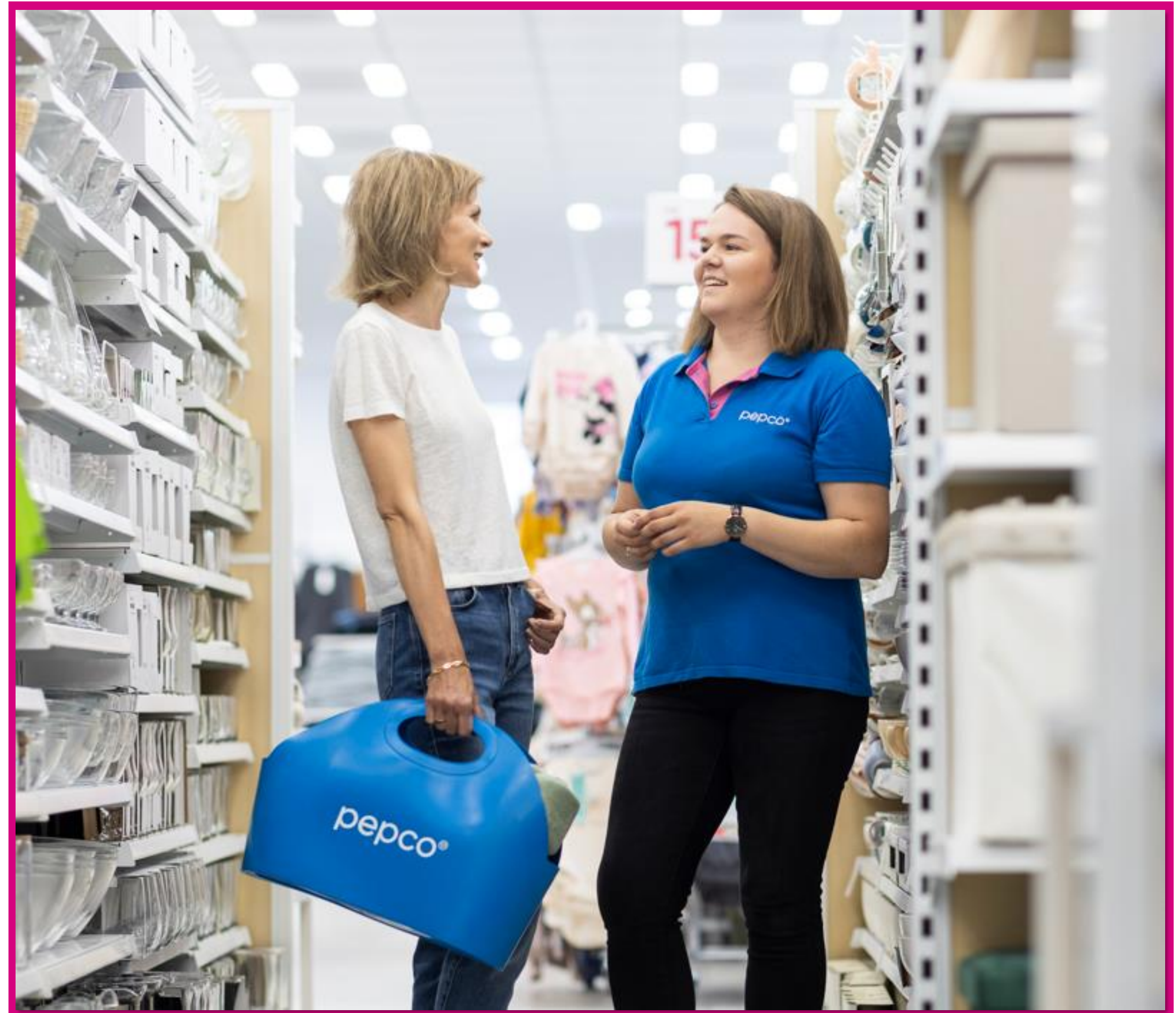




H1 FY24 Interim Results

23 May 2024



Introduction



- Delivered good progress against our strategic objectives
- Our core Pepco business has delivered strong profit improvement in H1, with more to come in the second half
- The growth opportunity remains intact, with a focus on our CEE markets in the near term
- Progress is being made in Western Europe, and recovery will start in Poundland and Dealz
- Step change in capex discipline and cash focus is delivering an improvement in free cash flow

Financial Review

Neil Galloway – Chief Financial Officer

H1 FY24 highlights

- Record H1 Group revenue of €3.2bn, up 14% year-on-year
- Group gross margin up 310 basis points to 43.1%
- Record underlying Group EBITDA (IFRS 16) of €487m up 28%, driven by Pepco EBITDA up 39%
- 289 net new stores opened in H1, of which 86 in Q2
- Strong operating cash flow of €182m, an increase of €99m over the last year



Profit and loss summary

| EUR million | H1 FY24 | H1 FY23 | Change % (constant currency) | Change % (actual currency) |
|---|--------------|--------------|------------------------------------|----------------------------------|
| Revenue | 3,200 | 2,812 | +11.1% | +13.8% |
| Like-for-like revenue growth (%) | -2.5% | +11.1% | - | - |
| Gross profit | 1,378 | 1,125 | +20.0% | +22.5% |
| Gross profit margin (%) | 43.1% | 40.0% | +320 bps | +310 bps |
| Underlying EBITDA IFRS 16 | 487 | 380 | +26.0% | +28.2% |
| Underlying EBITDA margin IFRS 16 (%) | 15.2% | 13.5% | +180 bps | +170 bps |
| Depreciation, amortisation & impairment IFRS 16 | (262) | (210) | +21.6% | +24.8% |
| Net financial expense IFRS 16 | (51) | (27) | +85.9% | +88.9% |
| Underlying PBT | 174 | 143 | +21.1% | +21.7% |
| Non-underlying items | (30) | (23) | +24.8% | +30.4% |
| Reported PBT on continuing operations | 144 | 120 | +20.4% | +20.0% |
| Tax | (40) | (33) | +20.0% | +21.2% |
| Reported PAT on continuing operations | 104 | 87 | +20.5% | +19.5% |
| Discontinued Operations | (51) | (6) | - | - |
| Basic EPS (cents) on continuing operations | 18.1 | 15.1 | n/a | +20.0% |

- Revenue growth of +14% driven by Pepco
- Group gross margin up by 310 basis points
- EBITDA (pre IFRS 16) up 28% to €278m
- Increase in depreciation reflects commitments from FY23 on new stores and refits
- Non-underlying items of €30m due to ERP and Hungary fraud costs
- Discontinued operations impact of €51m relates to exit of Pepco Austria

New store growth has driven revenue performance

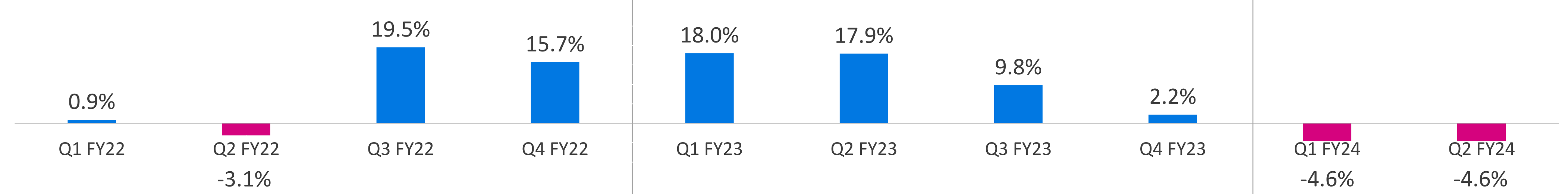
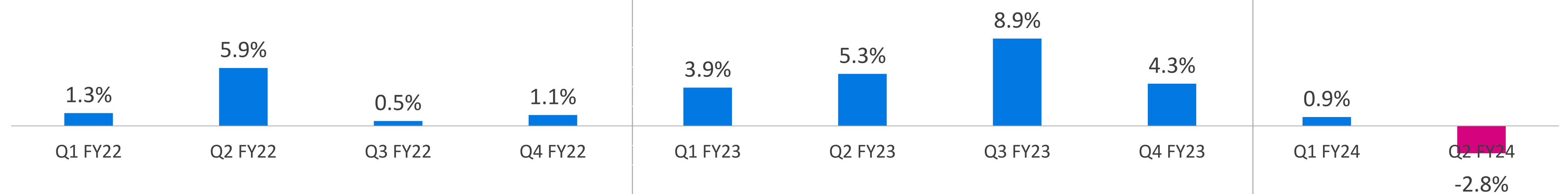
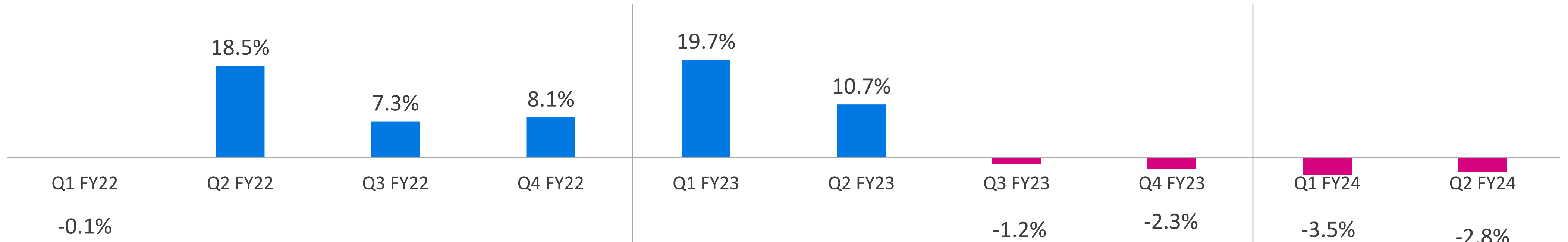
| | | Q1 FY24 | Q2 FY24 | H1 FY24 | H1 FY23 |
|--------------------------------------|-----------------------------|---------|---------|---------|---------|
| Revenue growth at constant currency* | pepco [®] | +13.2% | +13.7% | +13.4% | +32.3% |
| | Poundland | +3.1% | +4.5% | +3.7% | +5.8% |
| | dealz _; | +41.8% | +44.6% | +43.1% | +74.2% |
| | pepco [®] group | +10.7% | +11.7% | +11.1% | +22.3% |
| | | Q1 FY24 | Q2 FY24 | H1 FY24 | H1 FY23 |
| LFL revenue growth | pepco [®] | -3.5% | -2.8% | -3.2% | +15.9% |
| | Poundland | +0.9% | -2.8% | -0.7% | +4.5% |
| | dealz _; | -4.6% | -4.6% | -4.6% | +18.0% |
| | pepco [®] group | -2.2% | -2.9% | -2.5% | +11.1% |

- Group revenue up 11.1%, benefitting from full year impact of FY23 store openings
- Group like-for-like revenue declined 2.5% in H1 against a strong comparator in the prior year (+11.1%)
- Pepco LFL reflects strong comparative period and availability issues related to Red Sea
- Poundland and Dealz LFL impacted by transition to new Pepco clothing and GM ranges

All figures exclude Austria

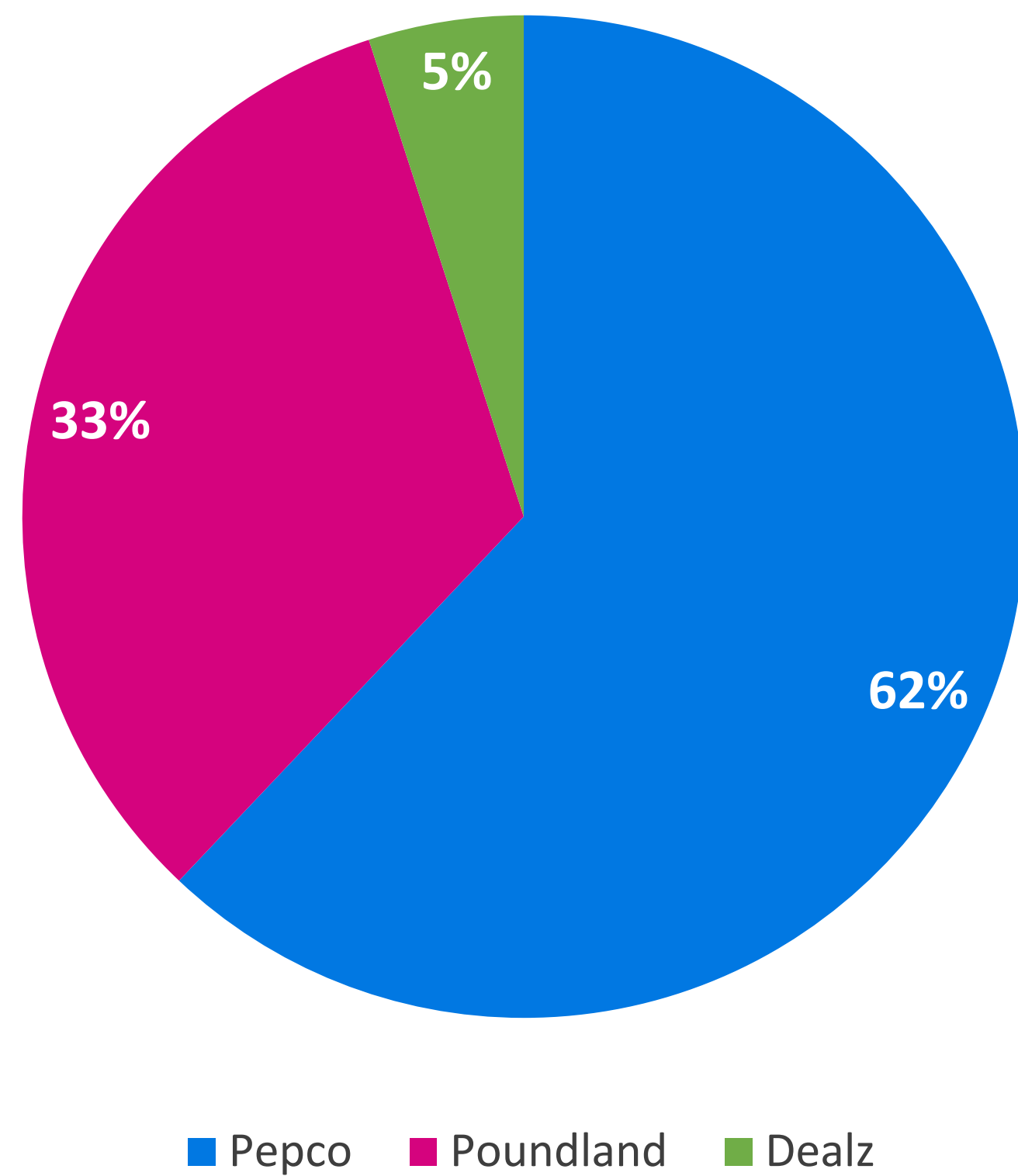
* Dealz Spain revenue in early FY23 has been reclassified to the Pepco segment

LFL performance against a tough y-o-y comparator

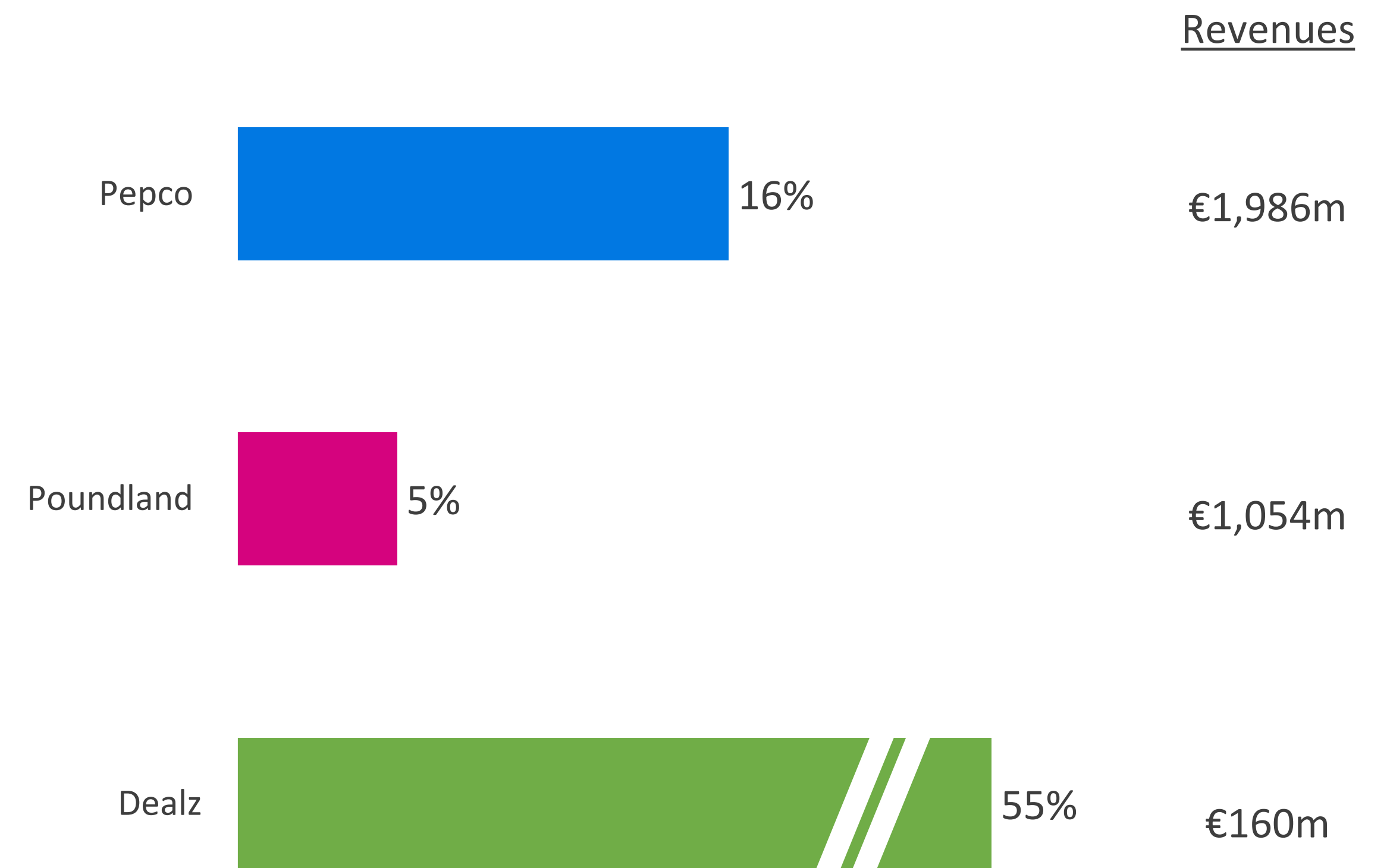


H1 Group revenue by segment

H1 revenue by segment %

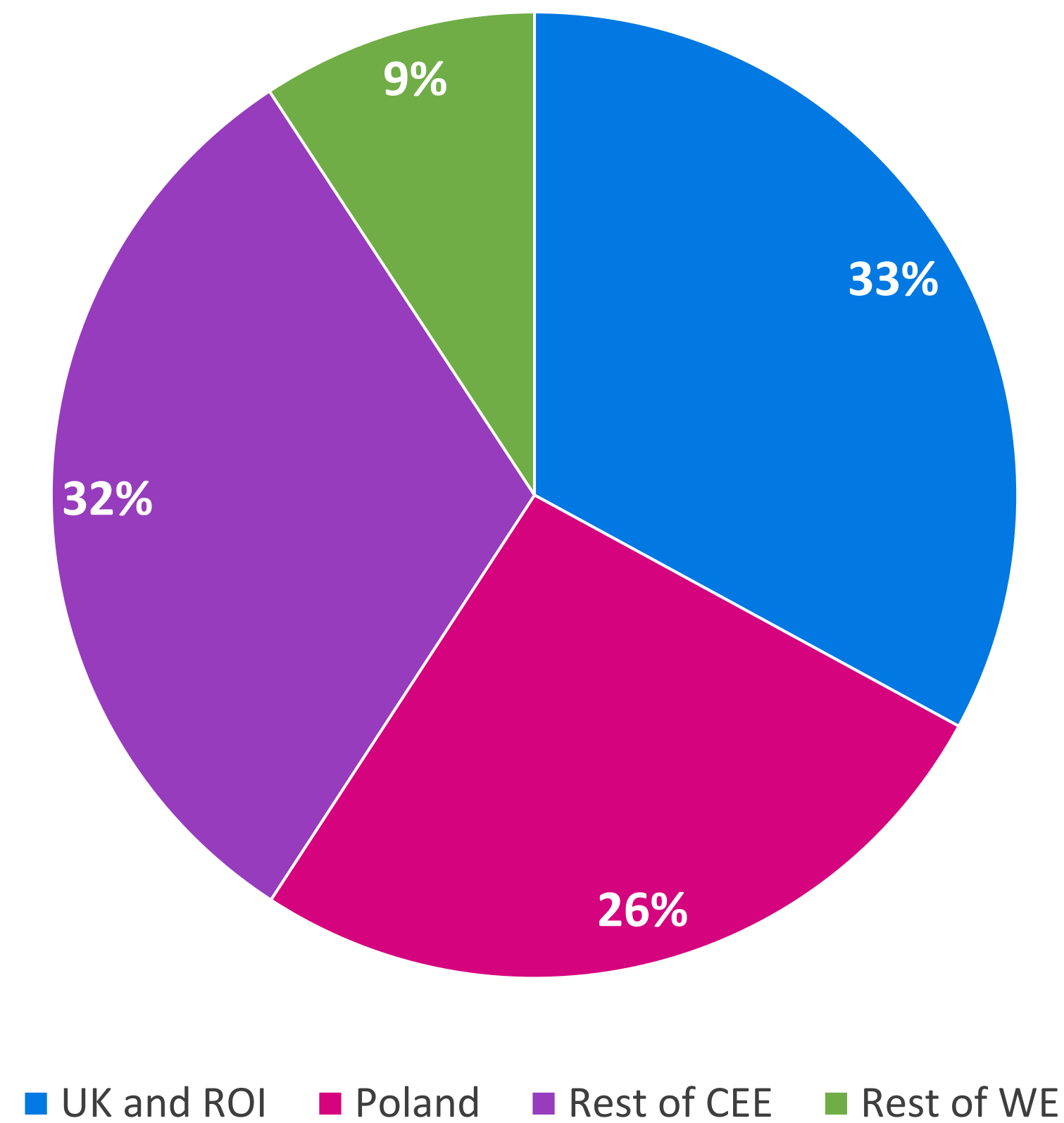


H1 y-o-y revenue growth by segment

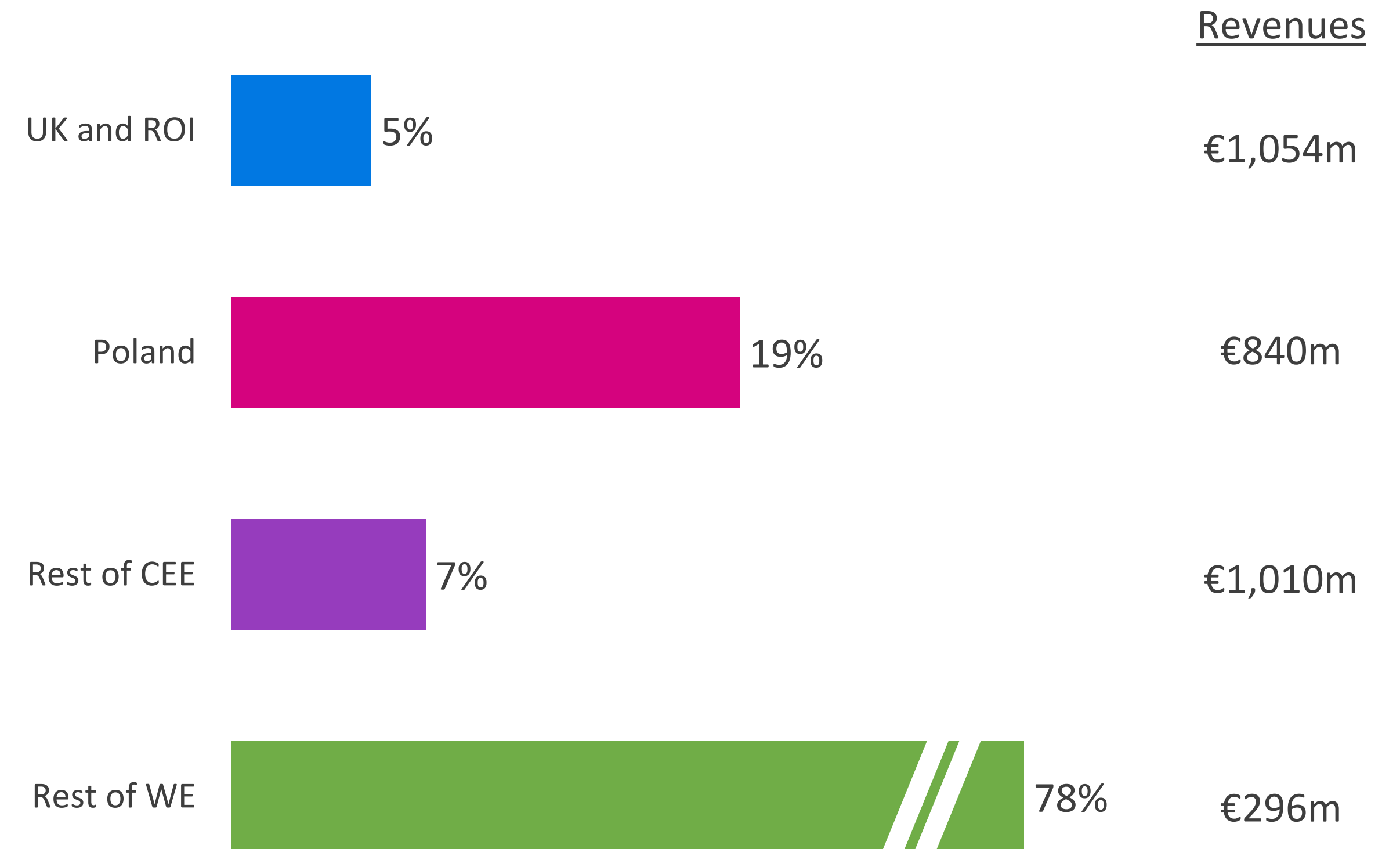


H1 Group revenue by geography

H1 revenue by geography %

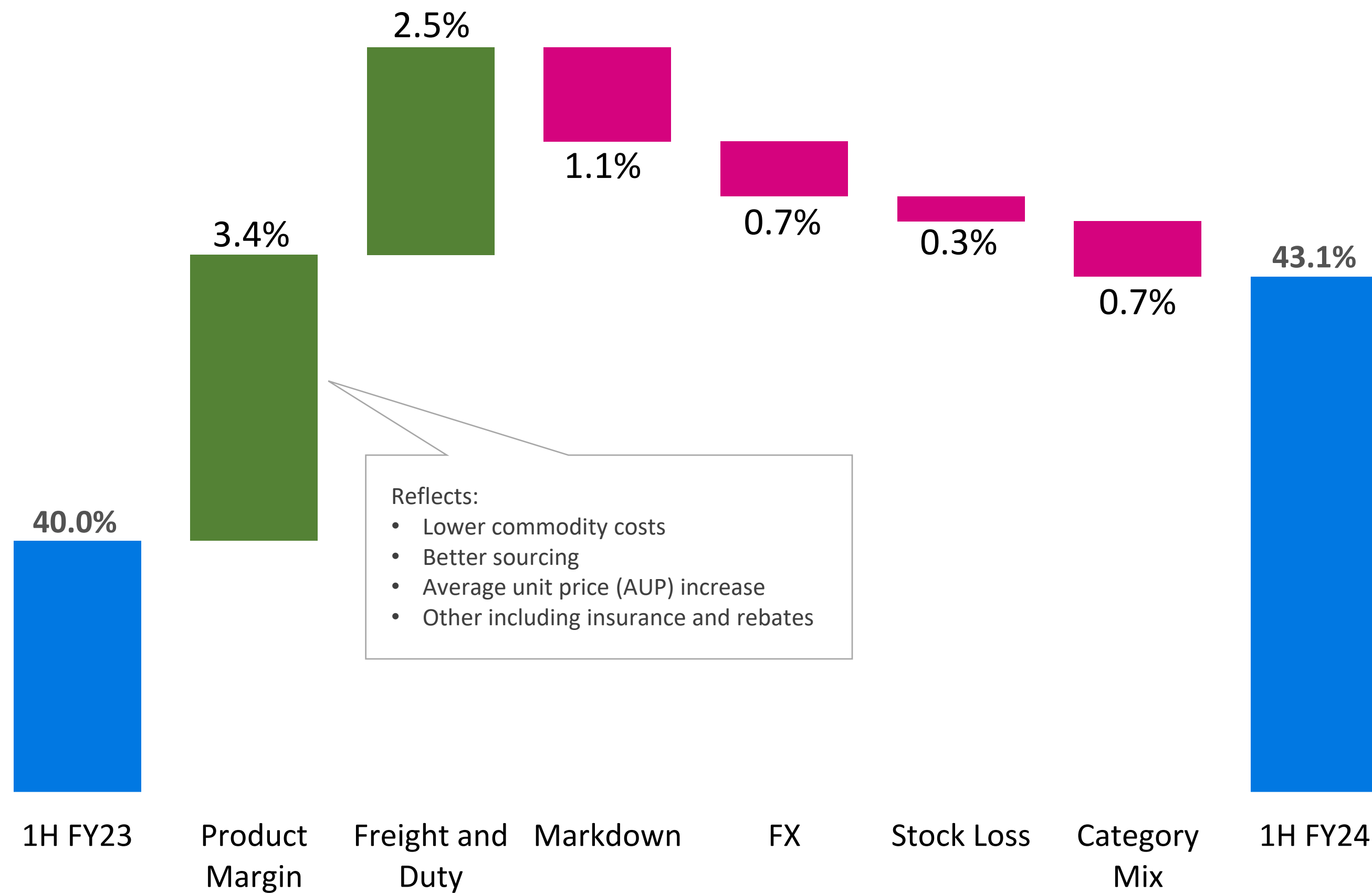


H1 y-o-y revenue growth in key markets

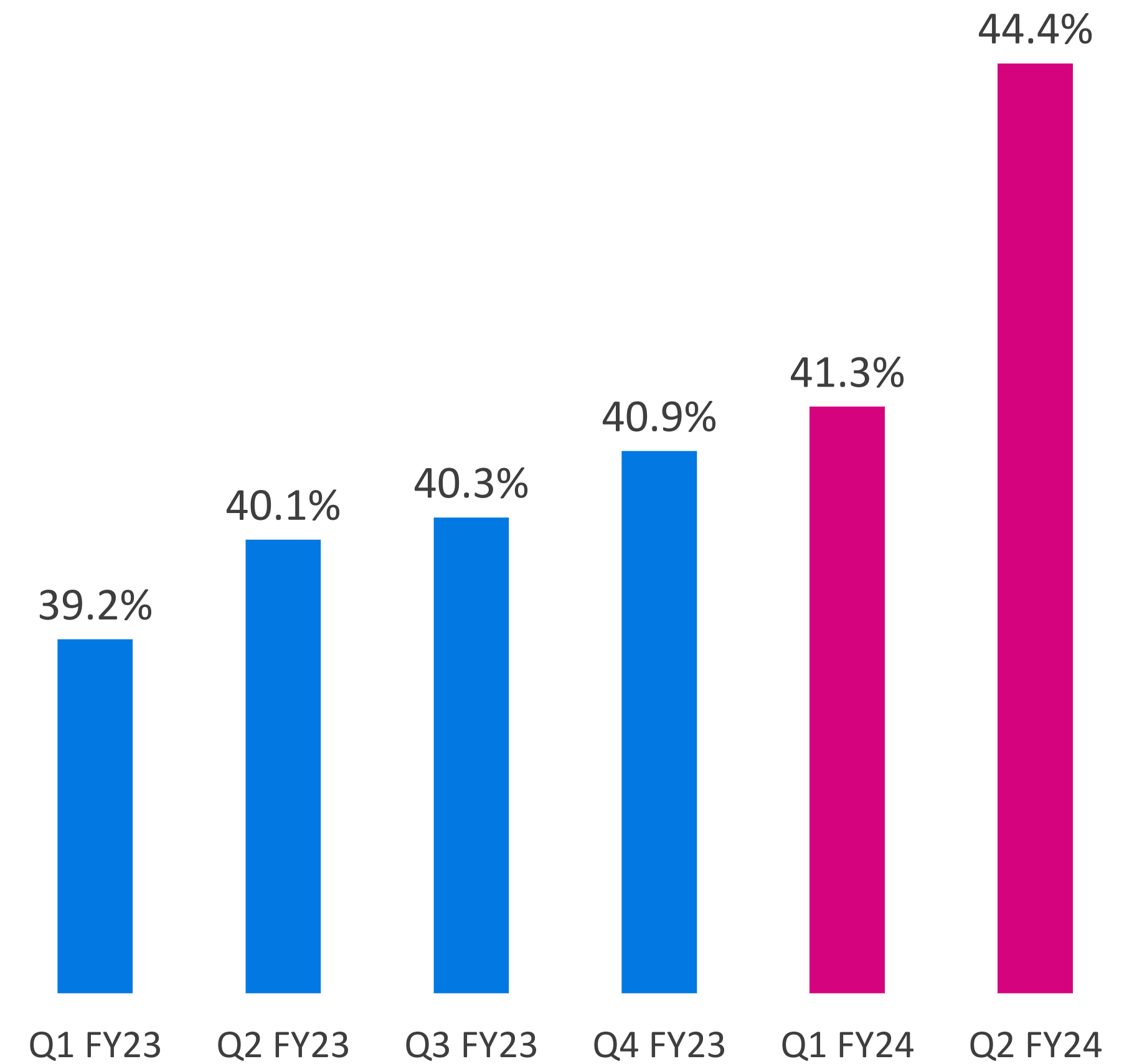


Gross margin benefits from better buying & cost normalisation

FY23 Gross margin (%) bridge

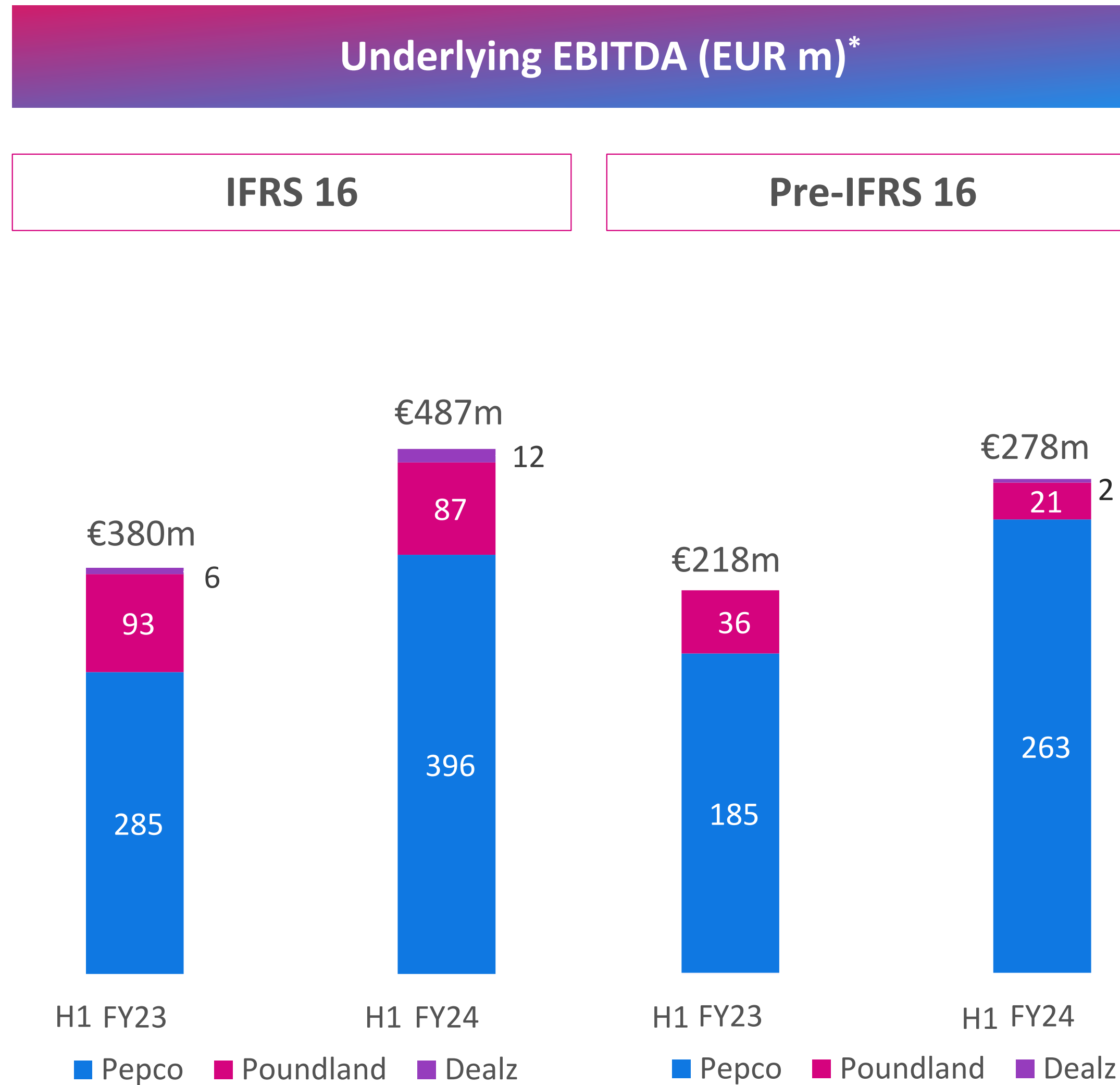


Improving quarterly gross margin % trend*



* Quarterly numbers are based on a trading gross profit basis only

Profit performance driven by Pepco



- Revenue growth across all formats, driven by Pepco
- Record underlying Group EBITDA (IFRS16) of €487m up 28%, driven by Pepco EBITDA up 39%
- Poundland EBITDA (pre-IFRS 16) decline reflects provision releases in prior year and higher utility costs

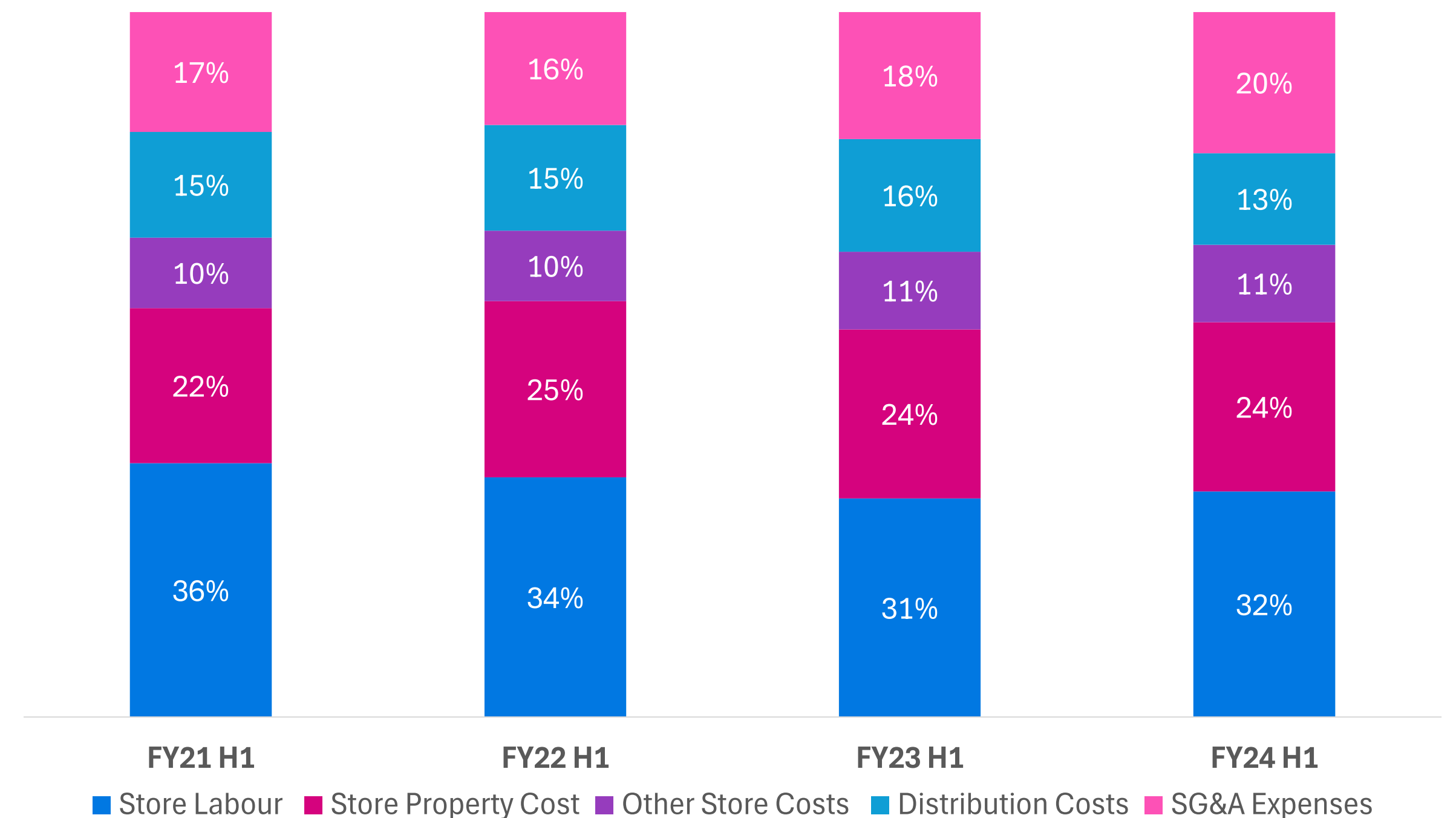
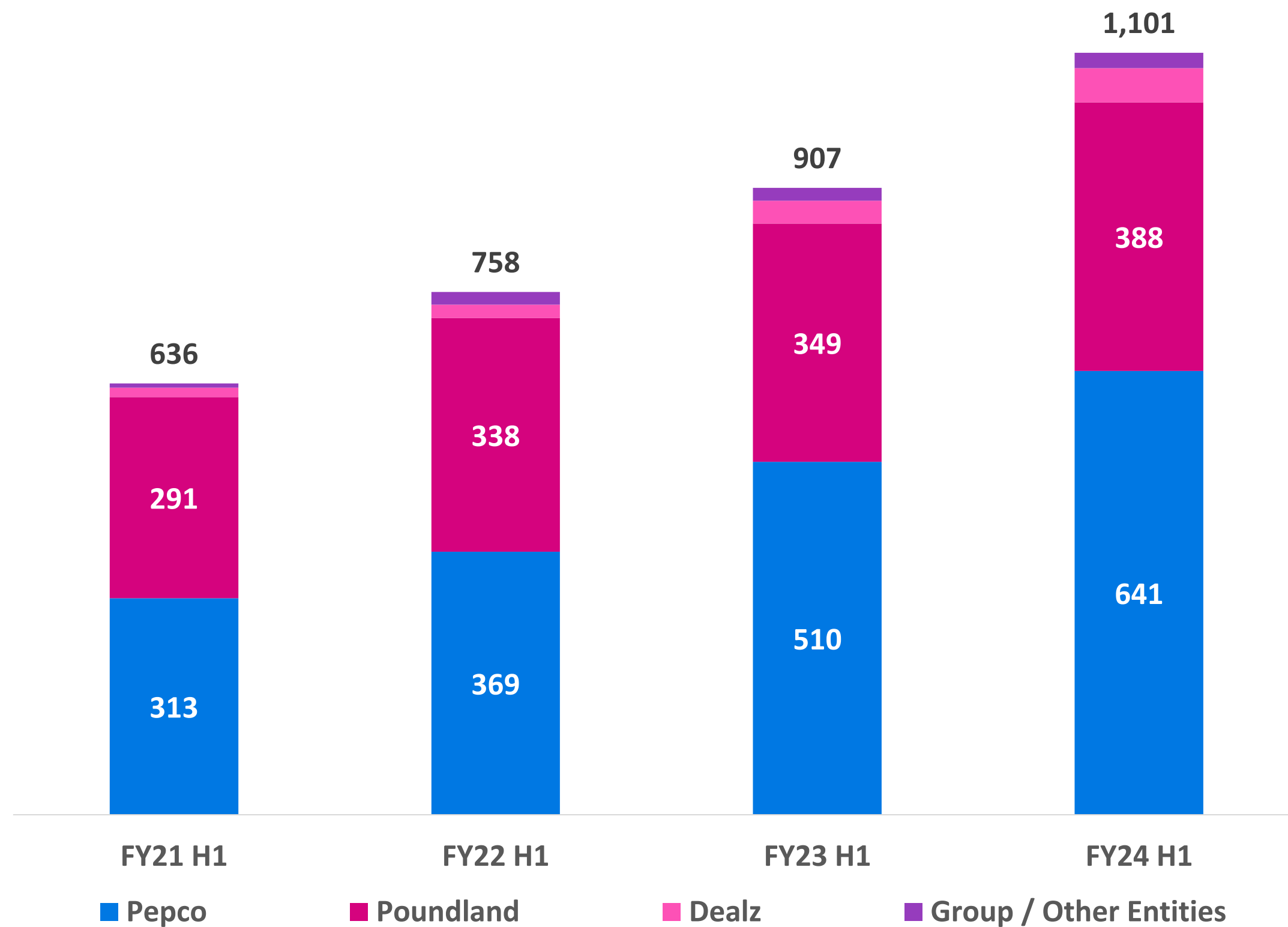
*Total EBITDA figures include Group Services which is not shown as a separate segment

Operating cost inflation driven by new store acceleration

- H1 FY24 operating costs as % of revenue has risen y-o-y
- Higher operating costs related to labour inflation & central costs

Operating cost growth driven by increase in new stores

More discipline over distribution and labour costs, helps to partly offset rising property costs



Cash Flow Summary

EUR million

Underlying EBITDA pre-IFRS 16

Working capital

Working capital – pre-IFRS 16 movements

Tax paid

Operating Cash Flow

Non-underlying items

Capex

Free Cash Flow (unlevered)

Net interest paid

Financing activities

Proceeds on sale of PPE

Discontinued items

Net Cash flow

Effect of exchange rate fluctuations

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

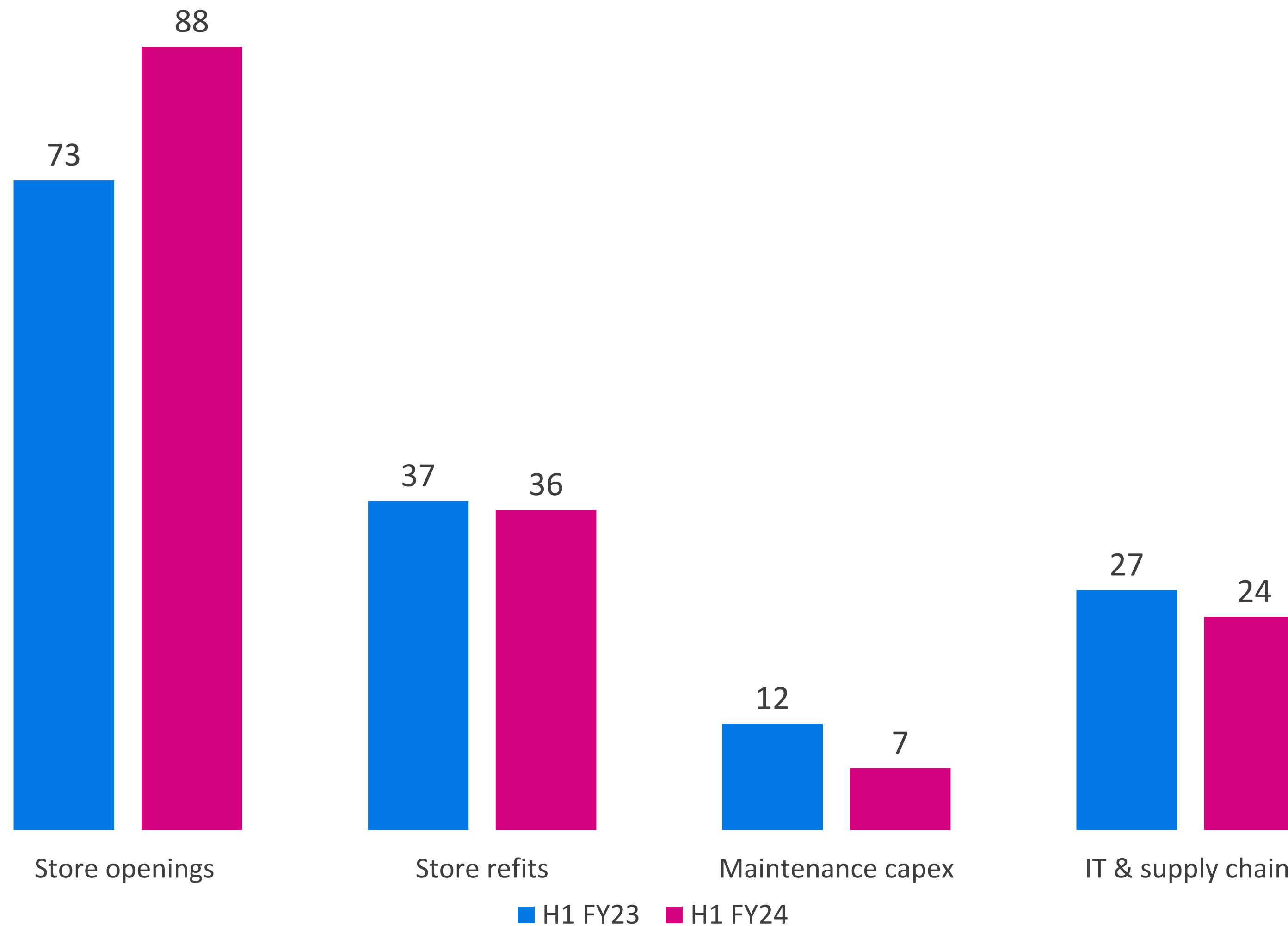
Net debt (pre-IFRS 16)

Leverage LTM (pre-IFRS16)

| | H1 FY24 | H1 FY23 | Change YoY |
|---|--------------|-------------|------------|
| Underlying EBITDA pre-IFRS 16 | 278 | 218 | +60 |
| Working capital | (56) | (95) | +39 |
| Working capital – pre-IFRS 16 movements | (4) | (20) | +16 |
| Tax paid | (36) | (19) | -17 |
| Operating Cash Flow | 182 | 83 | +99 |
| Non-underlying items | (31) | (23) | -8 |
| Capex | (155) | (149) | -6 |
| Free Cash Flow (unlevered) | (4) | (89) | +85 |
| Net interest paid | (23) | (11) | -12 |
| Financing activities | (90) | 20 | -110 |
| Proceeds on sale of PPE | 2 | 0 | +2 |
| Discontinued items | (13) | (9) | -4 |
| Net Cash flow | (128) | (89) | -39 |
| Effect of exchange rate fluctuations | 19 | 6 | +13 |
| Cash and cash equivalents at the beginning of the period | 330 | 344 | -14 |
| Cash and cash equivalents at the end of the period | 221 | 261 | -40 |
| Net debt (pre-IFRS 16) | 429 | 383 | +46 |
| Leverage LTM (pre-IFRS16) | 0.9x | 0.9x | 0.0x |

- Significant increase in operating cash flow driven by greater control on inventory and further benefits from supply chain programme
- Capex increase driven by new store openings
- Opportunity to further improve cash conversion cycle by optimising supply chain
- Net debt (pre-IFRS 16) of €429m at H1, equating to 0.9x leverage on a LTM basis

FY24 H1 capex spend of €155m driven by new stores



- H1 FY24 capex of €155m, versus €149 in H1 FY23
- Increase driven by committed new store openings from FY23
- 346 gross new stores opened in H1
- 219 Pepco refits complete during H1
- Core infrastructure investment in IT and supply chain to support growth

Balance Sheet Summary

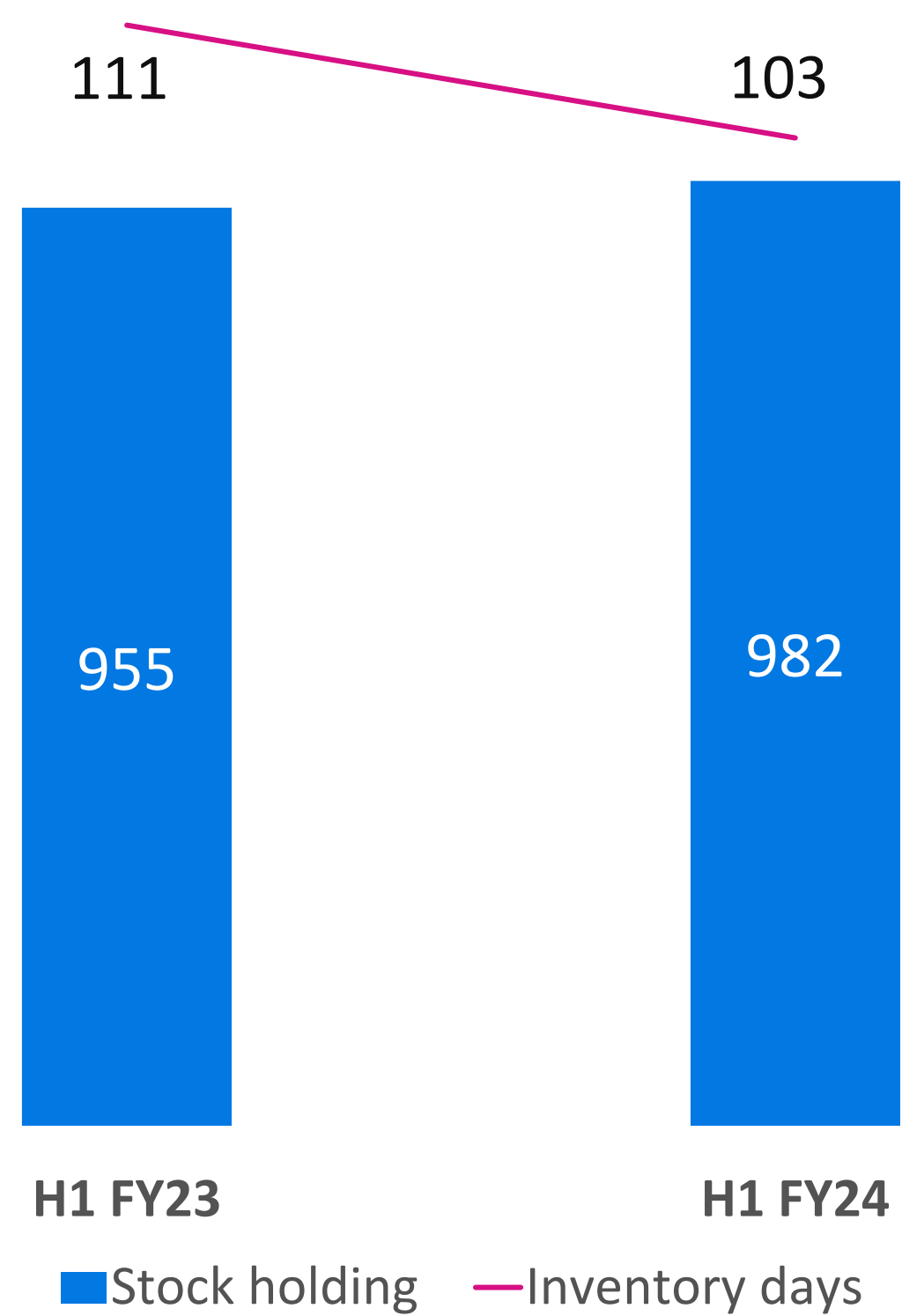
EUR million

| | 31 Mar 2024 | 31 Mar 2023 | Change YoY |
|--------------------------------------|--------------|--------------|-------------|
| <u>Assets</u> | | | |
| Property, plant and equipment | 783 | 606 | +177 |
| Right of Use Asset | 1,244 | 1,061 | +183 |
| Goodwill and other intangible assets | 857 | 830 | +27 |
| Trade and other receivables | 98 | 98 | 0 |
| Derivative financial instruments | 79 | 31 | +48 |
| Deferred tax asset | 114 | 118 | -4 |
| Inventories | 982 | 955 | +27 |
| Cash and cash equivalents | 221 | 261 | -40 |
| Total Assets | 4,380 | 3,959 | +421 |
| <u>Liabilities</u> | | | |
| Trade and other payables | 1,055 | 926 | +129 |
| Lease liabilities | 1,308 | 1,155 | +153 |
| Borrowings | 641 | 636 | +5 |
| Provisions | 37 | 54 | -17 |
| Derivative financial instruments | 101 | 138 | -37 |
| Total Liabilities | 3,142 | 2,907 | +235 |
| Net Assets | 1,237 | 1,051 | +186 |

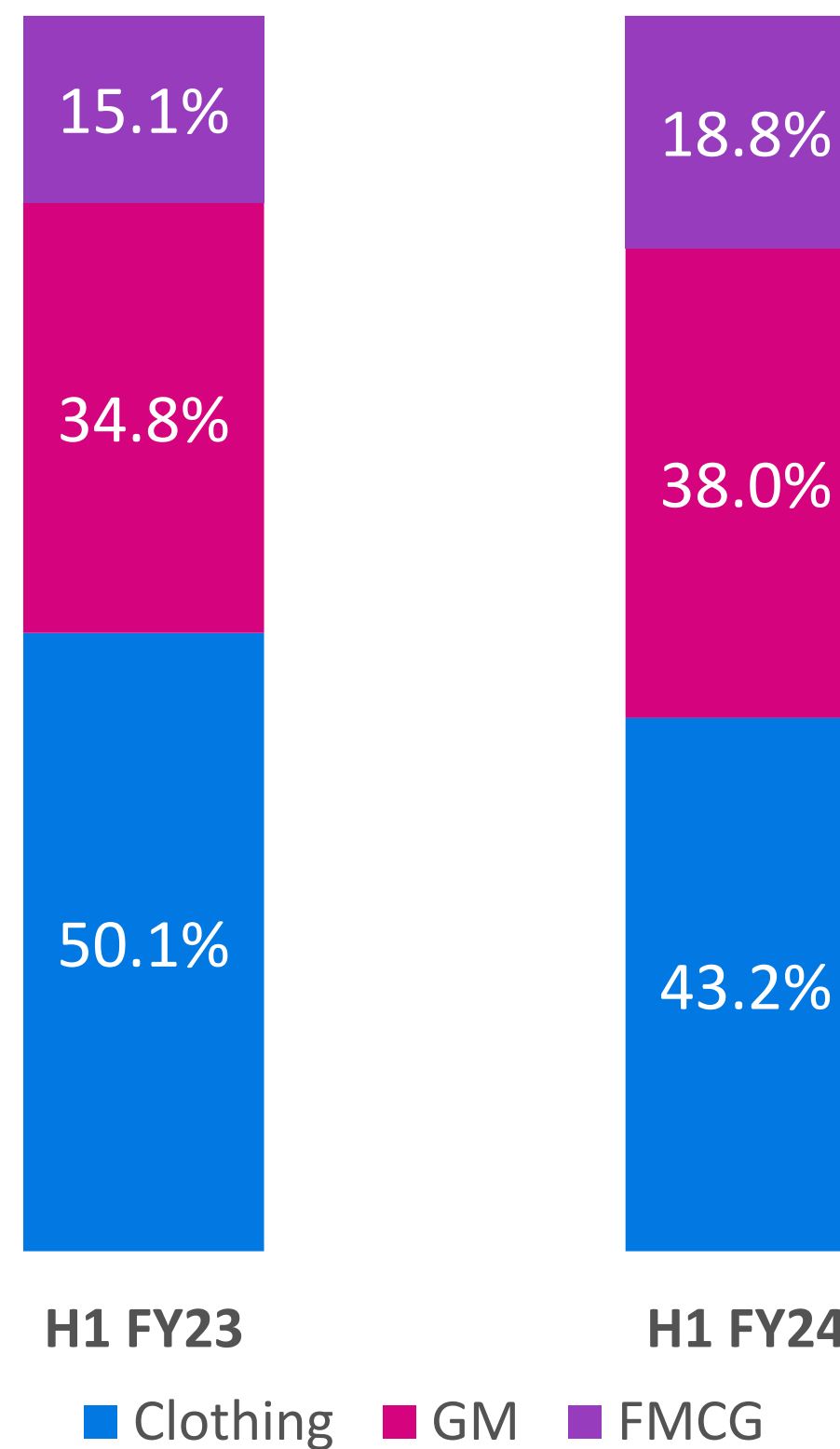
- Increases in PPE and ROU are the main drivers of movement in assets, driven by new store openings
- Higher lease liabilities as a result of new stores, and higher payables due to continued success of supply chain financing programme
- Provisions decreased y-o-y after significant releases were made in H2 FY23 in relation to long term incentive plans

Disciplined inventory management

Stock holding (€m)



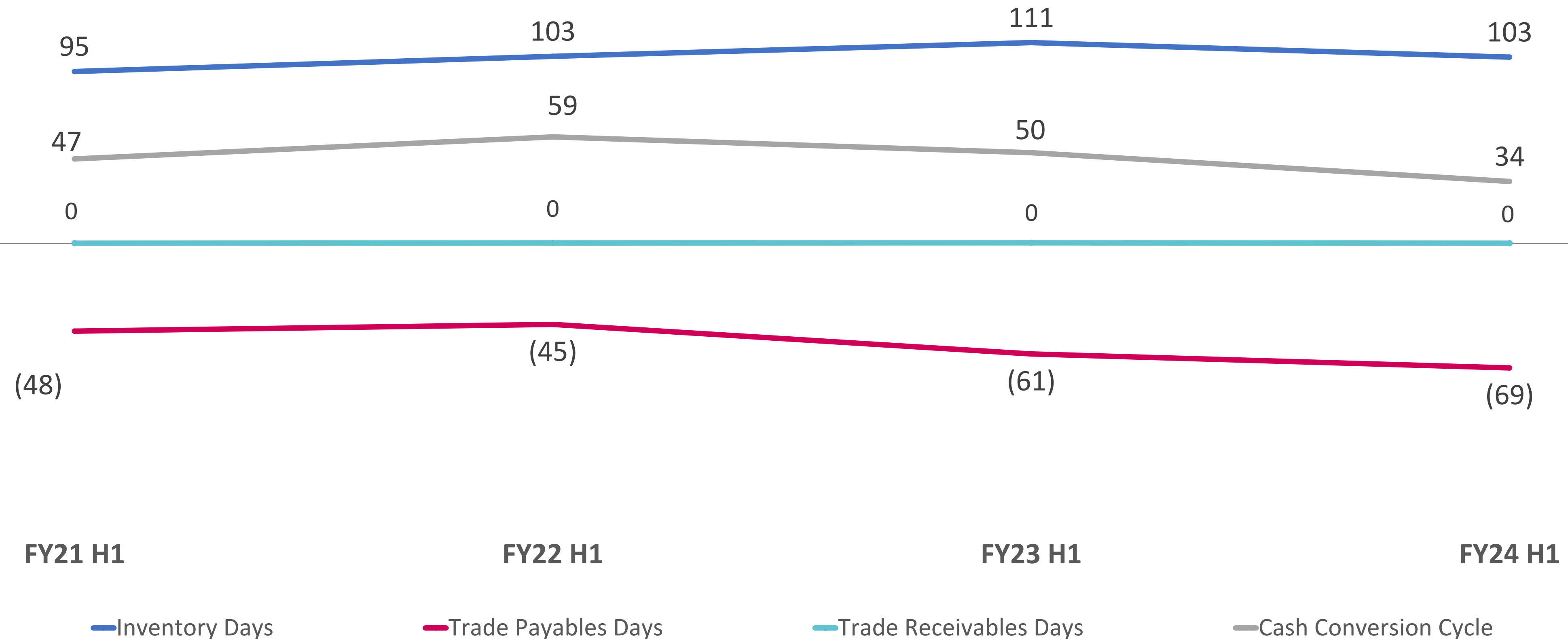
Stock category mix (%)



- Inventory control and management led to inventory days trending lower than prior year
- We are closely targeting inventory days as a measure going forward to reduce it to more optimal levels

Working Capital

Strong improvement in cash conversion cycle through inventory and payables management



$Inventory\ Days = \frac{H1\ Closing\ Inventory}{Last\ 12\ Months\ COGS} * 365$
 $Trade\ Payables\ Days = \frac{H1\ Closing\ Trade\ Payables}{Last\ 12\ Months\ COGS} * 365$
 $Trade\ Receivables\ Days = \frac{H1\ Closing\ Trade\ Receivables}{Last\ 12\ Months\ Revenue} * 365$

Financing

- Bond (maturing July 2028): €375m 5-Year Senior Secured Notes with 7.25% coupon
- RCF (due April 2026) of €390m provides additional working capital (€30m drawn at end of H1 FY24)
- Strong balance sheet gives access to over €450m of liquidity

| <i>Facility</i> | <i>Amount</i> | <i>Coupon</i> | <i>Expiry</i> |
|-----------------------|---------------|-----------------|---------------------------------|
| <i>Term Loan B</i> | €250m | Euribor + 1.35% | April 2026 |
| <i>RCF</i> | €390m | Euribor + 1.15% | 2026 (1yr+1yr extension option) |
| <i>Corporate Bond</i> | €375m | +7.25% | June 2028 |

Public credit ratings from all 3 rating agencies

FitchRatings

'BB' rating

MOODY'S

'Ba3' rating

S&P Global

'BB-' rating

| | <i><u>H1 FY24</u></i> |
|-----------------------------------|-----------------------|
| <i>Net debt (pre-IFRS 16)</i> | €429m |
| <i>Leverage LTM (pre-IFRS 16)</i> | 0.9x |
| <i>Net debt (IFRS 16)</i> | €1,728m |
| <i>Leverage LTM (IFRS 16)</i> | 2.0x |

Strategy update

Andy Bond – Executive Chair

Recap: Pepco Group is well positioned for future success

- We have a clear, compelling and exciting future, but we need to do less to achieve more and re-earn the right to grow
- Our vision to be Europe's biggest and best discount variety business remains intact, serving families on a budget across our core FMCG, clothing and general merchandise (GM) categories
- We are confident we can deliver this ambition
- The opportunities remain significant – we will leverage them in a more targeted and measured way



Key strategic focus over near term



1

**Rebuild profitability in
Pepco CEE**

2

**Strengthen position in
key markets**

3

**Review all
underperforming and
non-core areas**

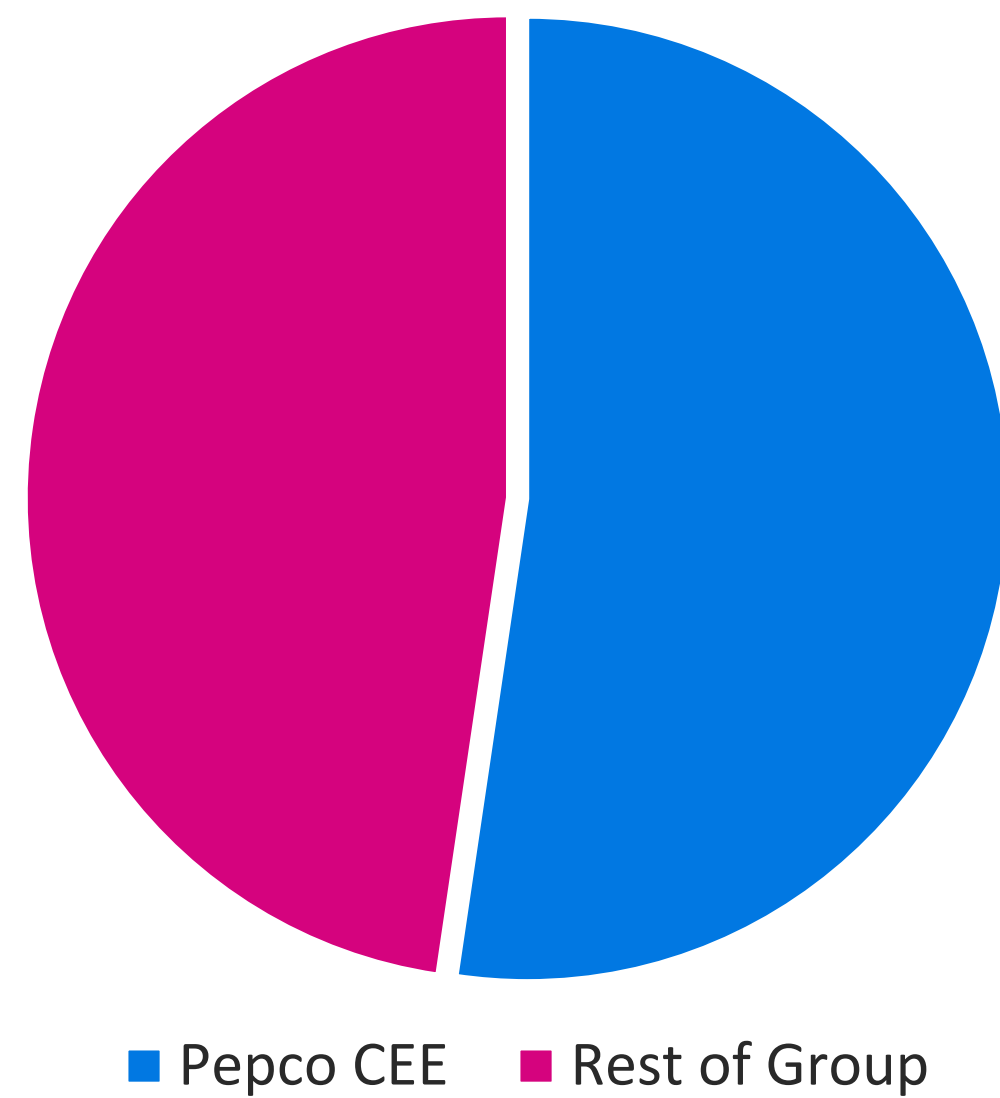
4

**Deliver stronger cash
generation and cost
focus**

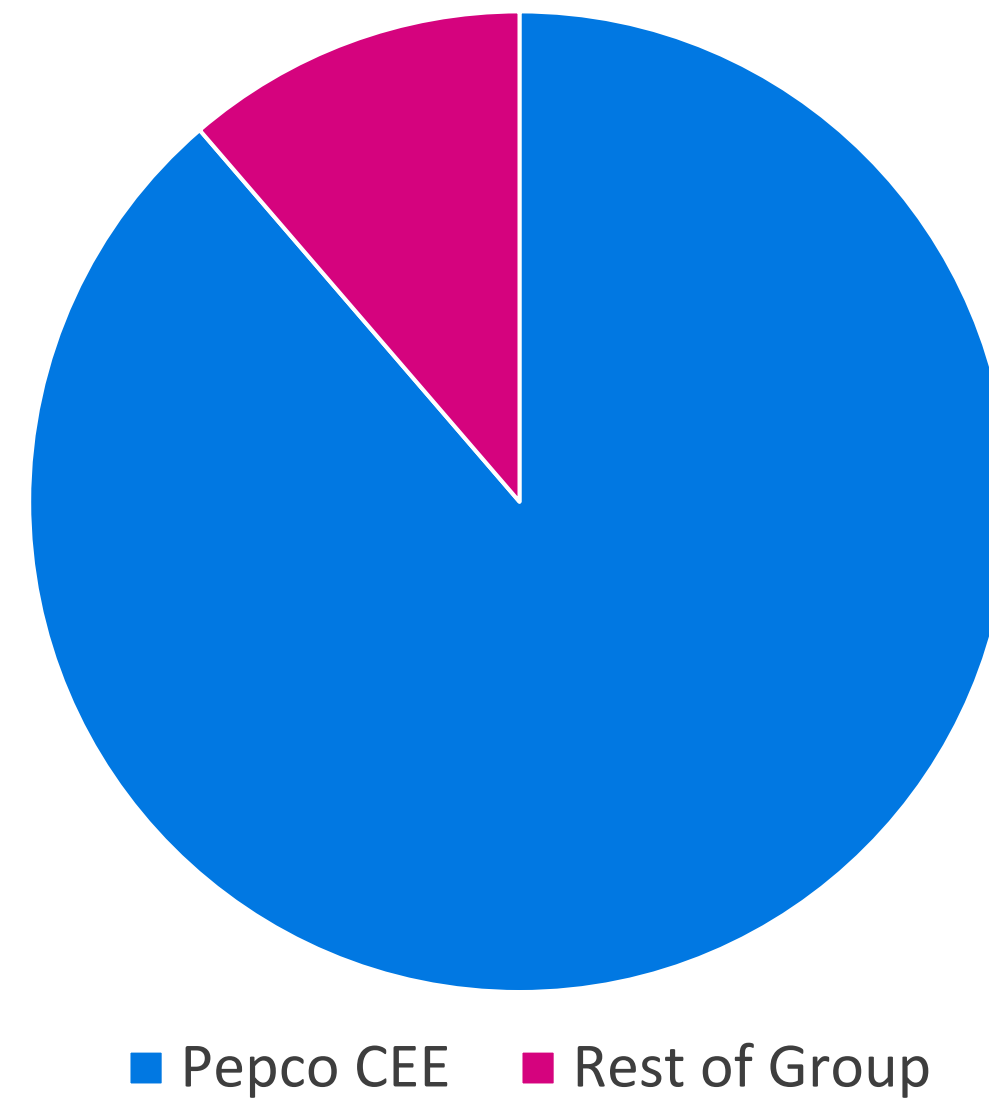
1

Rebuild profitability in Pepco CEE

Pepco CEE generates around half of Group revenues, but the majority of profits*

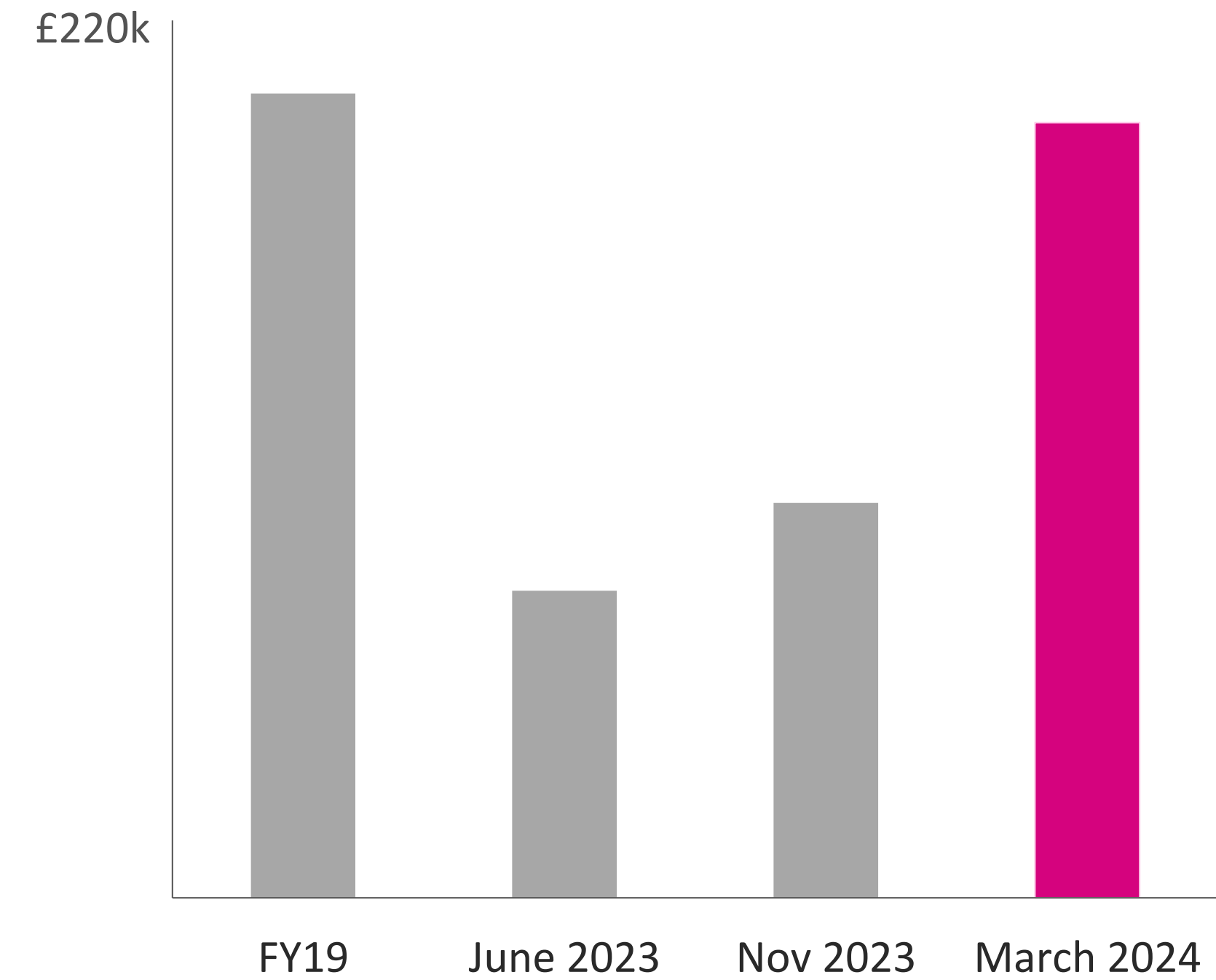


H1 Revenues



H1 EBITDA (pre IFRS 16)

Pepco CEE Store EBITDA back to pre-Covid levels**



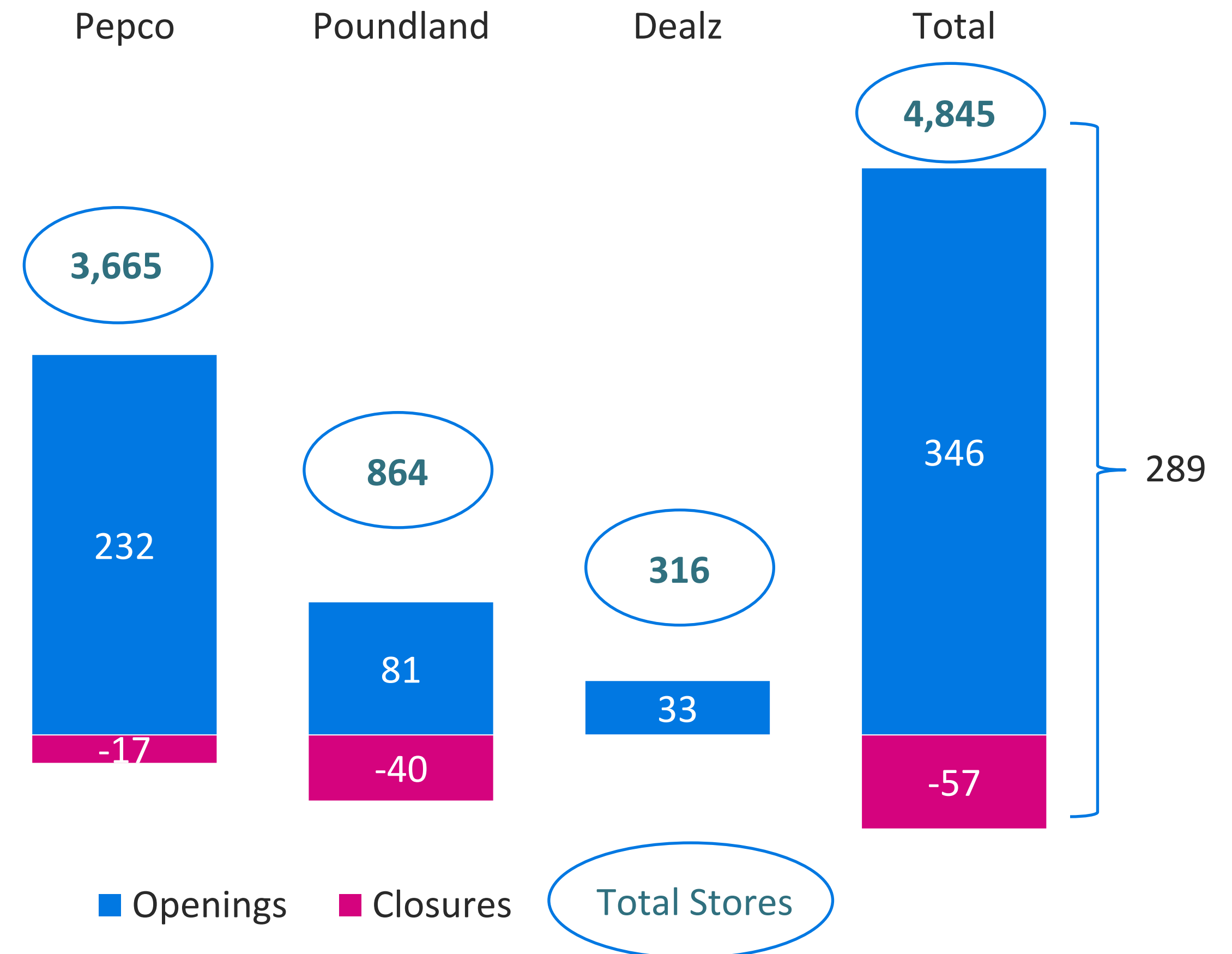
* Numbers relate to H1 FY24 performance

** Analysis considers a cohort of around 1,200 stores that have traded for a full 12 months in FY19 and comparison periods

2 Strengthen position in key markets

- 289 net new stores opened in H1; on track to open around 400 net new stores during FY24
- Store opening schedule front-end loaded, reflecting commitments made during FY23
- New store growth focused in existing markets with greater confidence of driving returns
- CEE key focus region for Pepco
- Poundland store growth driven by Wilko conversions

H1 FY24 store openings by banner*



* Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers exclude Austria

2

Pepco store growth focused on CEE



- 147 net new Pepco CEE stores opened in H1; 68 in Western Europe
- H1 partly reflects commitments for store openings that were agreed in the FY23 financial year
- Going forward, store openings will be focused on CEE, where we have confidence of driving returns and solidifying our market position
- There remains a significant white space opportunity in our core markets
- We will significantly reduce openings in Western Europe as we assess return potential of these stores

3

Review all underperforming and non-core areas

We have acted swiftly to address non-core activities and strengthen our investment approval processes

Pepco 'Plus' format on hold



- Pepco 'Plus' stores represent 3% of total Pepco estate
- Stores have increased operational complexity
- Will focus on standard Pepco format to simplify business

Exit of Pepco Austria



- Exited Austria in February 2024
- 73 stores were operated in the country
- Operations loss-making since inception
- Exit will boost underlying profits and cash in FY24

New look programme paused



- Refit programme paused at end of FY23
- Initially targeted c. 2,500 refits across CEE
- Going forward, store refits will be on a selective basis to drive highest ROIC

4

Deliver stronger cash generation and cost focus

Significant reduction in capex expected

- Group has taken a more disciplined approach to capex in FY24
- Spend on new stores and refits will be significantly lower versus FY23
- Capex in H2 will be lower than H1, which will drive an improvement in free cash flow in the full year
- Full year FY24 capex expected to be under €275m, compared with €390m in FY23.

Cost and operational efficiencies

- Focus on back office and end-to-end supply chain efficiencies to drive lower operating costs
- Investment in store technology (self-scan tills, modern POS) to make our customers and colleagues lives easier – improving speed and quality of service
- Rollout of a new scalable Oracle ERP platform continuing across the Group, to provide a single, modern inventory management and finance solution
- Poundland ERP went live in summer 2023, Pepco ERP going through testing phase with a launch expected in 2025

Current trading and outlook

Andy Bond – Executive Chair

Current trading and outlook

- Group like-for-like revenues behind last year in seven weeks to 19 May, reflecting timing of Easter and Red Sea availability issues impacting summer ranges
- Improving outlook for H2 LFL revenues expected
- Recovery in gross margin expected to carry through to full year
- Group is confident of delivering a FY24 underlying EBITDA (IFRS 16) of around €900m

Confident that we will deliver meaningful profit growth y-o-y and an improvement in free cash generation



Summary



- Delivered good progress against our strategic objectives
- Our core Pepco business has delivered strong profit improvement in H1, with more to come in the second half
- The growth opportunity remains intact, with a focus on our CEE markets in the near term
- Progress is being made in Western Europe, and recovery will start in Poundland and Dealz
- Step change on capex discipline and cash focus will deliver an improvement in free cash flow

Q&A

Appendix

Store coverage



Poland

- Pepco 1317
- Dealz 316

Bulgaria

- Pepco 163

Latvia

- Pepco 60

United Kingdom

- Poundland 785

Slovakia

- Pepco 149

Germany

- Pepco 62

Romania

- Pepco 453

Serbia

- Pepco 132

Slovenia

- Pepco 39

Czechia

- Pepco 301

Croatia

- Pepco 127

Estonia

- Pepco 37

Hungary

- Pepco 252

Lithuania

- Pepco 87

Greece

- Pepco 30

Spain

- Pepco 227

Ireland

- Poundland 79

Portugal

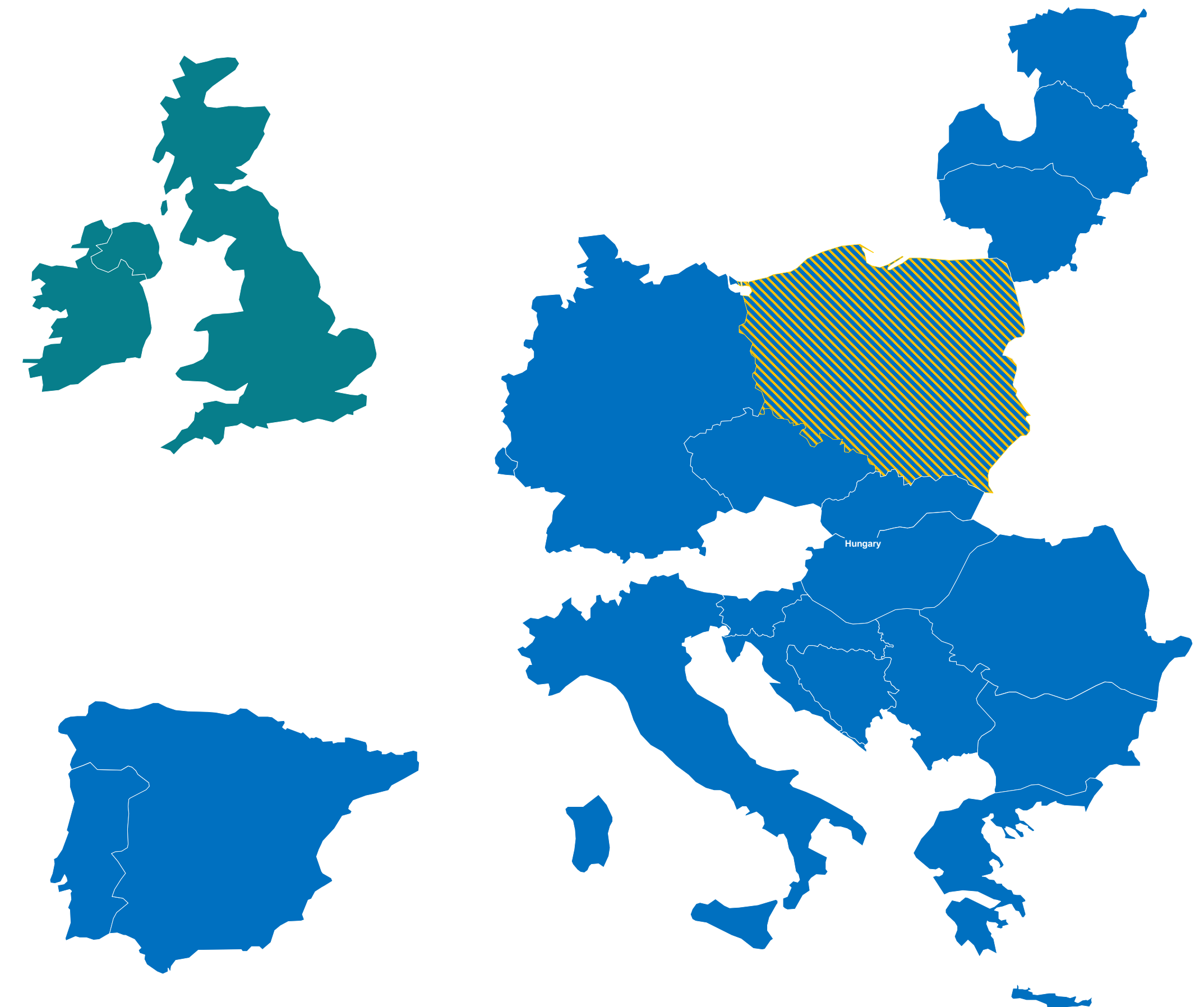
- Pepco 14

Italy

- Pepco 185

Bosnia & Herzegovina

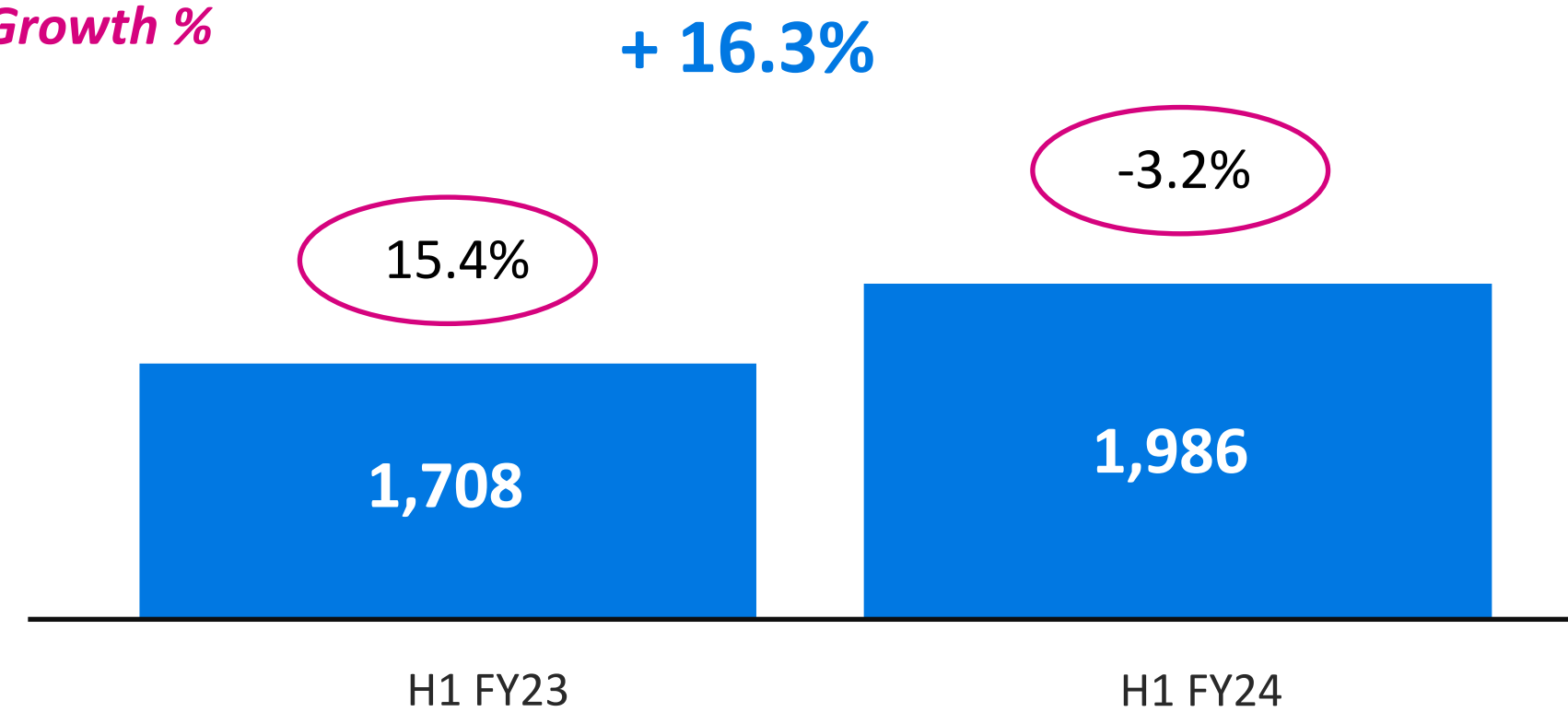
- Pepco 30



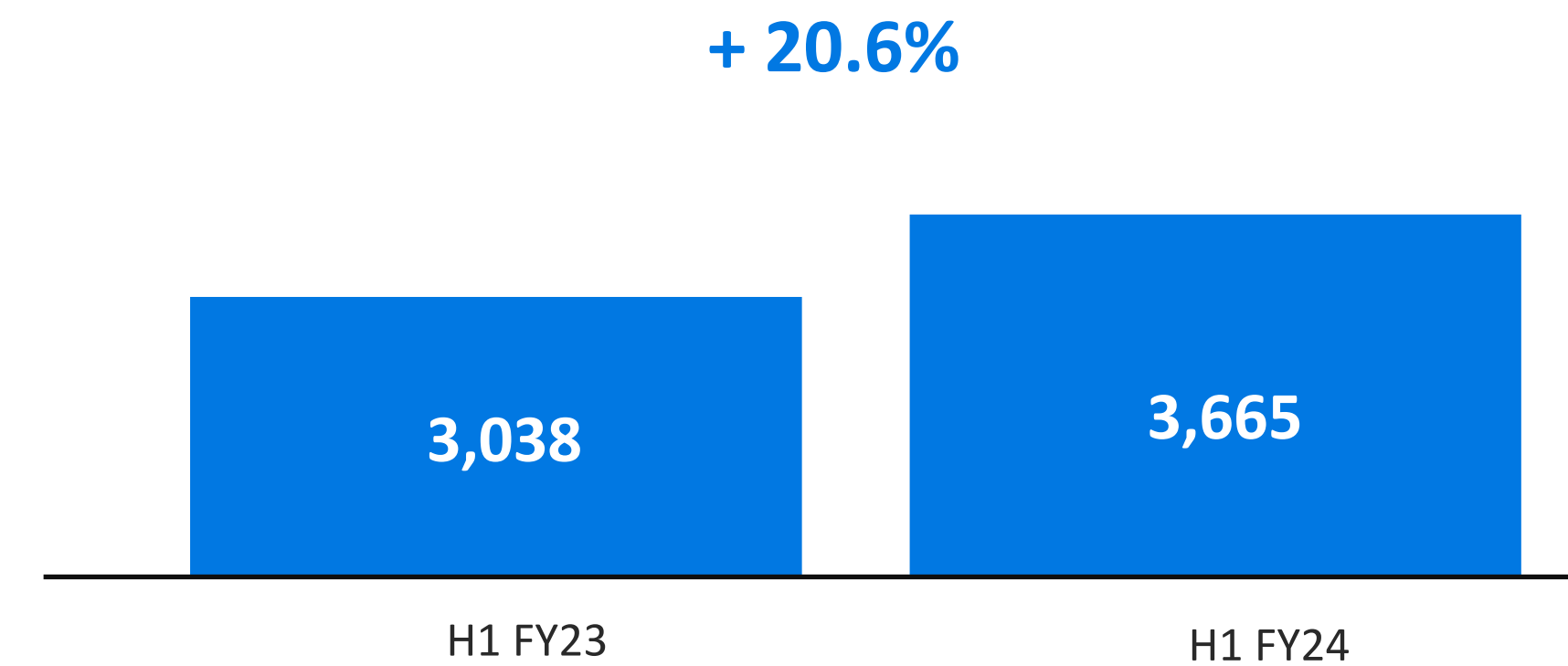
Focus on Pepco

Revenue & LFL

LFL Growth %

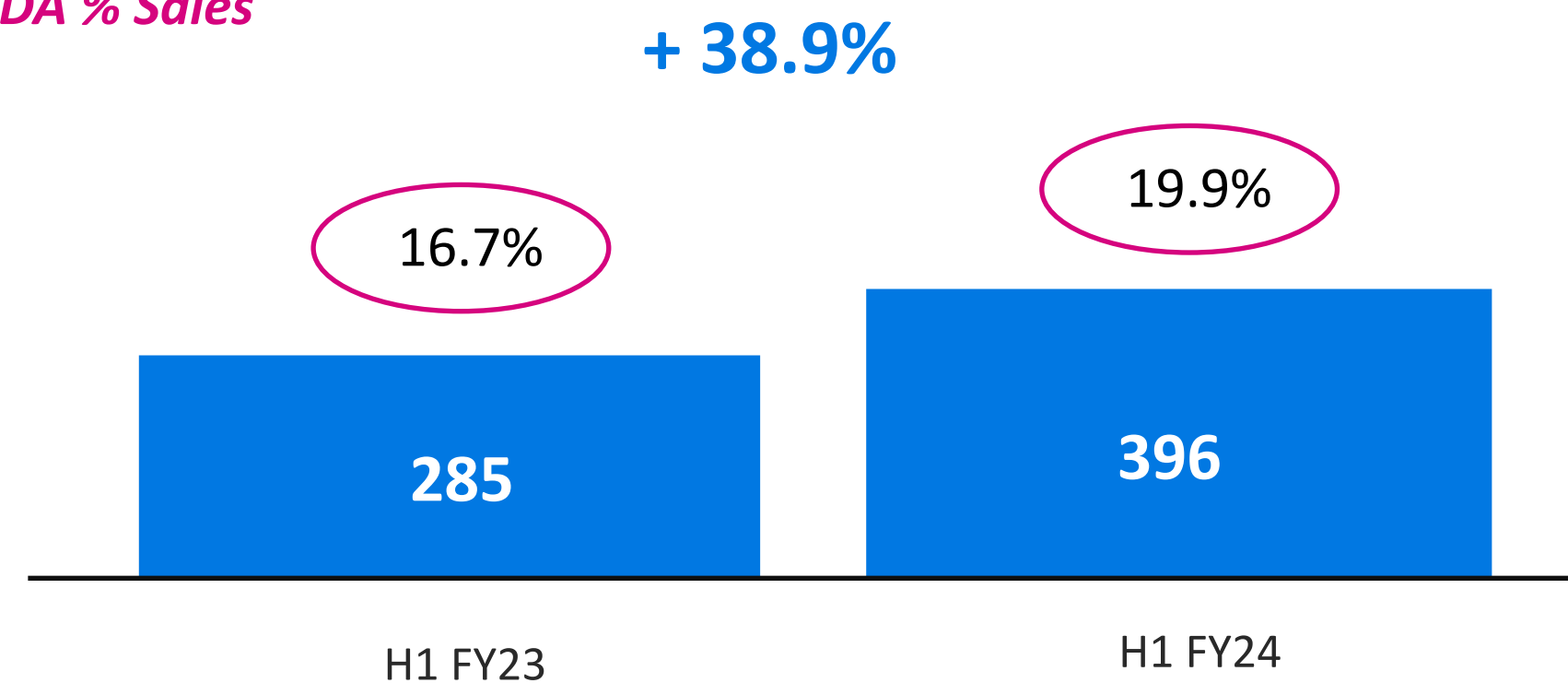


Store Numbers



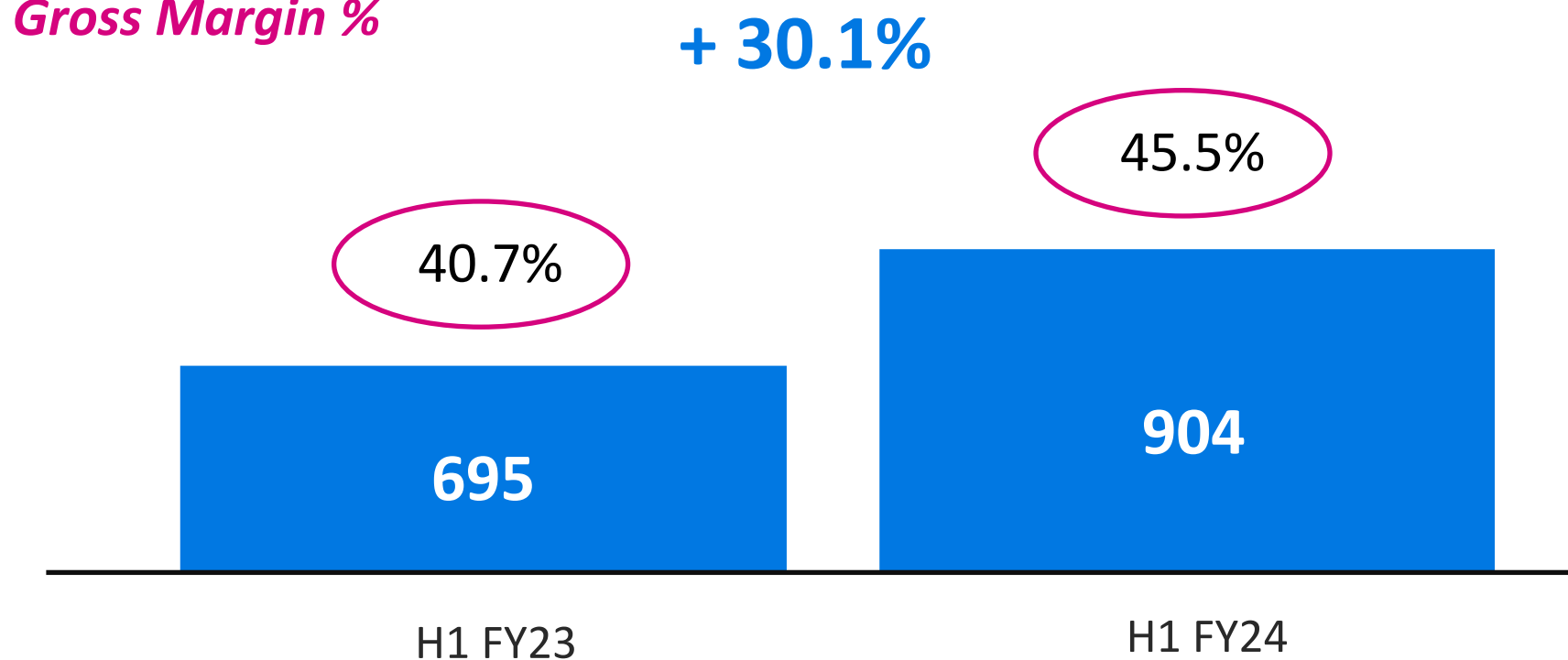
EBITDA (IFRS 16)

EBITDA % Sales



Gross Profit

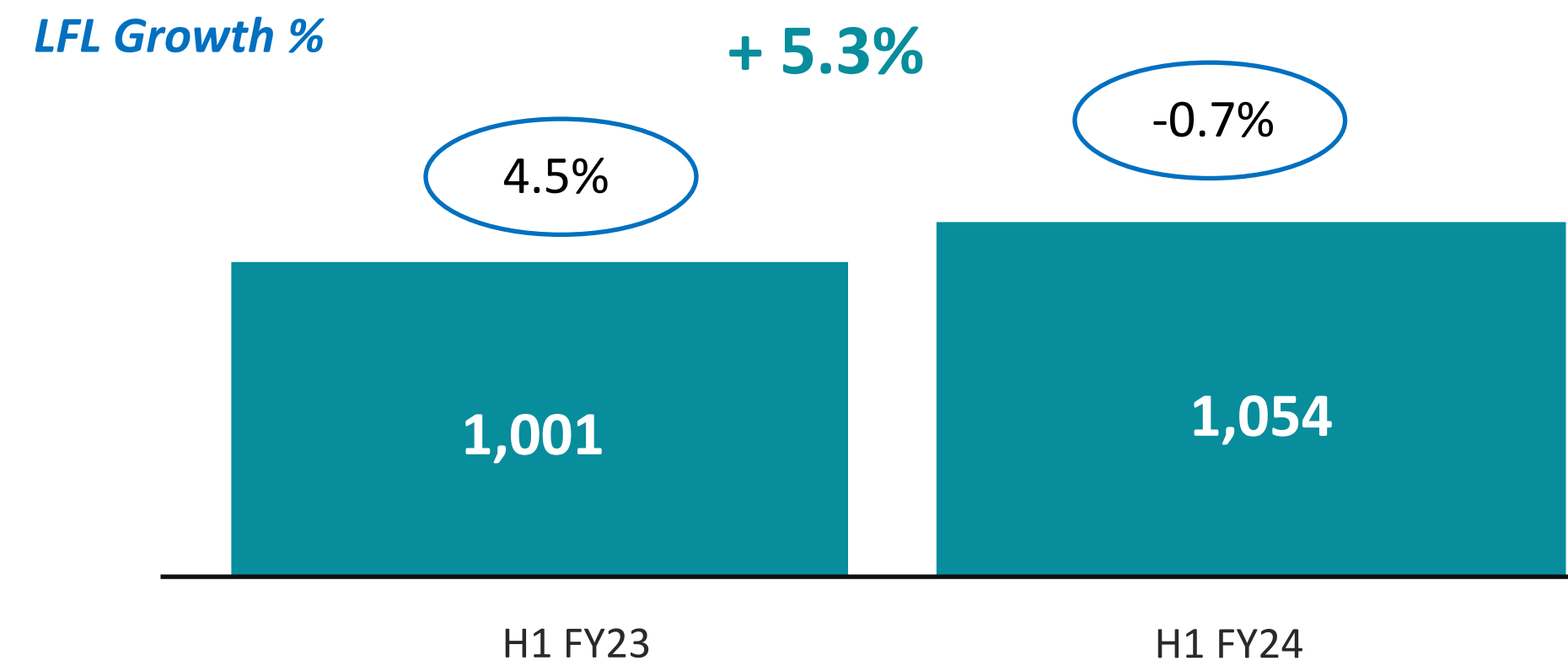
Gross Margin %



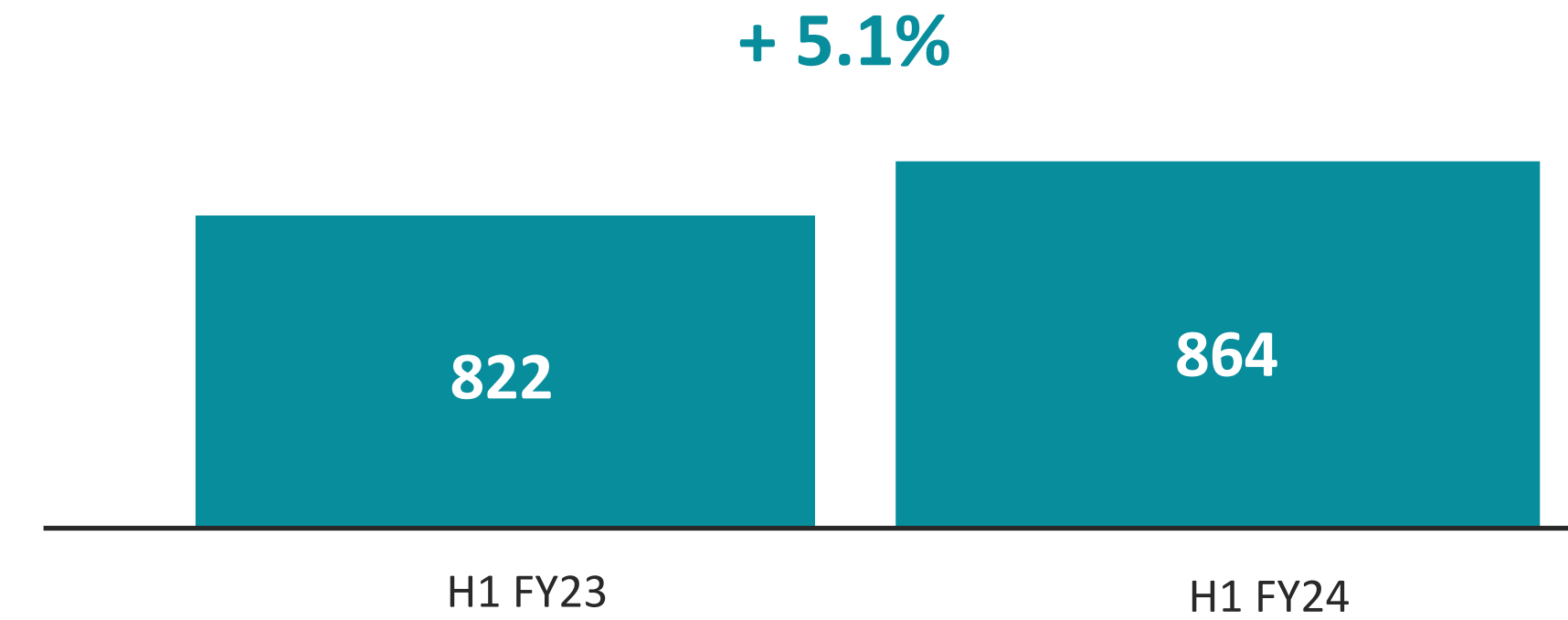
FY23 figures are unaudited, based on latest Outturn information and subject to change

Focus on Poundland

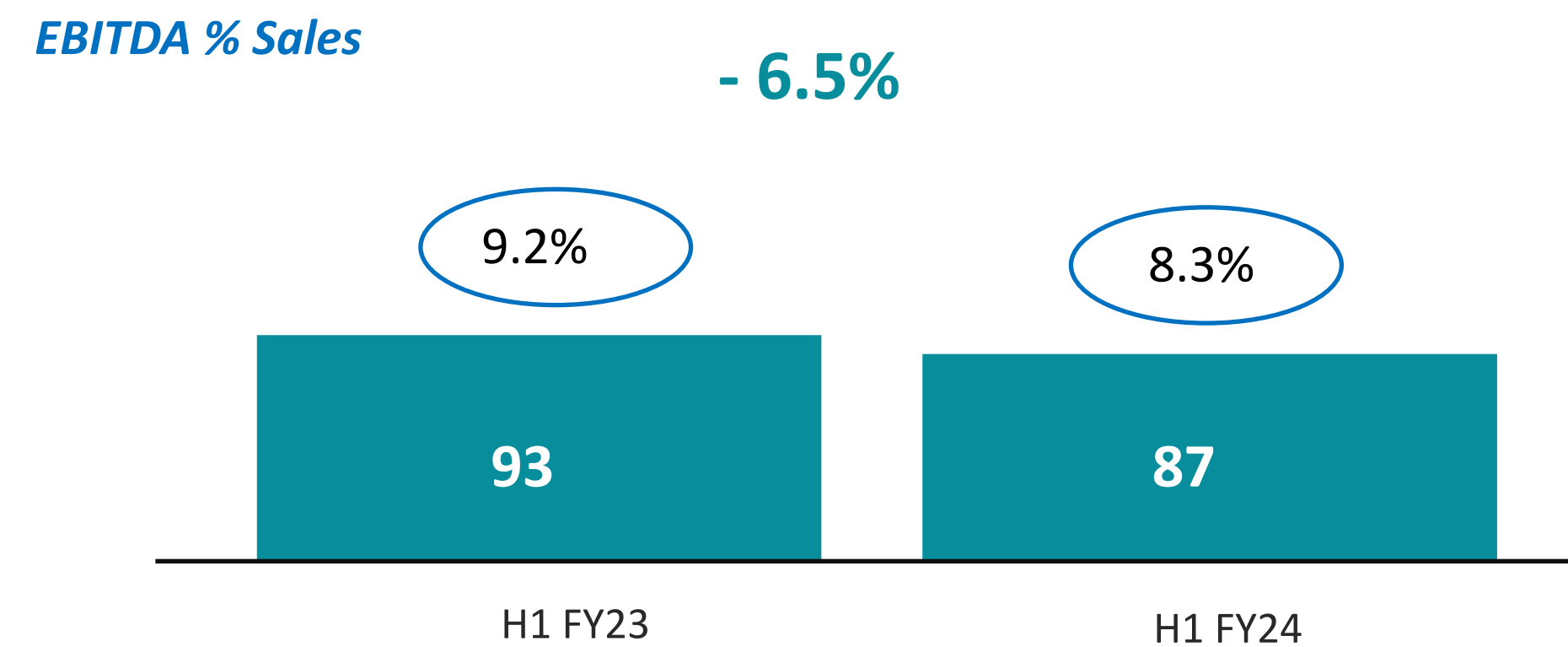
Revenue & LFL



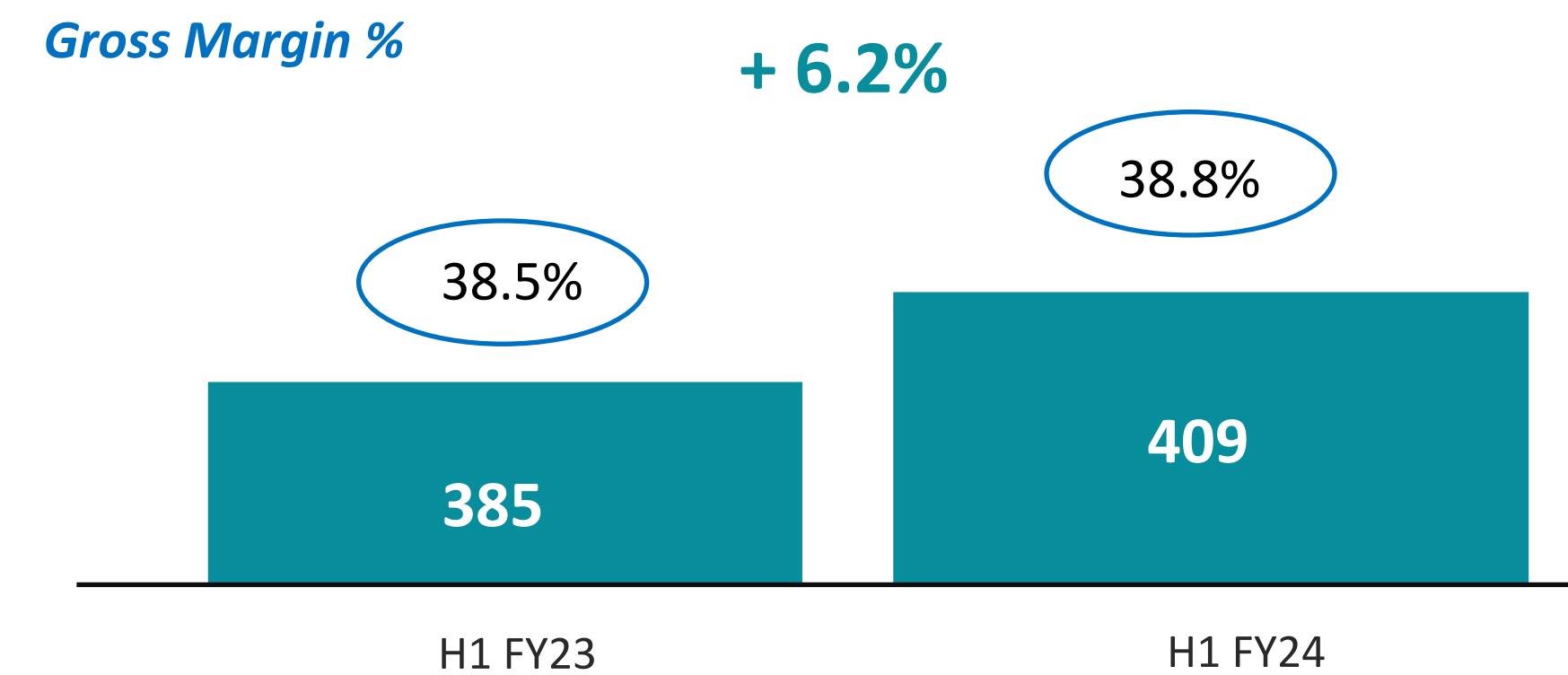
Store Numbers



EBITDA (IFRS 16)



Gross Profit

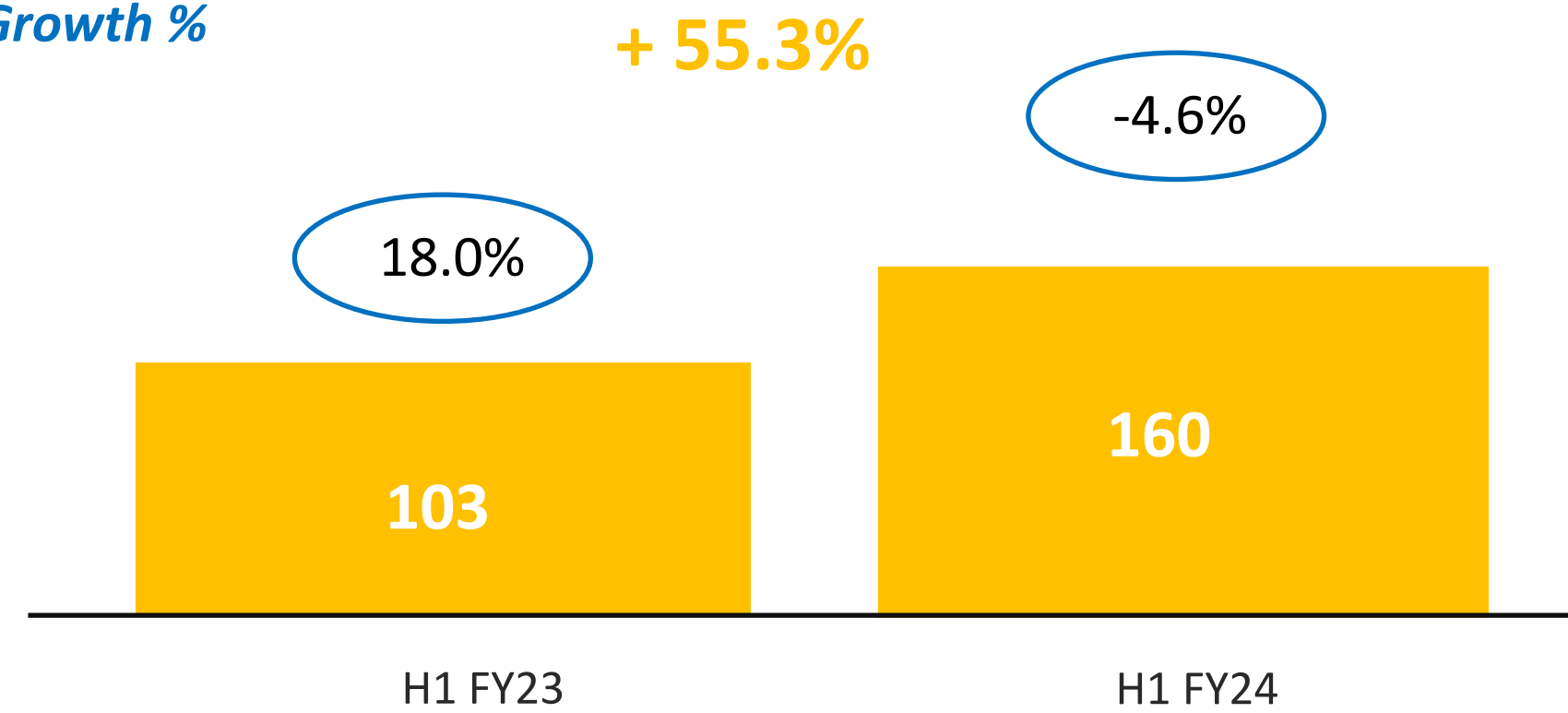


FY23 figures are unaudited, based on latest Outturn information and subject to change

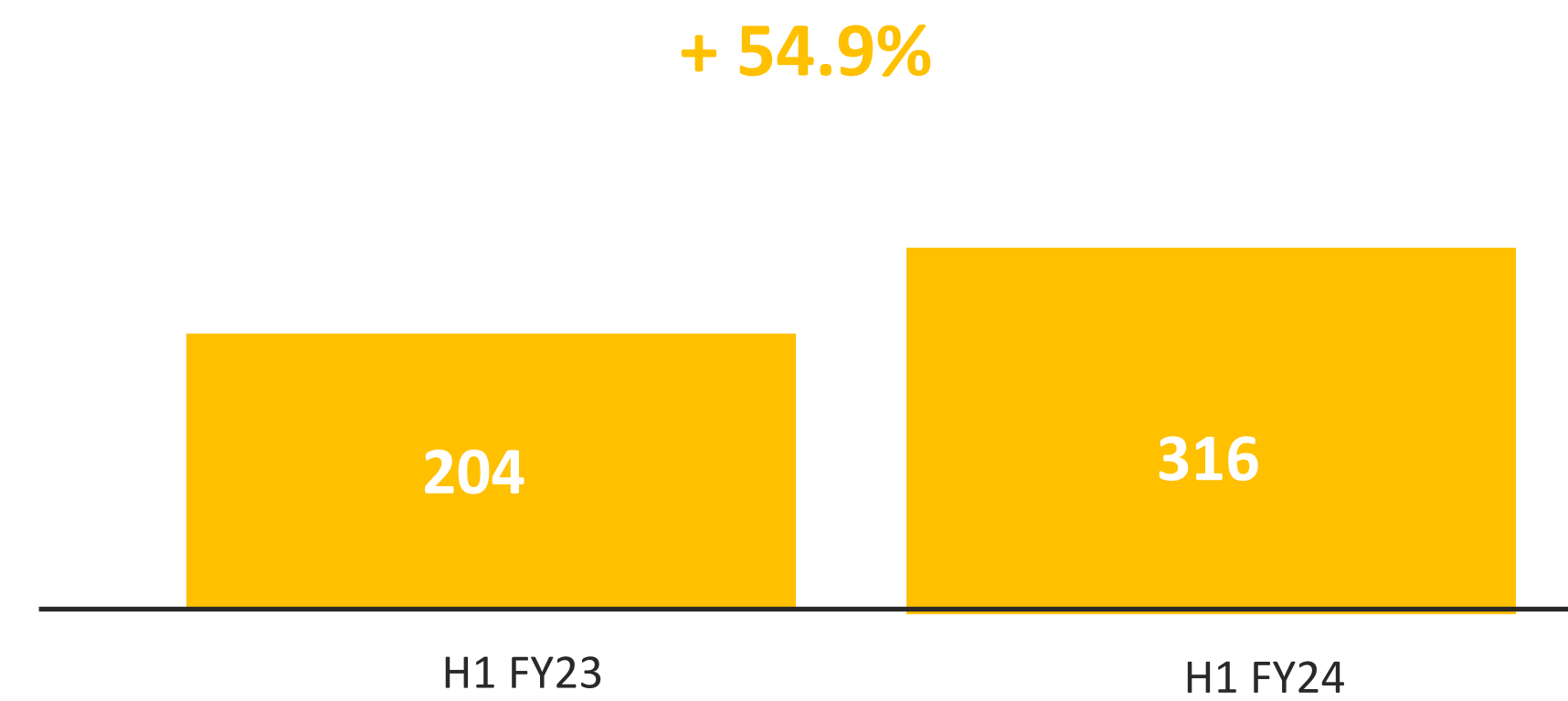
Focus on Dealz

Revenue & LFL

LFL Growth %

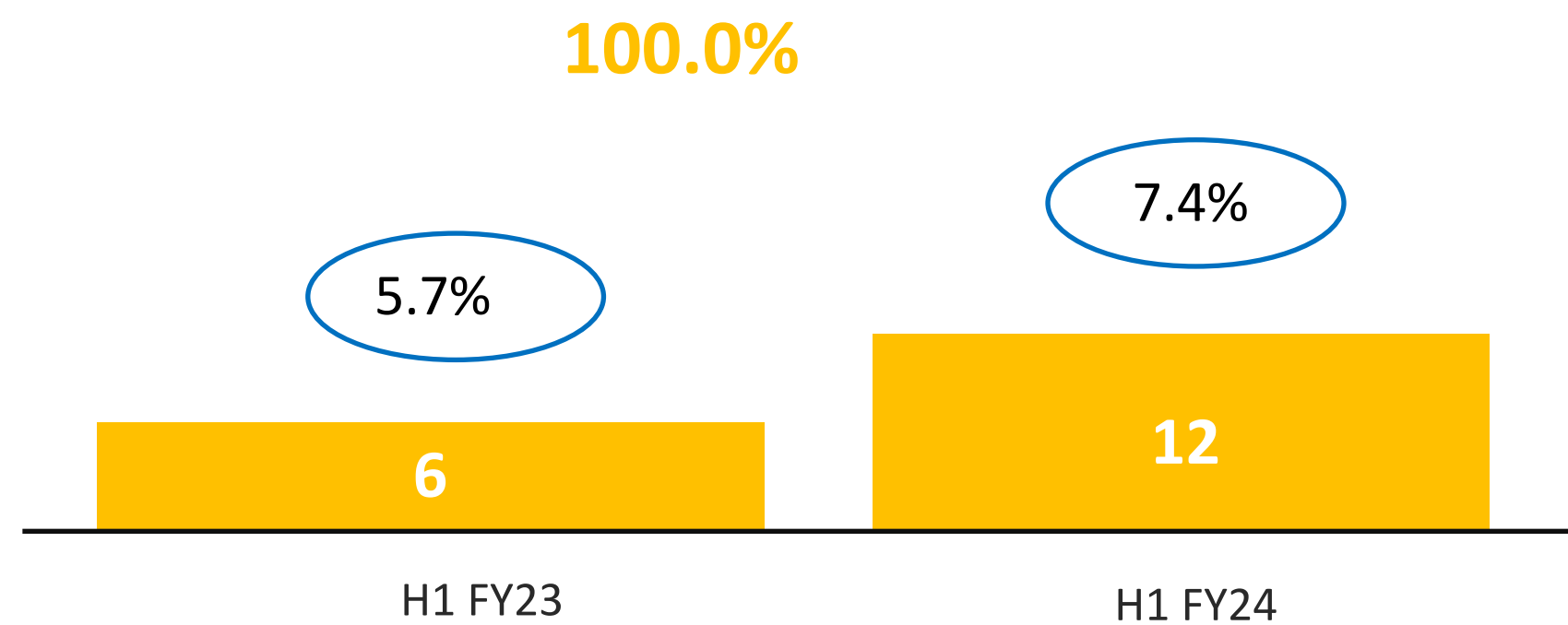


Store Numbers



EBITDA (IFRS 16)

EBITDA % Sales



Gross Profit

Gross Margin %

