Highlights

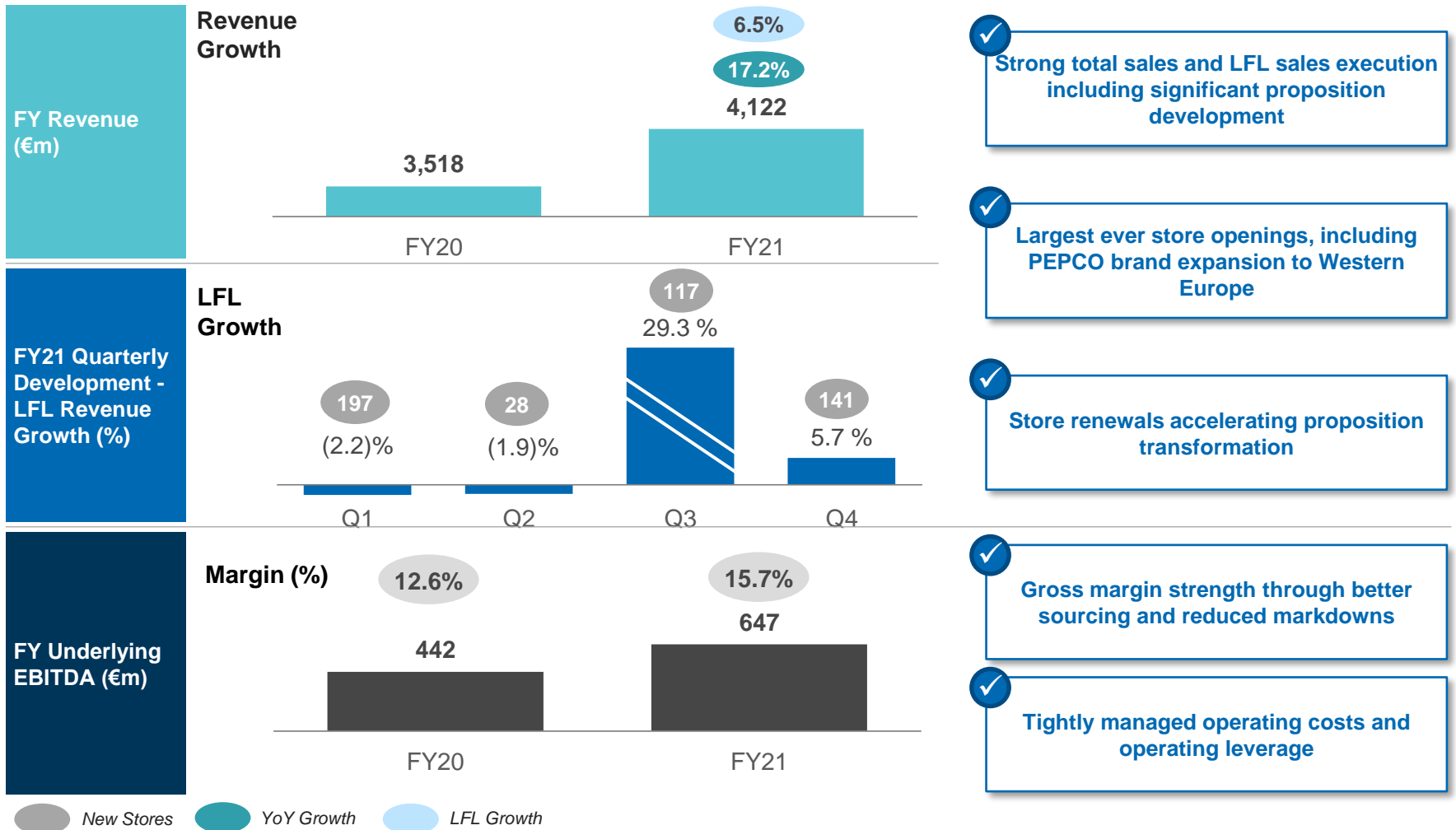
01



The PEPCO logo is displayed in large, white, lowercase letters on a blue background. A small circular icon containing a heart is positioned to the right of the 'o'.

- 1 Strong financial performance despite volatile market conditions in line with guidance and pre-close range
- 2 Building for long term, sustained growth through our strategic pillars
- 3 More confidence than ever on the long term growth ambitions and delivering €1bn EBITDA in 5-7 years
- 4 Managing headwinds well through operational agility and management capability

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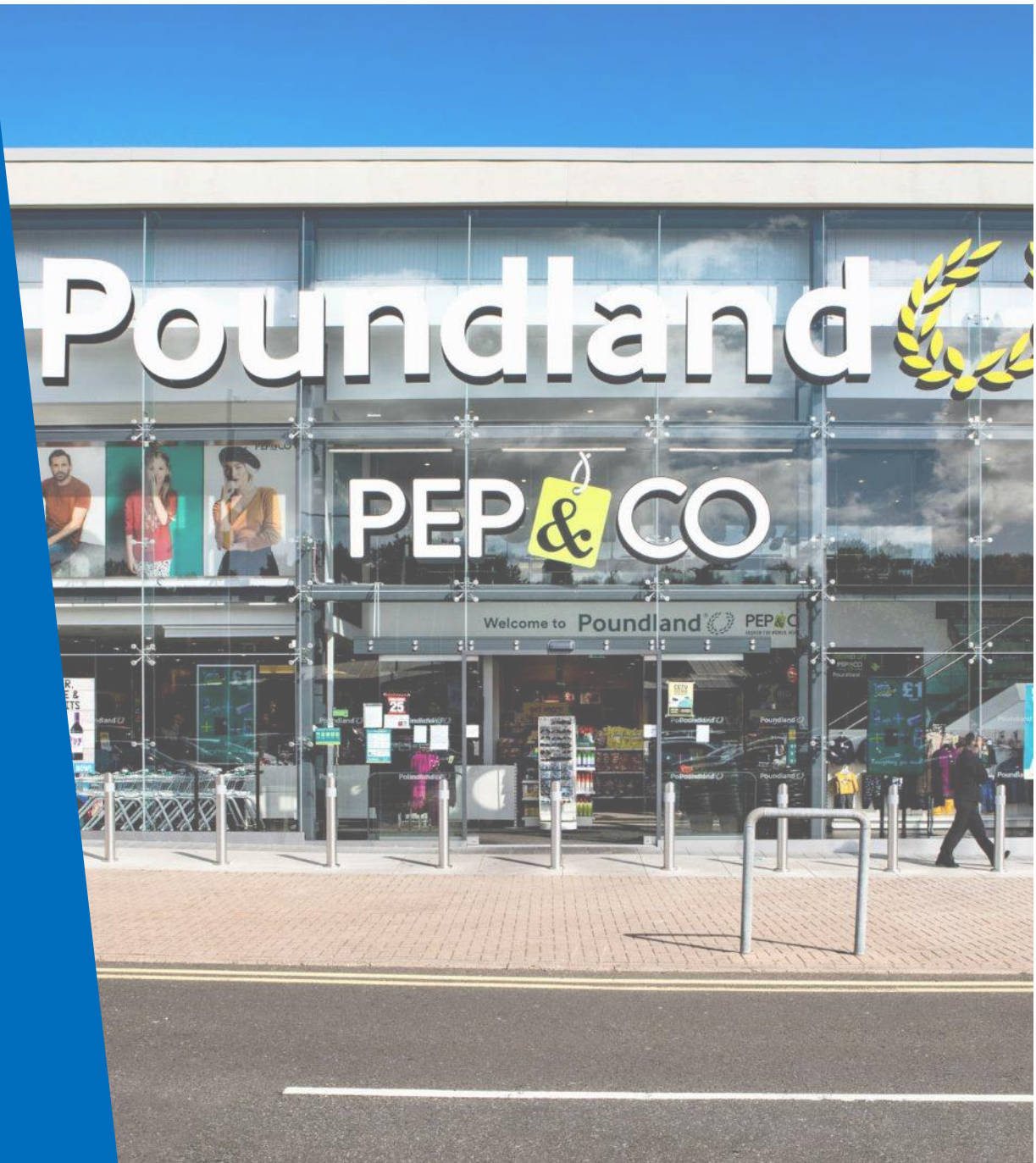


Source: Company filings and documentation. Note: LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store.

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Financial Review

**02**



# Positive year of progress against our strategic framework and company milestones

## **Accelerating Store Expansion**

- ✓ Store expansion supporting 17% YoY revenue growth – *breaking €4bn of Group revenue*

## **Driving LFL Sales**

- ✓ Strategic work driving financial performance – *supporting close to double digit LFL growth*

## **Reducing Cost of Operations**

- ✓ CODB growth at 13% significantly less than total growth– *enhancing long term profitability*
- ✓ Product margin and cost ratios improved – *+220bps gross margin, delivered 16% underlying EBITDA margin*

## **Investing in Infrastructure**

- ✓ Continued to invest with €190m investment in the year – *new Gyal DC fully online, first ERP module delivered*

## **Enhanced Governance and Financial Position**

- ✓ Successful listing on the Warsaw Stock Exchange - *strengthening board and governance*
- ✓ Delivered refinancing of company debt – *significant reduction in financing costs*
- ✓ Strong cash flow and year end position – *enhanced working capital delivering +€107m closing cash YoY*

# Summary Profit & Loss

## PEPCO Group

| Pepco Group                                    | FY20         | FY21         | YoY Growth    |
|--|--------------|--------------|---------------|
| Revenue (€m)                                   | 3,518        | 4,122        | 17.2%         |
| <b>Gross Profit (€m)</b>                       | <b>1,433</b> | <b>1,769</b> | <b>23.4%</b>  |
| <i>Gross Profit Margin (%)</i>                 | 40.7%        | 42.9%        | 220bps        |
| <b>Underlying EBITDA (€m)</b>                  | <b>442</b>   | <b>647</b>   | <b>46.2%</b>  |
| <i>Underlying EBITDA Margin (%)</i>            | 12.6%        | 15.7%        | 310bps        |
| Depreciation and Amortisation (€m)             | (291)        | (326)        | (12.1)%       |
| Interest and other (€m)                        | (102)        | (77)         | 24.8%         |
| <b>Underlying PBT (€m)</b>                     | <b>49</b>    | <b>244</b>   | <b>394%</b>   |
| Non-Underlying Items <sup>1</sup> (€m)         | (32)         | (48)         | -             |
| <b>Reported PBT (€m)</b>                       | <b>18</b>    | <b>196</b>   | <b>1,013%</b> |
| Taxes (€m)                                     | (17)         | (41)         | -             |
| <b>Net Income (€m)</b>                         | <b>0</b>     | <b>155</b>   | <b>-</b>      |
| EPS (€)  | n/a          | 0.27         | -             |
| <b>Underlying EBITDA pre-IFRS16 (€m)</b>       | <b>229</b>   | <b>400</b>   | <b>75%</b>    |
| <i>Underlying EBITDA Margin pre-IFRS16 (%)</i> | 6.5%         | 9.7%         | 320bps        |

**+17% YoY revenue growth, breaking €4bn revenue**

**43% Gross margin, +220bps YoY including offsetting ~€25m supply chain headwind**

**+46% YoY underlying EBITDA growth in line with pre-close range**

**+21% underlying EBITDA pre-IFRS 16 growth vs FY19 in line with IPO guidance**

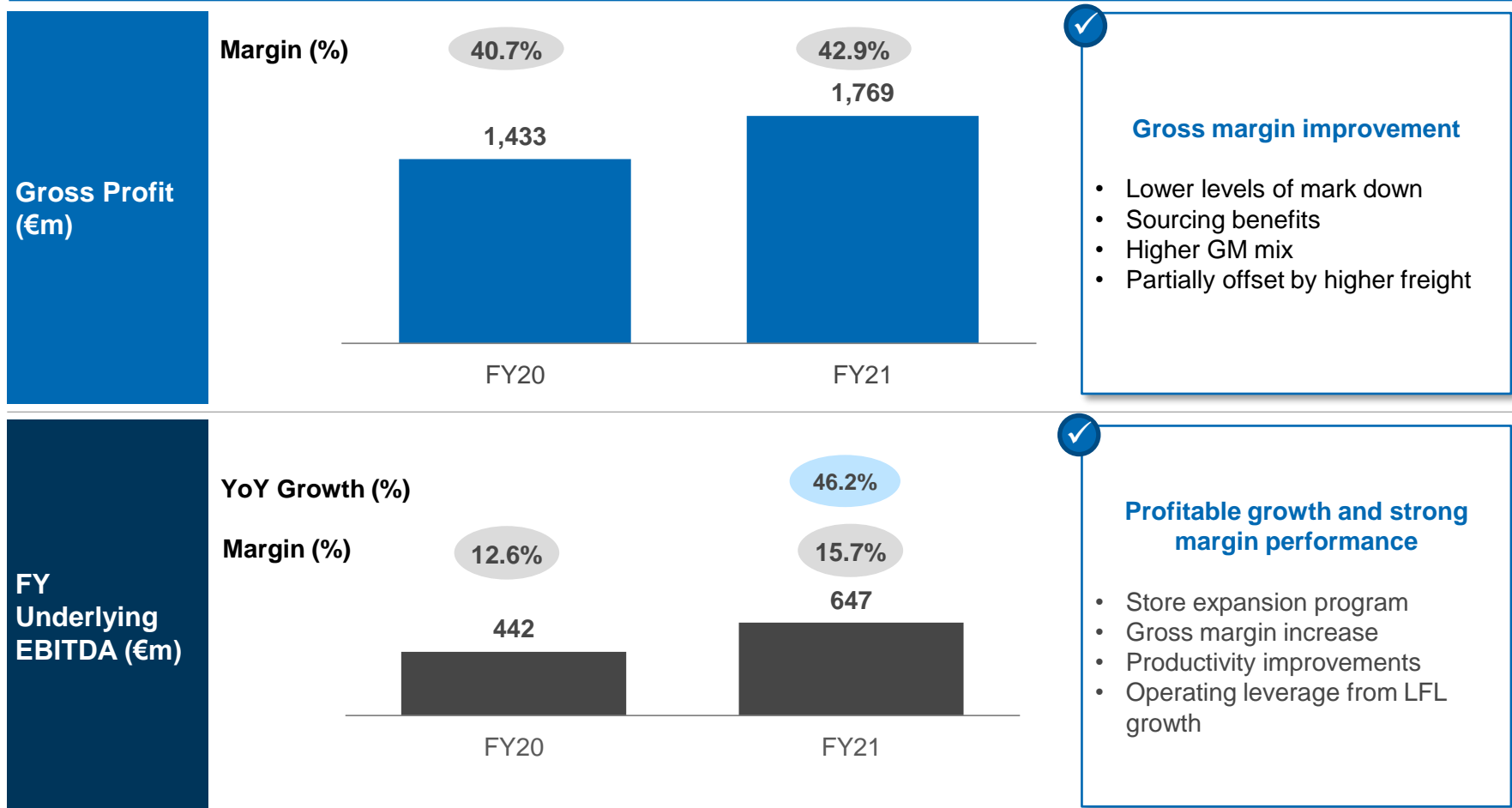
Source: Company filings and documentation. Note: Financials represent post-IFRS 16 figures and on a continuing operations basis unless otherwise stated.

<sup>1</sup> Non-underlying items defined as material, one-off and unusual in nature and include Fees associated with the IPO, the IPO related refinancing and VCP scheme.

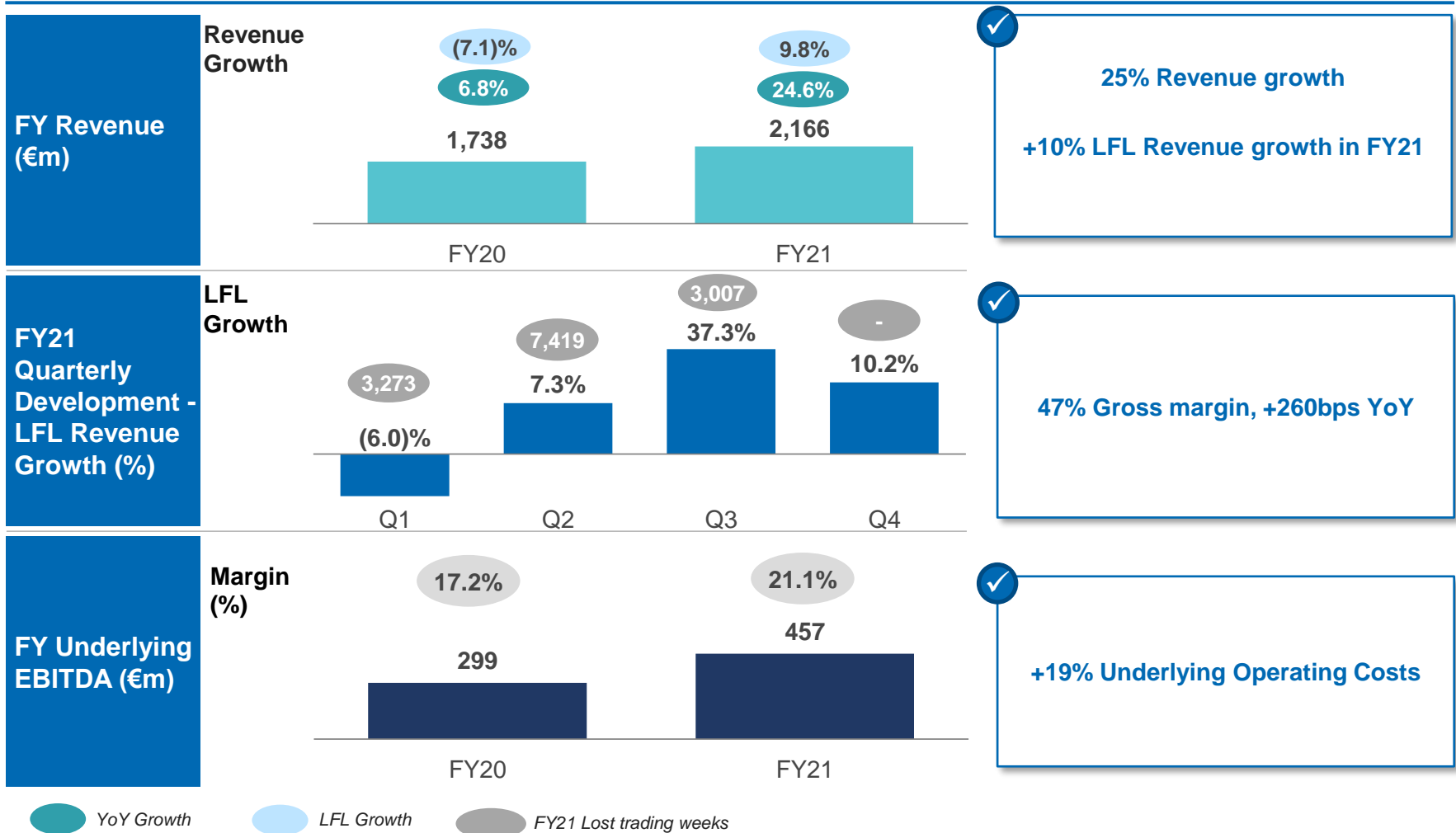


# Deep-dive on Cost Structure and Profitability

## PEPCO Group

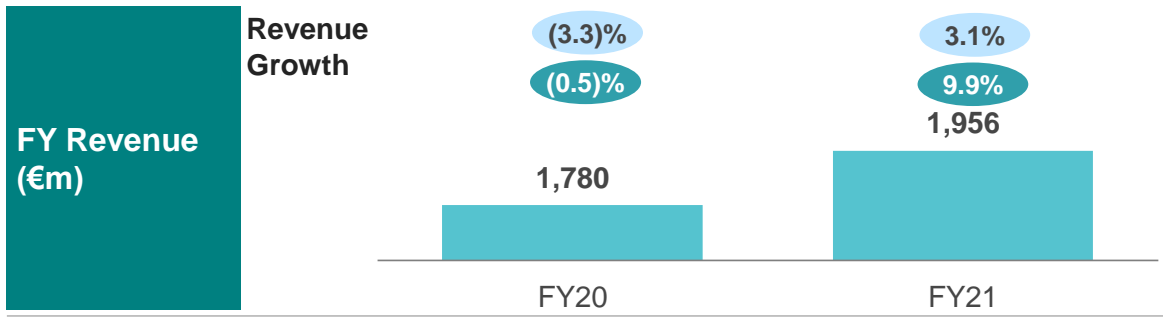


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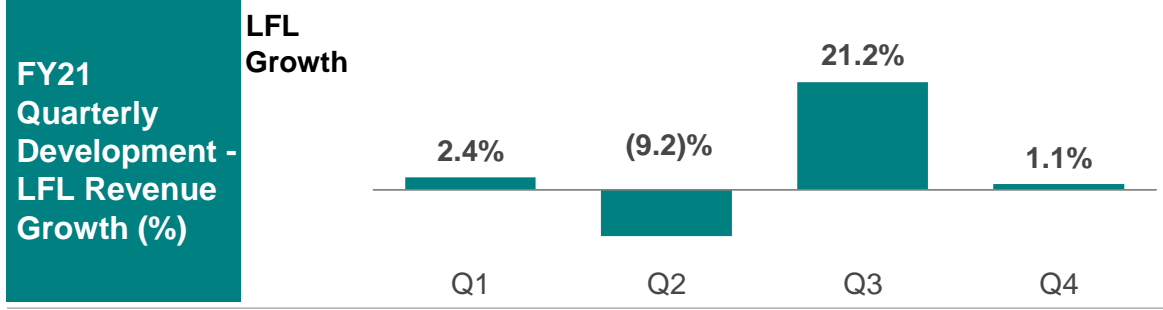


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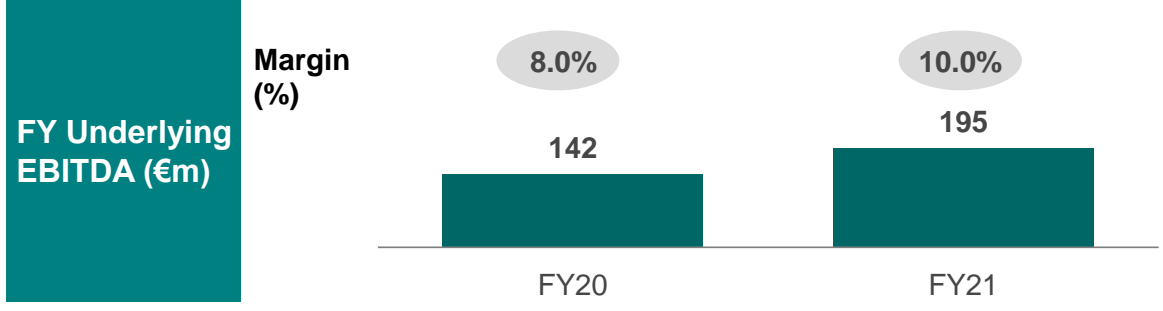
# Focus on Poundland Group



✓ +3% LFL Revenue growth in FY21



✓ 38% Gross margin, +120bps YoY



✓ Lower underlying operating costs alongside government support schemes

● YoY Growth    ● LFL Growth

Source: Company filings and documentation. Note: LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store.

## PEPCO Group

| Pepco Group (€m)                                      | FY20       | FY21       | YoY Growth  |
|---|------------|------------|-------------|
| <b>Cash Generated by Operations (Reported)</b>        | <b>628</b> | <b>752</b> | <b>124</b>  |
| IFRS 16 lease payments                                | (223)      | (256)      | (33)        |
| <b>Cash Generated by Operations (pre-IFRS16)</b>      | <b>405</b> | <b>496</b> | <b>91</b>   |
| Capex   | (163)      | (181)      | (18)        |
| Tax paid  | (49)       | (50)       | (1)         |
| Funding and Investment activities                     | (22)       | (162)      | (140)       |
| <b>Net Cash Flow</b>                                  | <b>171</b> | <b>104</b> | <b>(68)</b> |
| Effect of exchange rate fluctuations                  | (18)       | 4          | 22          |
| Cash and cash equivalents at beginning of the period  | 247        | 400        | 153         |
| <b>Cash and Cash Equivalents at end of the Period</b> | <b>400</b> | <b>508</b> | <b>107</b>  |

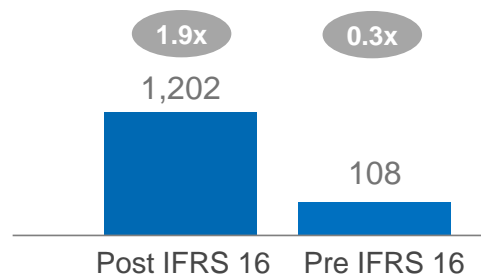
**Strong cash generation, alongside reducing debt and investing for the long term**

**Strengthened working capital cycle**

**Continuing significant investment**

**Pre-IFRS16 EBITDA / Net Debt ratio of 0.3x**

### Net Debt<sup>1</sup>



Leverage

- ✓ **Accelerating Store Expansion**
- ✓ **Driving LFL Sales**
- ✓ **Reducing Cost of Operations**
- ✓ **Investing in Infrastructure**
- ✓ **Enhanced Governance and Financial Position**

Strategic Update



# Strong Strategic Progress

Continuing to deliver on our core strategic levers to drive long term value creation



1

**Accelerating Store Expansion**



2

**Driving LFL Sales**



3

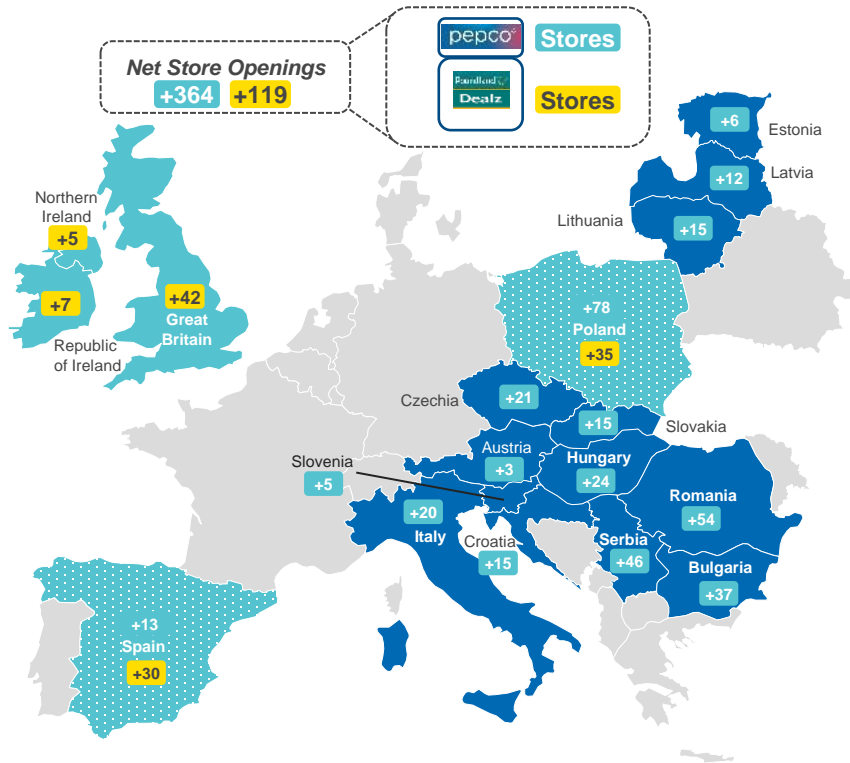
**Reducing Cost of Operations**

4

**Investing in Infrastructure & Colleagues**

## Pepco Group Continues Successful Expansion Across Europe

### Net New Store Openings in FY21



**3,504**  
**Total Stores**



**2,464**



**1,040**

## Commentary

3 new PEPCO territories in the year

364 new PEPCO stores – record annual openings

Including 36 stores in Western Europe and 46 in Serbia

65 Dealz openings – accelerating roll out

Strength of financial returns maintained



# 1 Driving Store Expansion: Italy Case Study

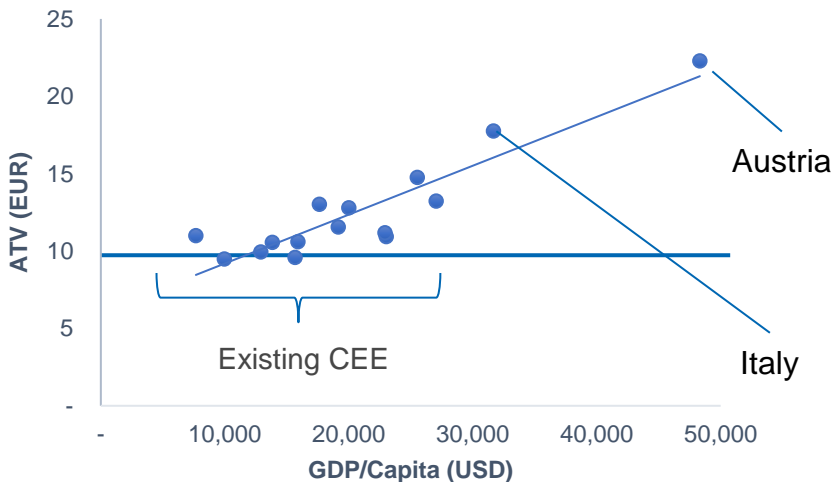
## New Store Openings



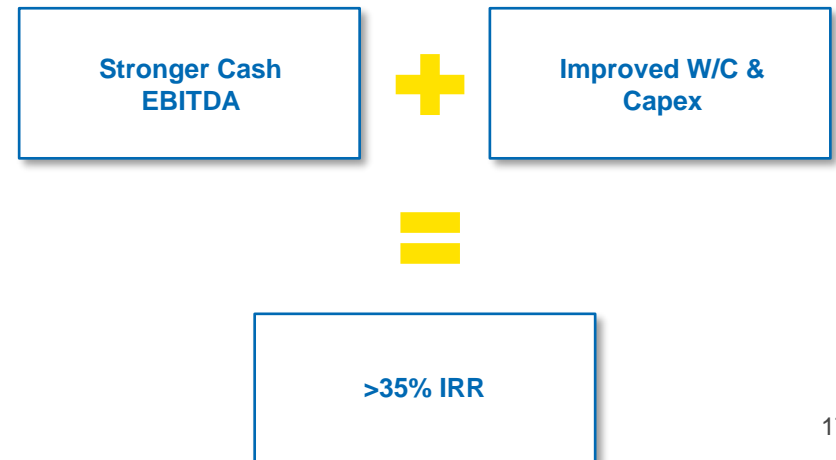
## Italy: Most 'Mature' WEU Territory

- First stores trading from September 2020
- Significant disruption from Covid, strong outside these periods
- Transactions in line with chain c.3,000 per week
- Average basket significantly higher ~85% higher
- Driving ~double chain average weekly store sales
- Resulting in cash EBITDA ~40% higher

## GDP per Capital and PEPCO Store ATV Correlation by Country



## Investment Return



## 2 Proposition Renewal Driving LFL

### PEPCO

#### Range development expanding category reach

Elevation of products – *Peter Cook range performance*

Expanding the GM offering – *elevation of candle range*

Accelerated by store GM expansion through renewals – *12% range expansion, ~ 8 months payback*



### Poundland Group

#### Price architecture opening new and exciting products

Limited number of simple price points – *AUP £1.22 from £1.03 FY18*

Category development – *now 400 PEP&CO, Home range*

New category introduction – *127 Frozen stores in the year*

Store renewal accelerating delivery – *~7 months payback, all include PEP&CO, Home & Frozen*



## PEPCO Group



### Poundland lease cost reductions continue

37% average saving delivered

More than 200 leases renegotiated

Future near term opportunity (>200 further leases in next two years)

### PEPCO supply chain transformation underway

€69m reduction in location specific markdown

Distribution – 18% reduced mileage

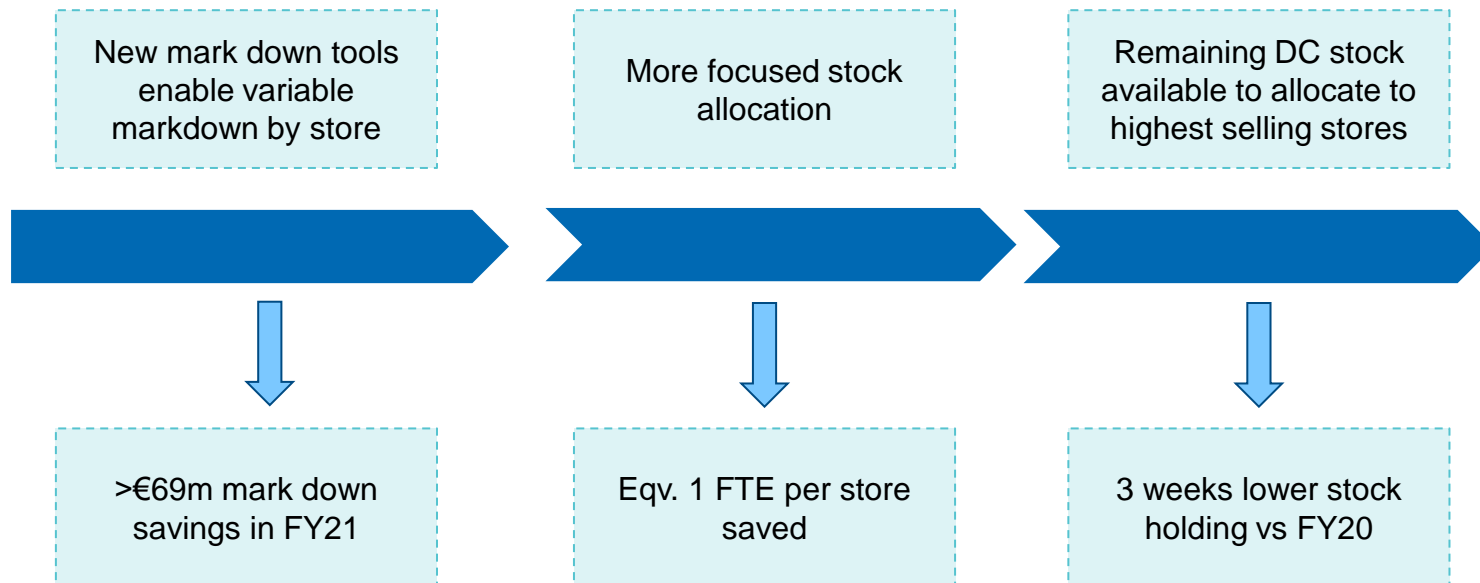
### Cross group labour efficiencies progressively introduced

Labour – eqv. 1 FTE per store in PEPCO

In store process – store mgmt. on the floor improving commercial focus



- Cost saving programmes are broad with delivery beginning in H2 as level of macro headwinds became understood.
- Mark down one example of the many multifaceted actions underway.



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1

**Systems Infrastructure**

First ERP module live  
WMS and HR system investment  
New ePOS in PEPCO

2

**Physical Infrastructure**

Gyal 2 DC fully online  
Dedicated ROI DC  
One of the four UK DCs closed

3

**Colleagues**

2,000 internal promotions  
210 Apprentices  
86% store managers internally promoted



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Supply Chain

04



# Navigating Supply Chain Headwinds

**We are prepared to successfully tackle impacts of inflation on our business and capitalise on the opportunity it presents**

## How we see inflationary pressures

### Inflation impacted areas:

#### ■ Cyclical :

- Containers – cost & availability
- Commodities – cotton & oil

#### ■ Structural

- Labour – both within supply chain & store operations

## Our strategy to navigate inflation

### Protect our customer, opportunity to drive growth:

- Price Investment
- Leveraging PGS & our low cost supply chain
- Focus on our cost of doing business

## Our strategy to navigate disruption:

### Protect availability, opportunity to drive growth:

- Innovative solutions to address the container crisis
- Chartering own vessels
- Leveraging PGS to ensure container availability
- Multi order consolidation

**Supply chain drag primarily in Q4 of €25m offset through action**

**Clear plans to mitigate a likely >€100m cyclical drag in FY22**

Outlook and Current  
Trading Environment





- Underlying trading remains positive
- Strategic delivery has continued well
- Group focused on delivering profit growth
- Has demonstrated ability to deliver in a volatile environment
- Will manage volume, margin rate, cost base to deliver
- Covid restrictions re-emerging with uncertainty as to when lifted
- As of today, FY22 profit growth in line with historic levels

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Q&A

**06**

