

FY24 Prelim Results

10 December 2024



Introduction

Stephan Borchert – Chief Executive Officer

Introduction by new CEO – Stephan Borchert

- Joined Pepco Group in July 2024, formally taking role of CEO in October 2024 as Andy Bond reverted to a Non-Exec Chair role
- Spent last few months exploring all parts of the business - recognise the significant opportunity ahead, but also challenges that we need to address
- Solid foundations – Will continue driving profitable growth through disciplined investment and build our strategy for the next chapter of the Group's growth



“The ambition to be one of Europe’s leading discount variety retailers remains intact”

Highlights of FY24

- Record FY24 Group revenue of €6.2bn, up 10% 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%, ahead of guidance, driven by Pepco EBITDA up 42%
- Significant non-cash impairment of Poundland (€775m)
- Robust Group balance sheet and liquidity profile
- Initiating new capital returns policy and inaugural FY24 full year dividend



My immediate focus



- Improve like-for-like performance
- Immediate remediation actions at Poundland
- Strategy for March 2025 CMD to focus on:
 - Western Europe growth potential
 - Digital strategy
 - Poundland recovery plan

More detail on my strategic vision will be presented at a Capital Markets Day on 6 March 2025

Financial Review

Neil Galloway – Chief Financial Officer

Profit and loss summary

EUR million	FY24	FY23	Change % (reported)	Change % (constant)
Revenue	6,167	5,596	10.2%	8.1%
Like-for-like revenue growth (%)	-3.2%	+6.0%	n/a	n/a
Gross profit	2,706	2,239	20.9%	18.7%
<i>Gross profit margin (%)</i>	43.9%	40.0%	390 bps	390 bps
Underlying EBITDA IFRS 16	944	754	25.2%	23.3%
<i>Underlying EBITDA margin IFRS 16 (%)</i>	15.3%	13.5%	180 bps	190 bps
Underlying EBITDA pre IFRS-16	515	402	28.1%	26.6%
<i>Underlying EBITDA margin pre-IFRS-16 (%)</i>	8.3%	7.2%	110 bps	120 bps
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%
Non-underlying items (incl. Poundland impairment)	(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 (€ cents)	6.2	-	-	-
Discontinued operations	(49)	(12)	<-200%	<-200%

- Revenue growth and gross margin expansion drove underlying EBITDA ahead of guidance
- Revenue performance supported by store growth, offsetting negative LFLs
- Group gross margin up by 390 basis points driven by Pepco (+530bps)
- Record Group underlying EBITDA (IFRS16) of €944m, +25% on prior year, driven by Pepco (+42%)
- Reported PBT includes Poundland impairment charge (€775m)
- Discontinued operations impact of €49m reflects Austria exit

New store growth has driven revenue, with negative LFL

		FY24	FY23
Revenue growth at reported currency*	pepco [®]	+14.4%	+21.8%
	Poundland	+0.2%	+5.9%
	dealz _;	+39.5%	+68.8%
	pepco [®] group	+10.2%	+16.8%

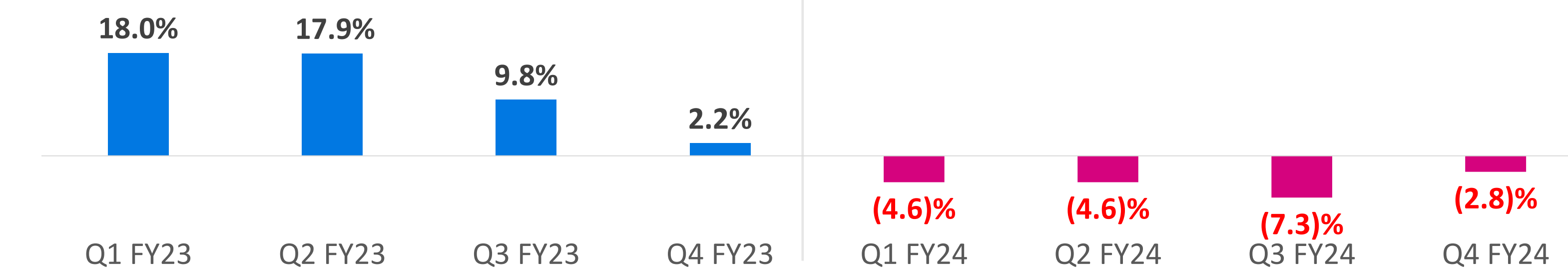
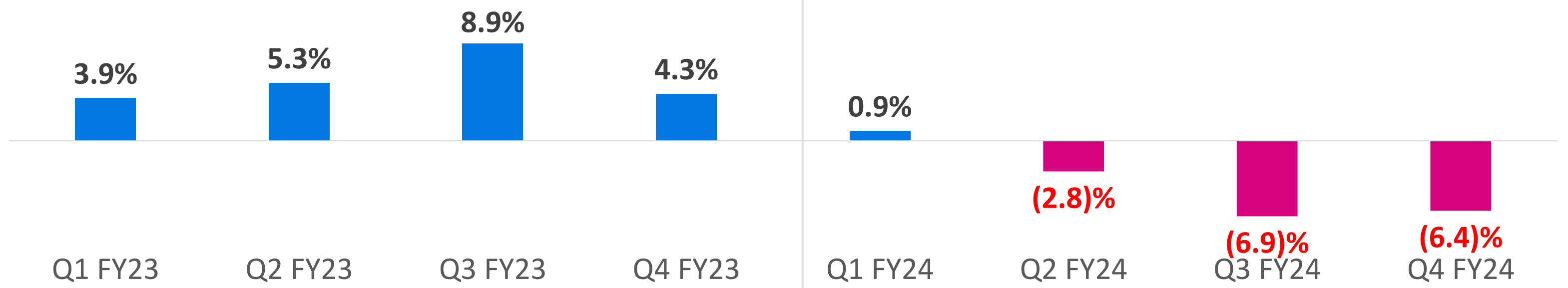
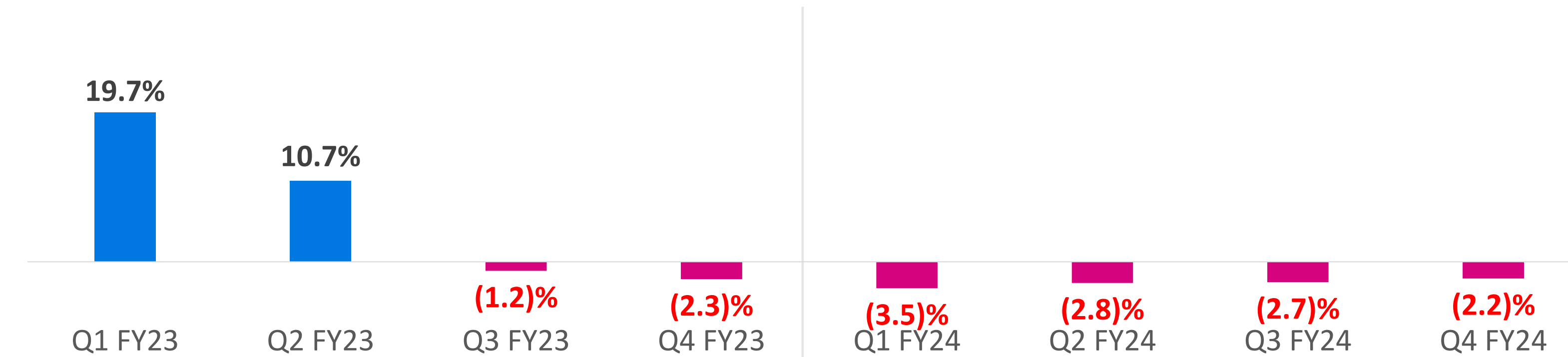
		FY24	FY23
LFL revenue growth	pepco [®]	-2.8%	+6.2%
	Poundland	-3.6%	+5.5%
	dealz _;	-4.8%	+11.3%
	pepco [®] group	-3.2%	+6.0%

- Group revenue up +10.2% driven by Pepco and Dealz, supported by store openings
- On a net basis, the Group's store base grew by +392, with Pepco increasing +331
- Gross store openings in FY24 (509) reduced significantly versus FY23 (806)
- Negative Pepco LFL driven by supply chain disruption with weak availability and mix of older inventory
- Poundland and Dealz LFL impacted by poor performance in clothing and GM following transition to Pepco-sourced product

*All figures exclude Austria

* Dealz Spain has been restated in Pepco segment (impact FY23 only)

Quarterly LFL performance over last 2 years

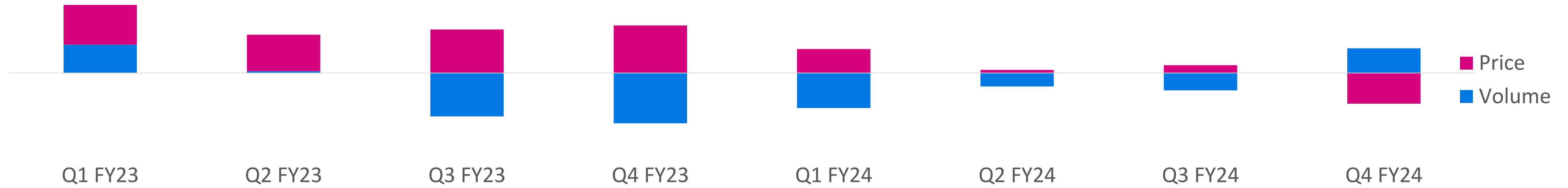


- Pepco LFL showed an improving trajectory across quarters
- Pepco LFL in H1 reflects strong comparator, and in H2 reflects product availability issues due to supply chain disruption
- Poundland and Dealz LFL impacted by performance of clothing and GM following adoption of Pepco-sourced product

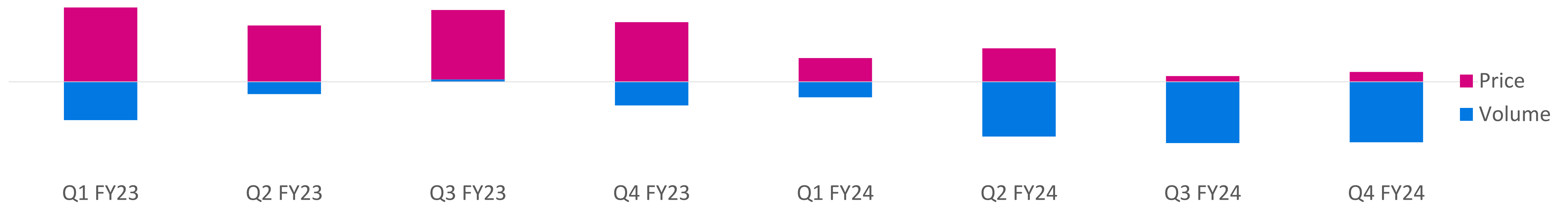
Brand LFL price/volume mix over last 2 years

Course correcting pricing to drive improving LFL

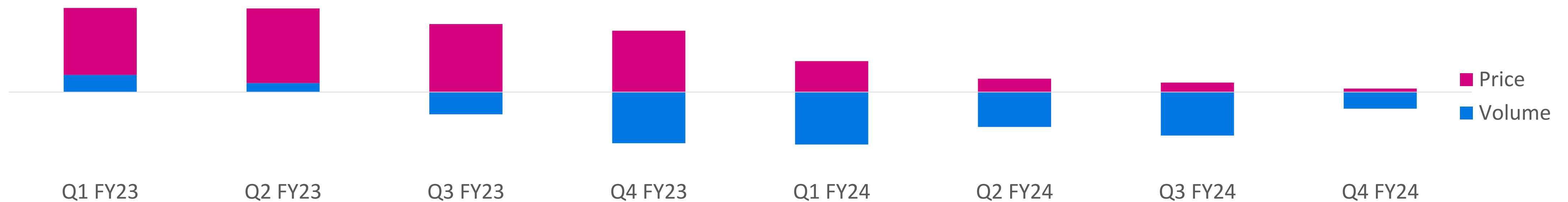
pepco®



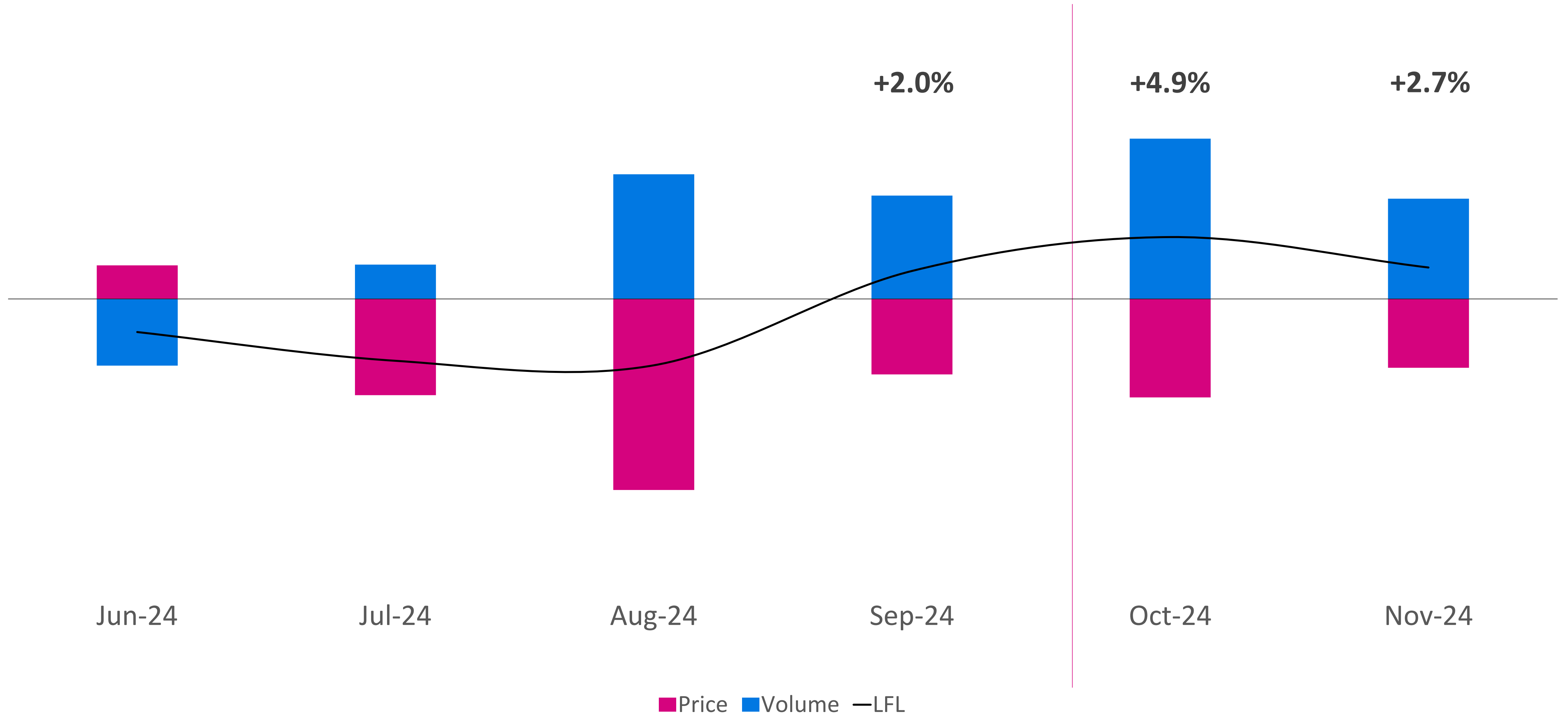
Poundland



dealz



Pepco LFL: Reinvestment in price driving volume

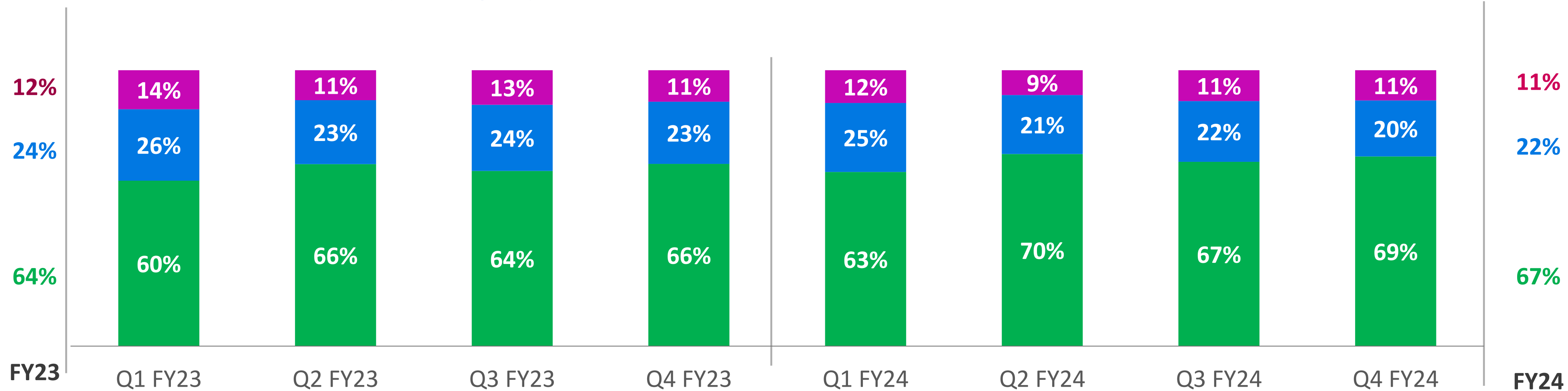


Poundland's underperformance from clothing & GM

Poundland LFL performance split by category



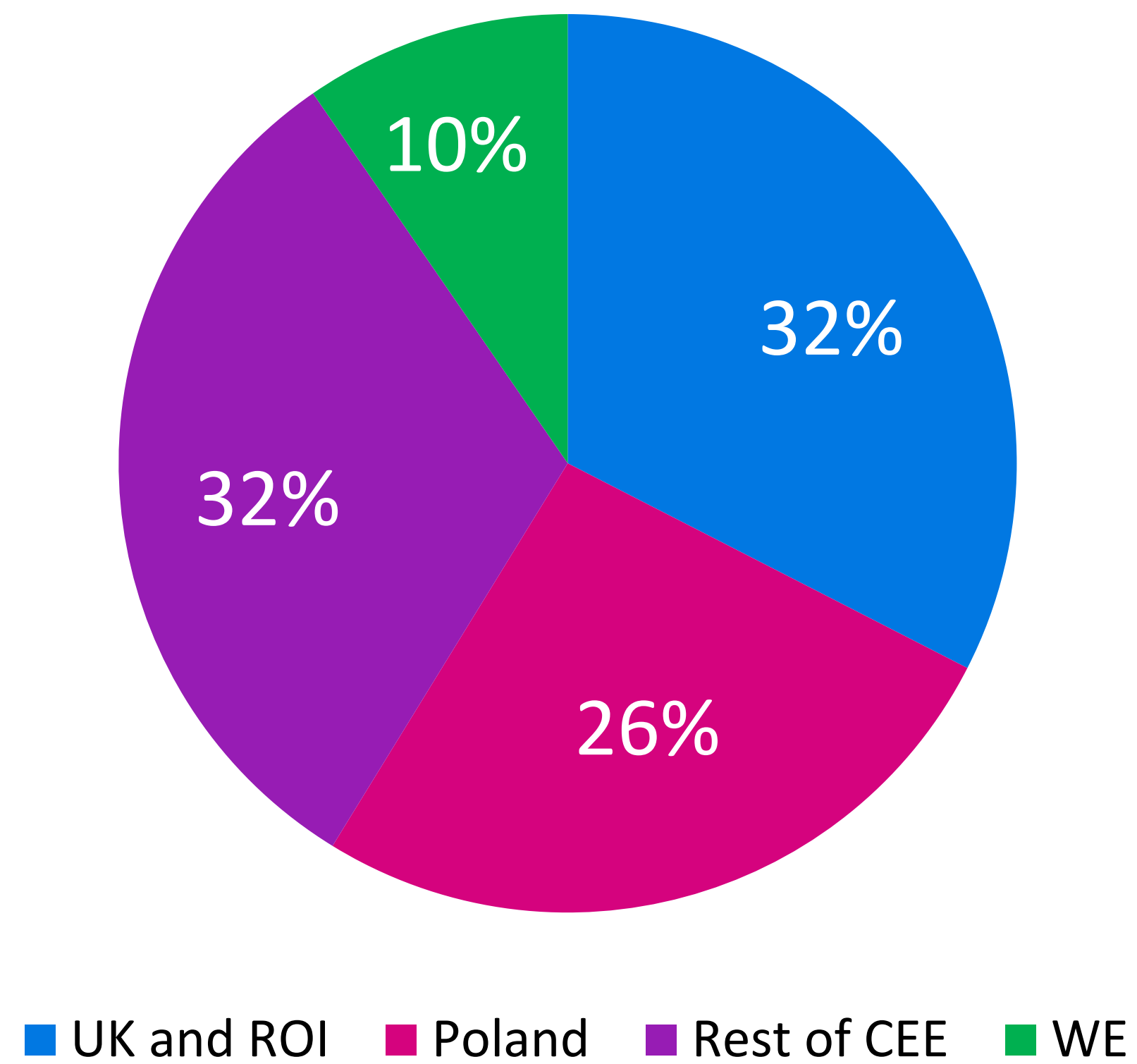
Poundland sales mix by category



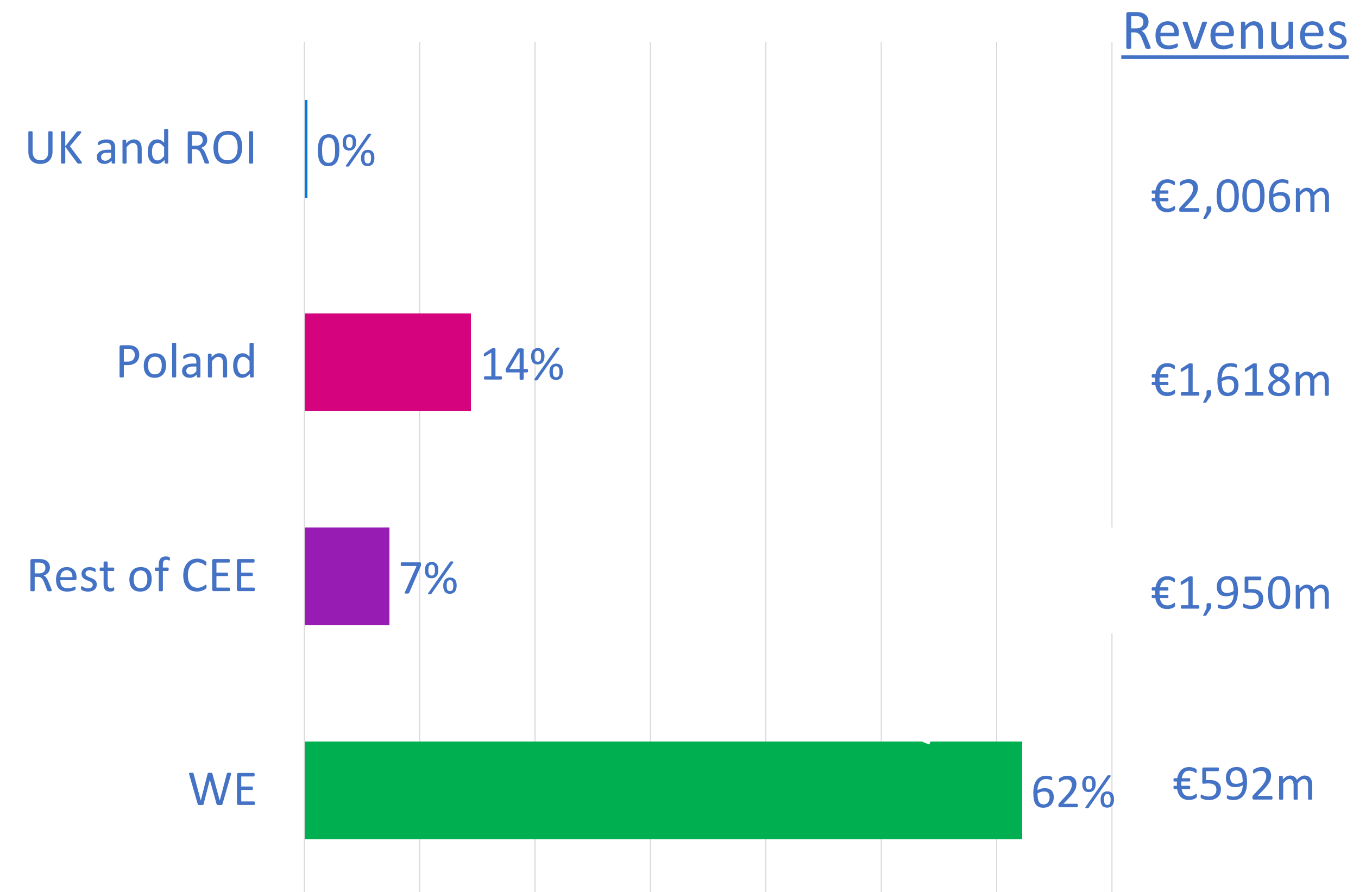
- Clothing and GM LFL negatively impacted since the introduction of Pepco-sourced product at the beginning of FY24
- FMCG category (+1.6% LFL) remains a key driver of footfall at Poundland, retaining its relevance to customers
- Initiatives are underway to enhance the value proposition within the FMCG segment

FY24 Group revenue by geography

FY24 revenue by geography %

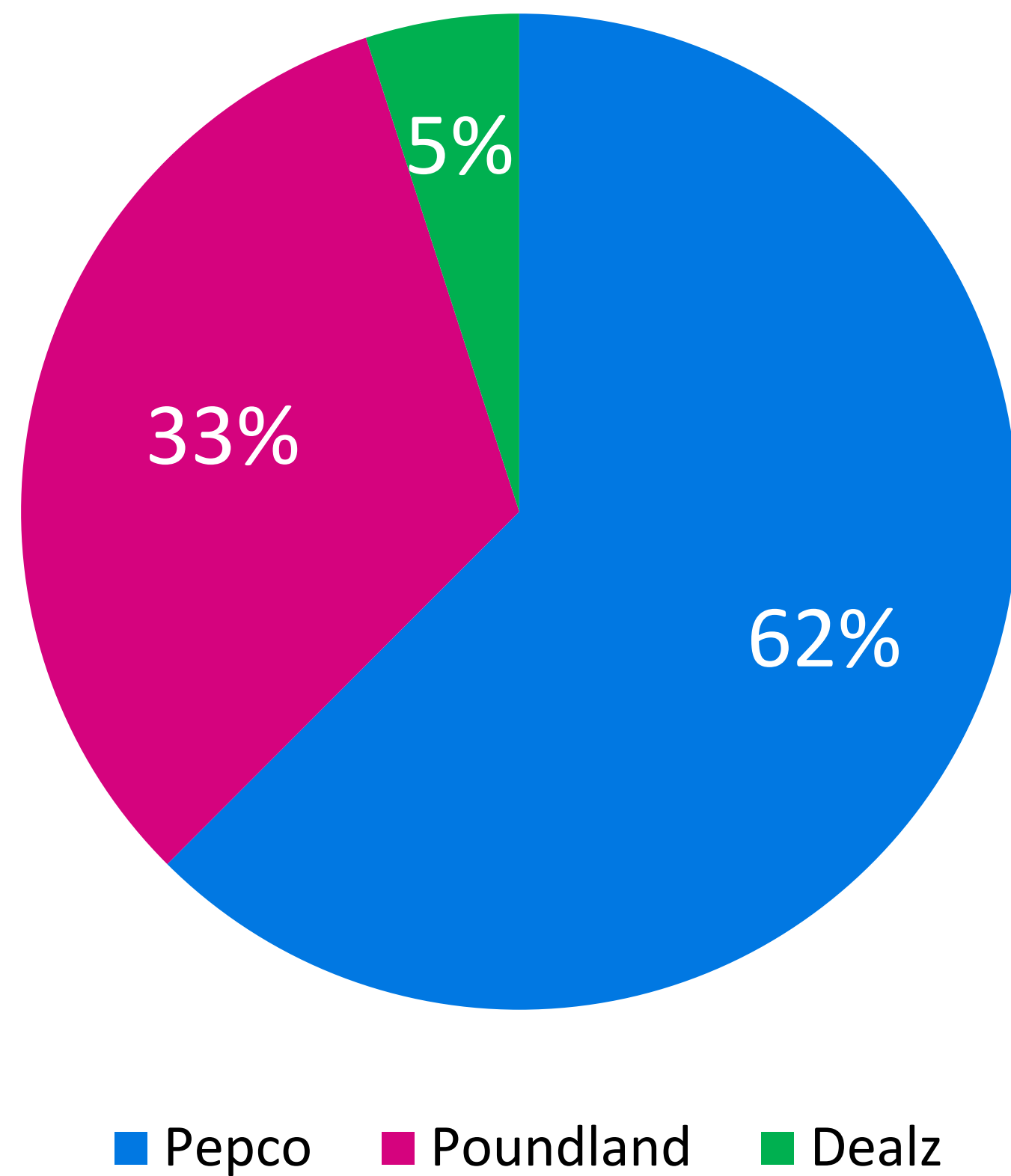


FY24 y-o-y revenue growth in key markets

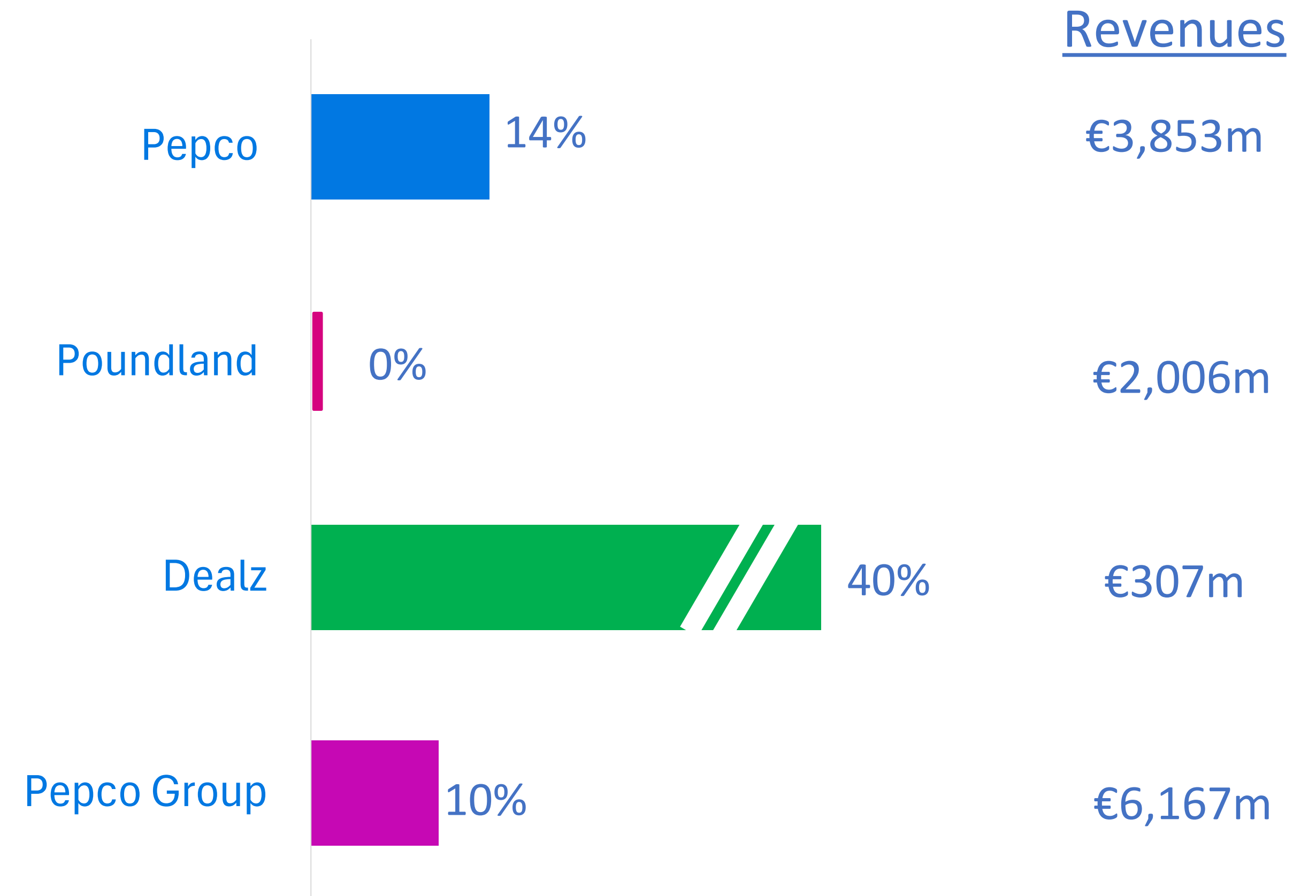


FY24 Group revenue by segment

FY24 revenue by segment %

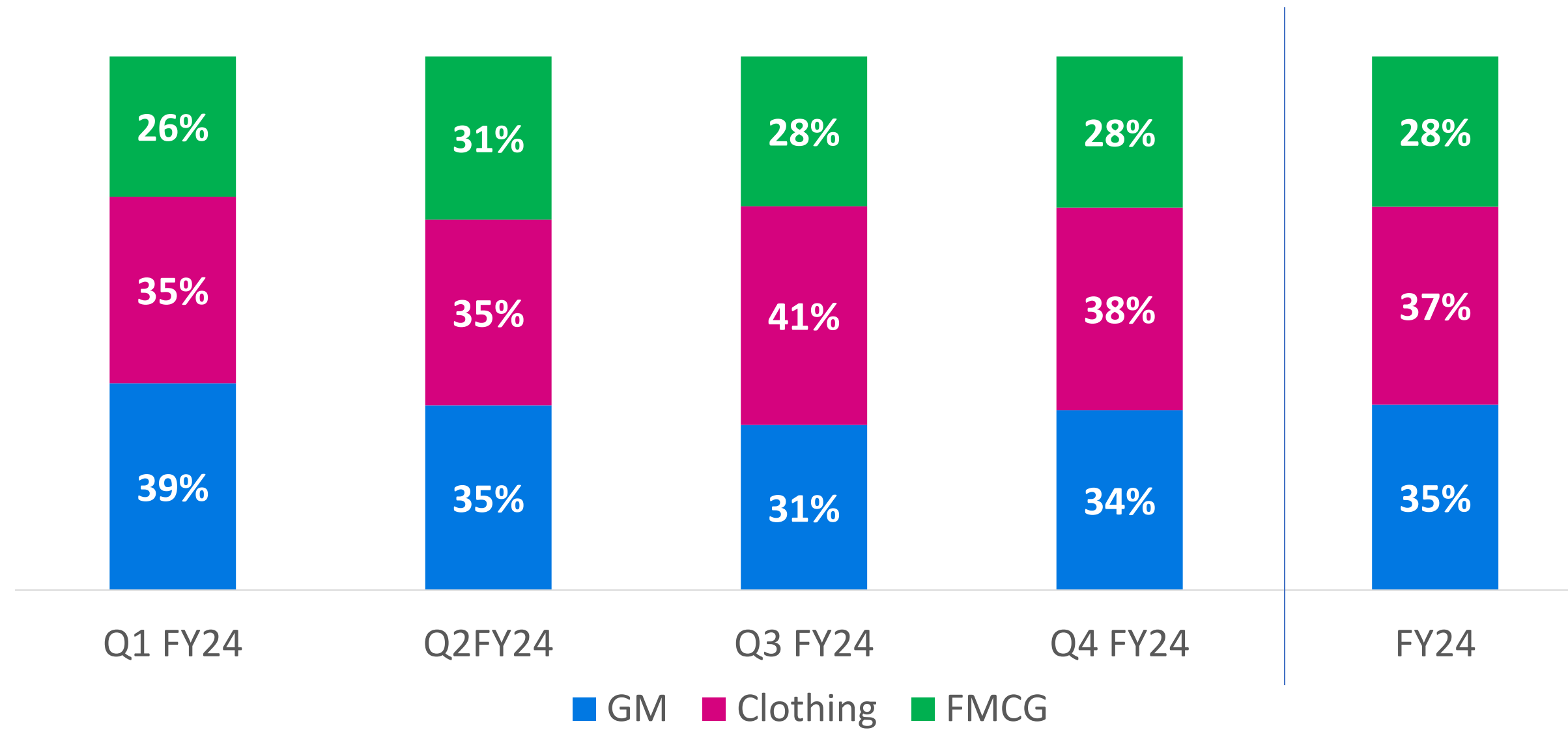


FY24 y-o-y revenue growth by segment

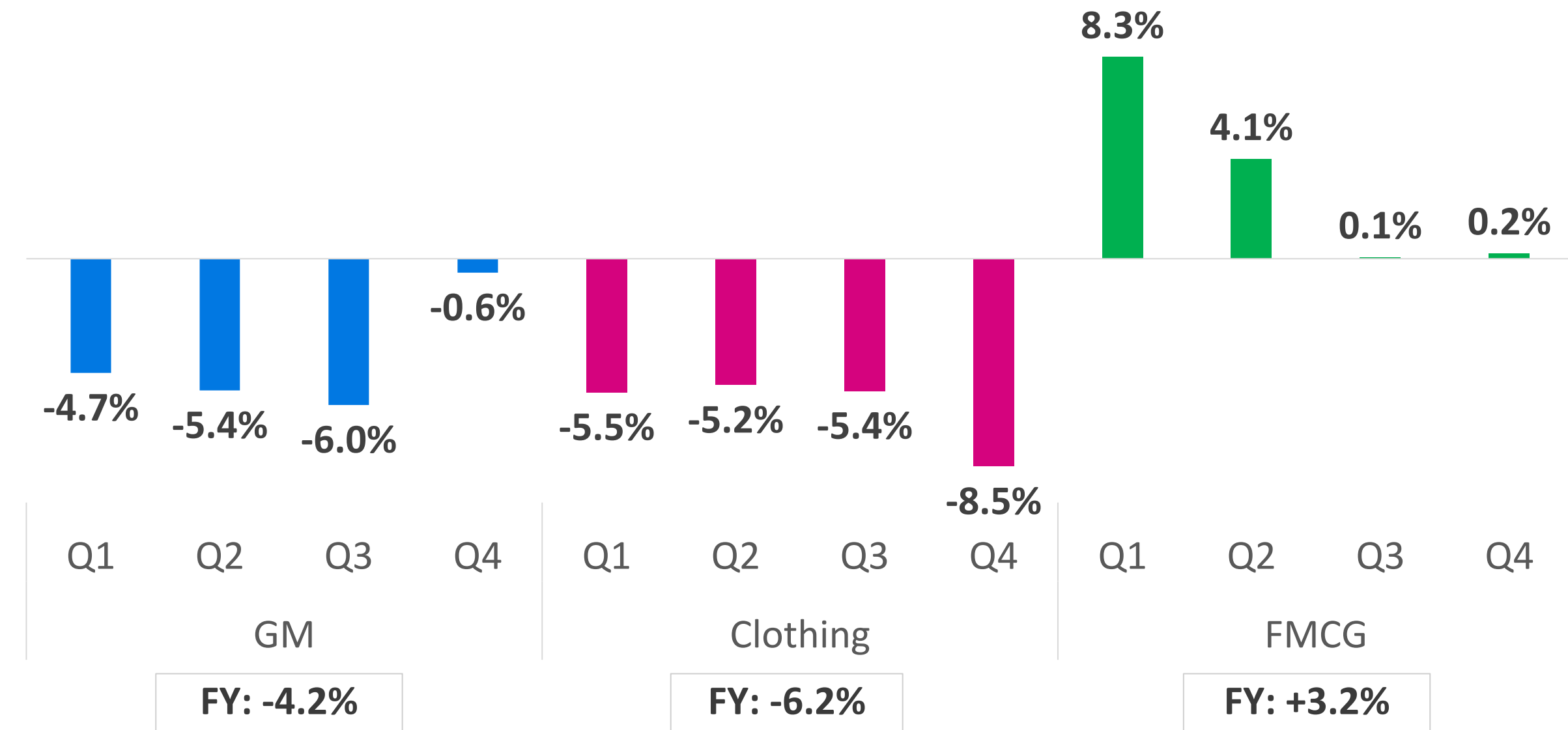


Category revenue performance (GM/clothing/FMCG)

Category sales mix



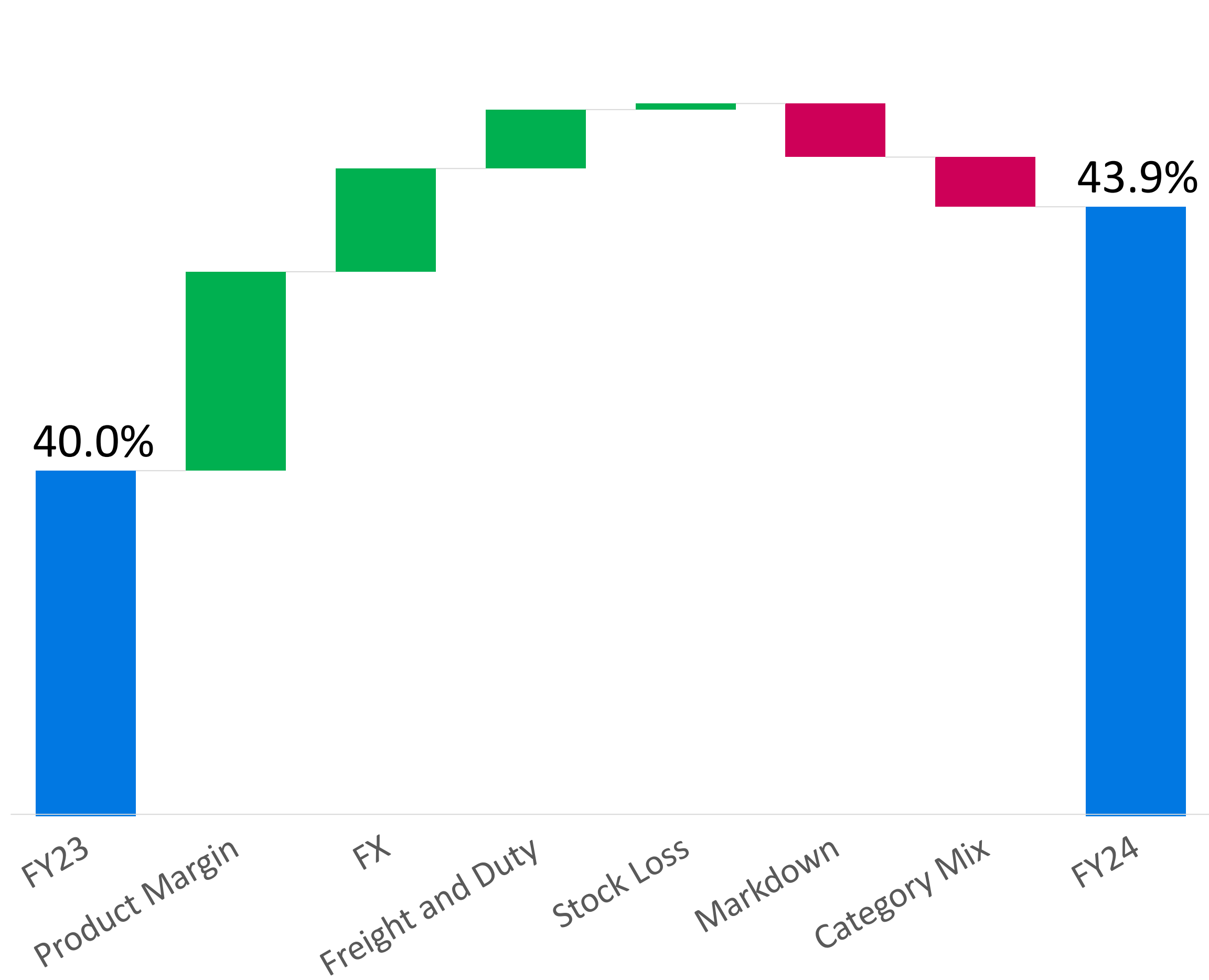
Category LFL sales performance YoY



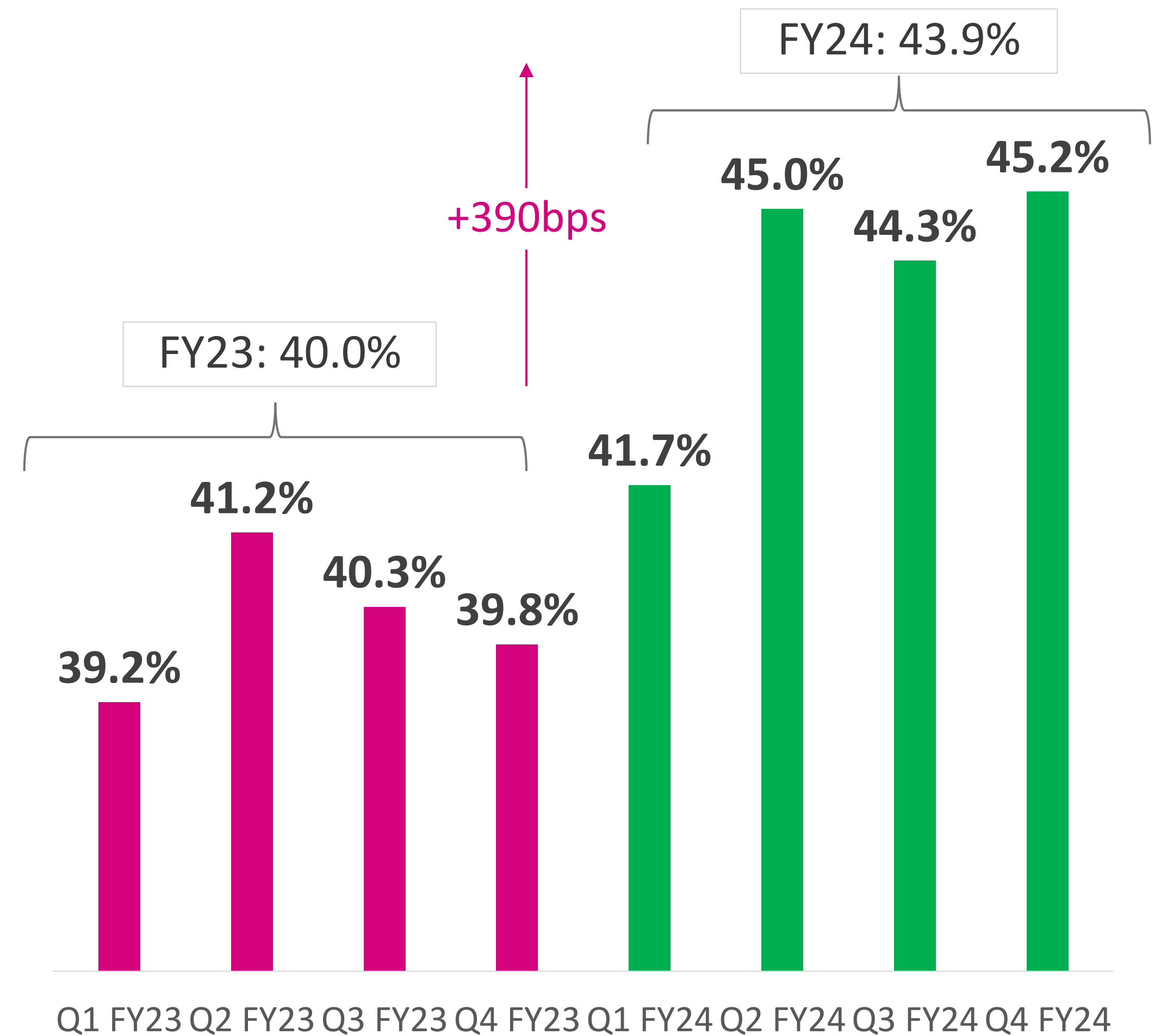
- GM category LFL performance (-4%) impacted by Poundland (-9%) and Dealz (-12%) performance
- Clothing category LFL declined by 6%, heavily impacted by Poundland (-19%)
- FMCG category posted positive LFL (+3%) driven by Poundland (+2%) and Pepco (+49%), albeit latter from a lower base

Strong gross margin improvement in FY24

FY24 Group gross margin (%) bridge

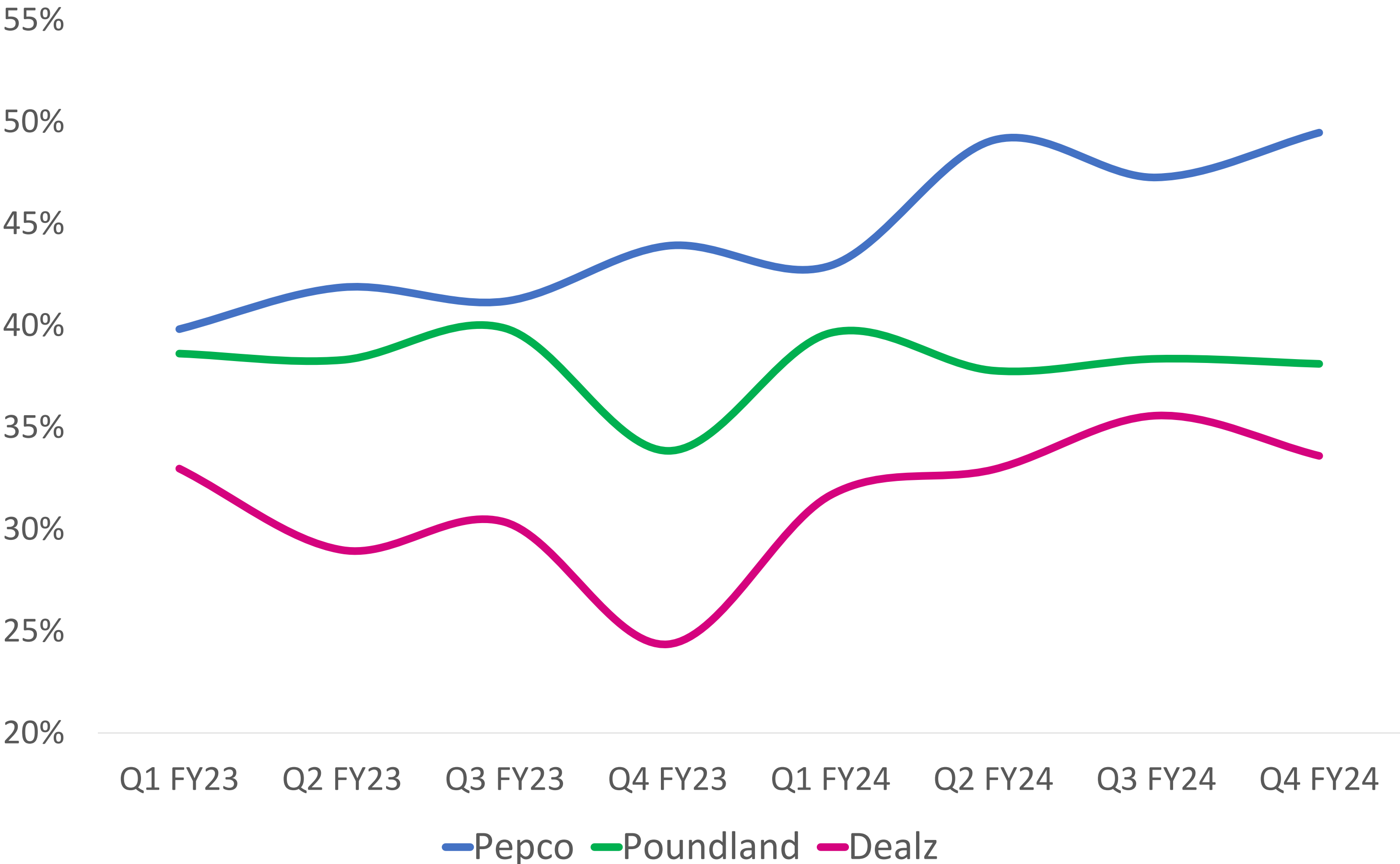


Improving quarterly gross margin % trend*







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

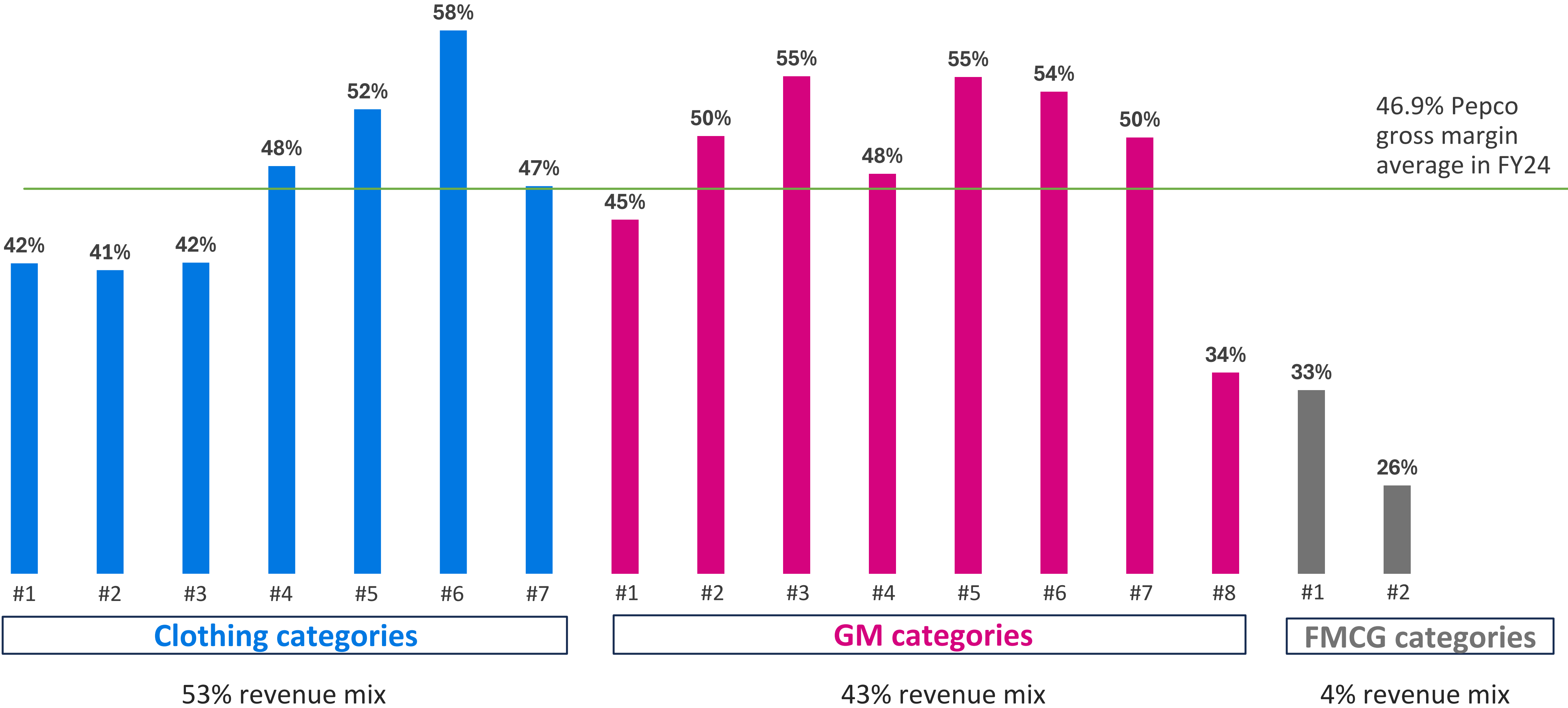
Pepco gross margin drove FY24 Group improvement



FY24 Gross Margin %

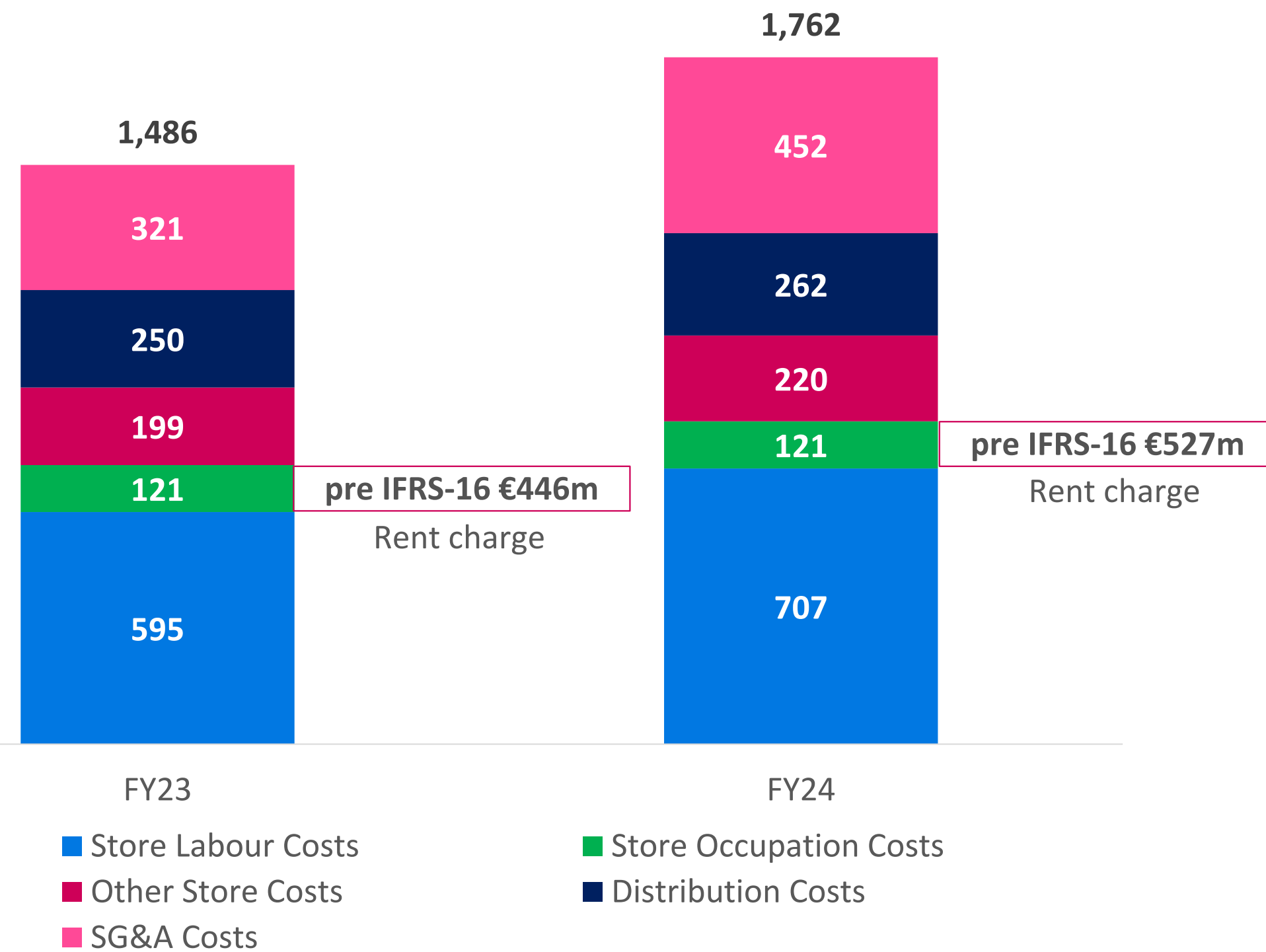
	46.9%
	38.6%
	33.4%
	43.9%

Renewed focus on Pepco core categories will support margin

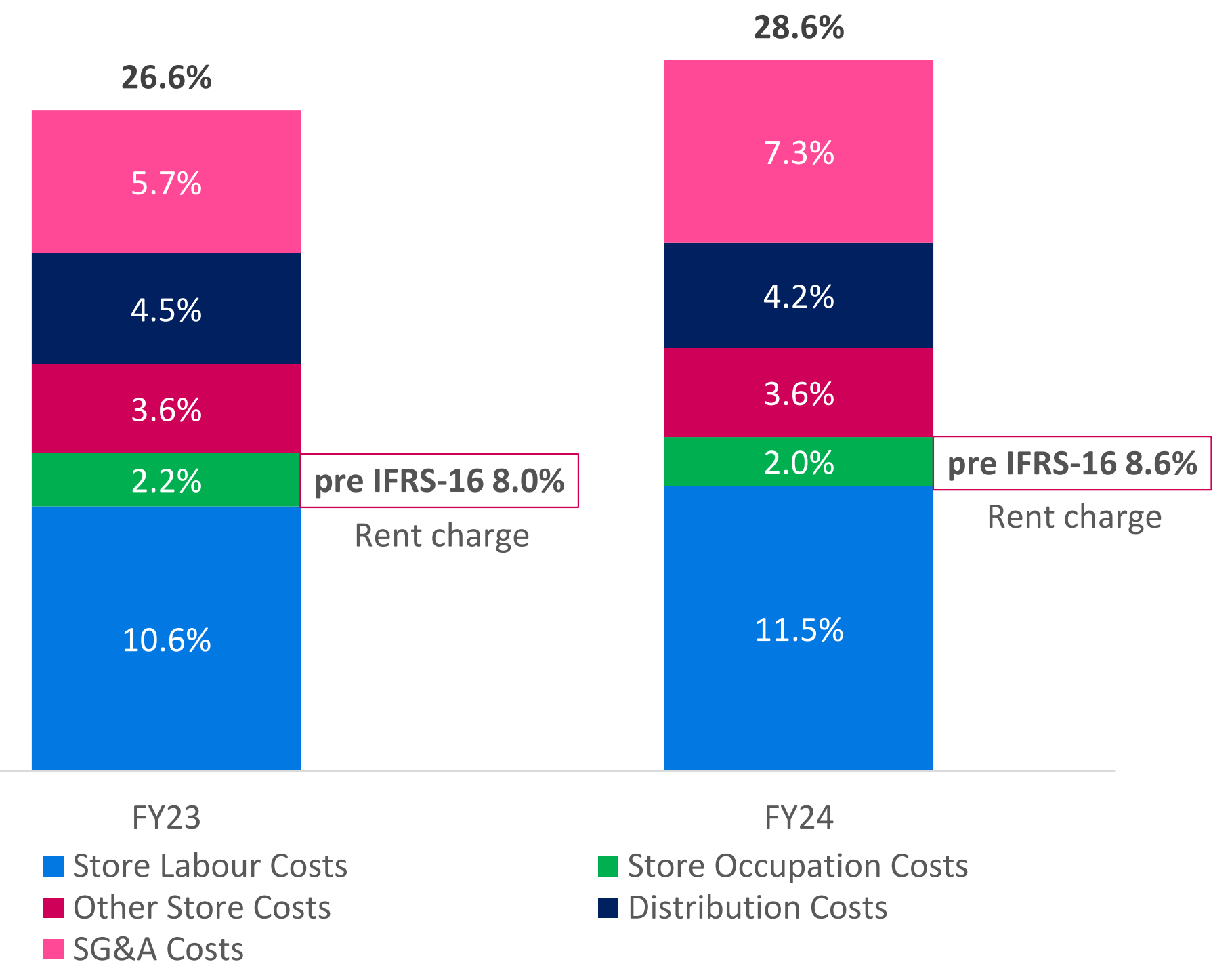


Operating cost inflation reflects new store growth

Operating cost growth driven by increase in new stores



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

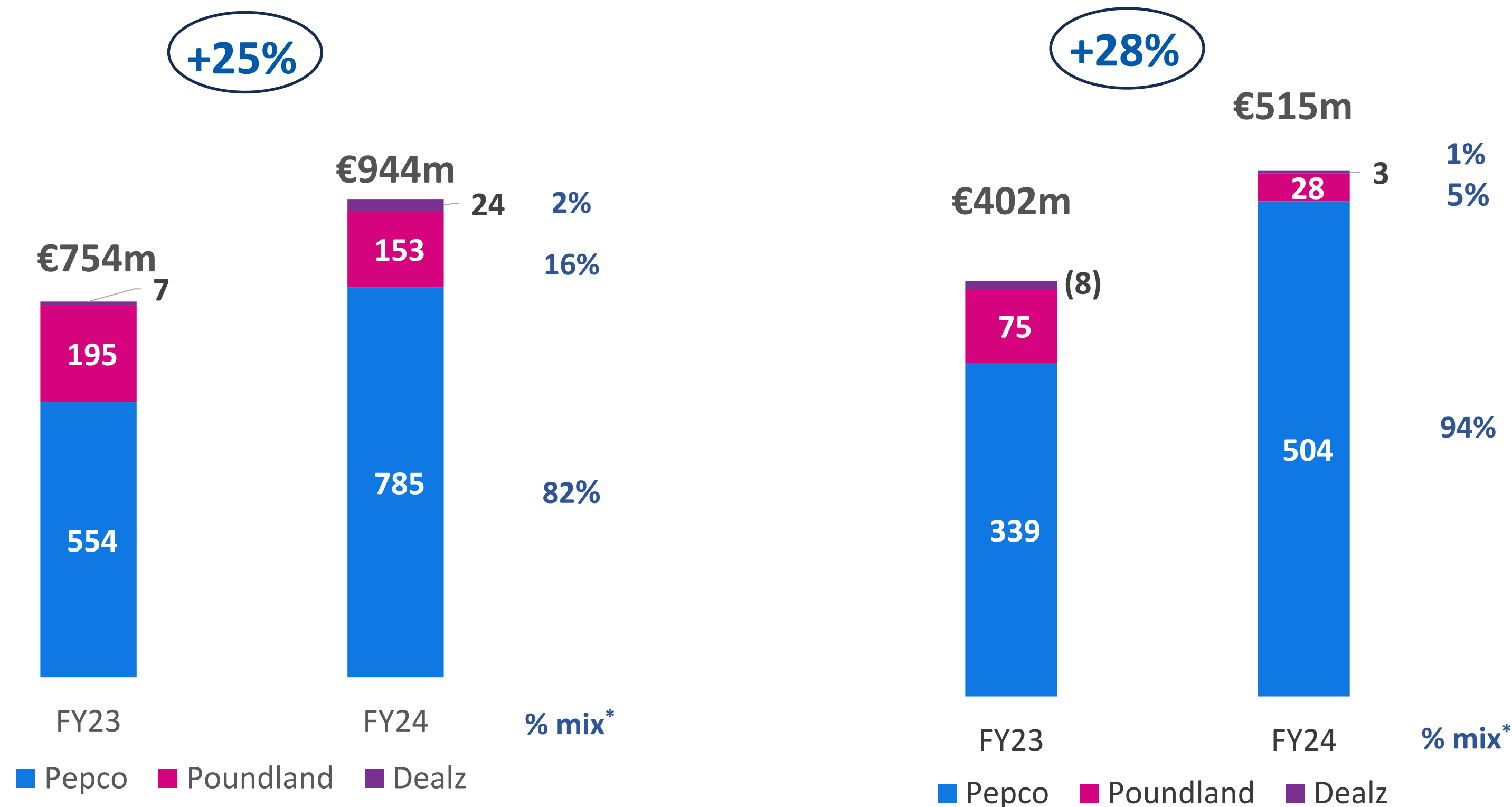


EBITDA performance driven by Pepco

Underlying EBITDA (EUR m)*

IFRS 16

Pre-IFRS 16



- Record Group underlying EBITDA (IFRS16) of €944m, driven by Pepco
- Pepco underlying EBITDA (IFRS16) landed at €785m, up +41.7% (€231m) following strong revenue growth (+14.2%) and gross margin expansion (+530bps)
- Poundland underlying EBITDA declined due to flat revenues and higher operating costs
- Dealz posted positive underlying EBITDA (pre-IFRS 16) for the first time of €3m

* Mix based on total underlying EBITDA excluding central costs

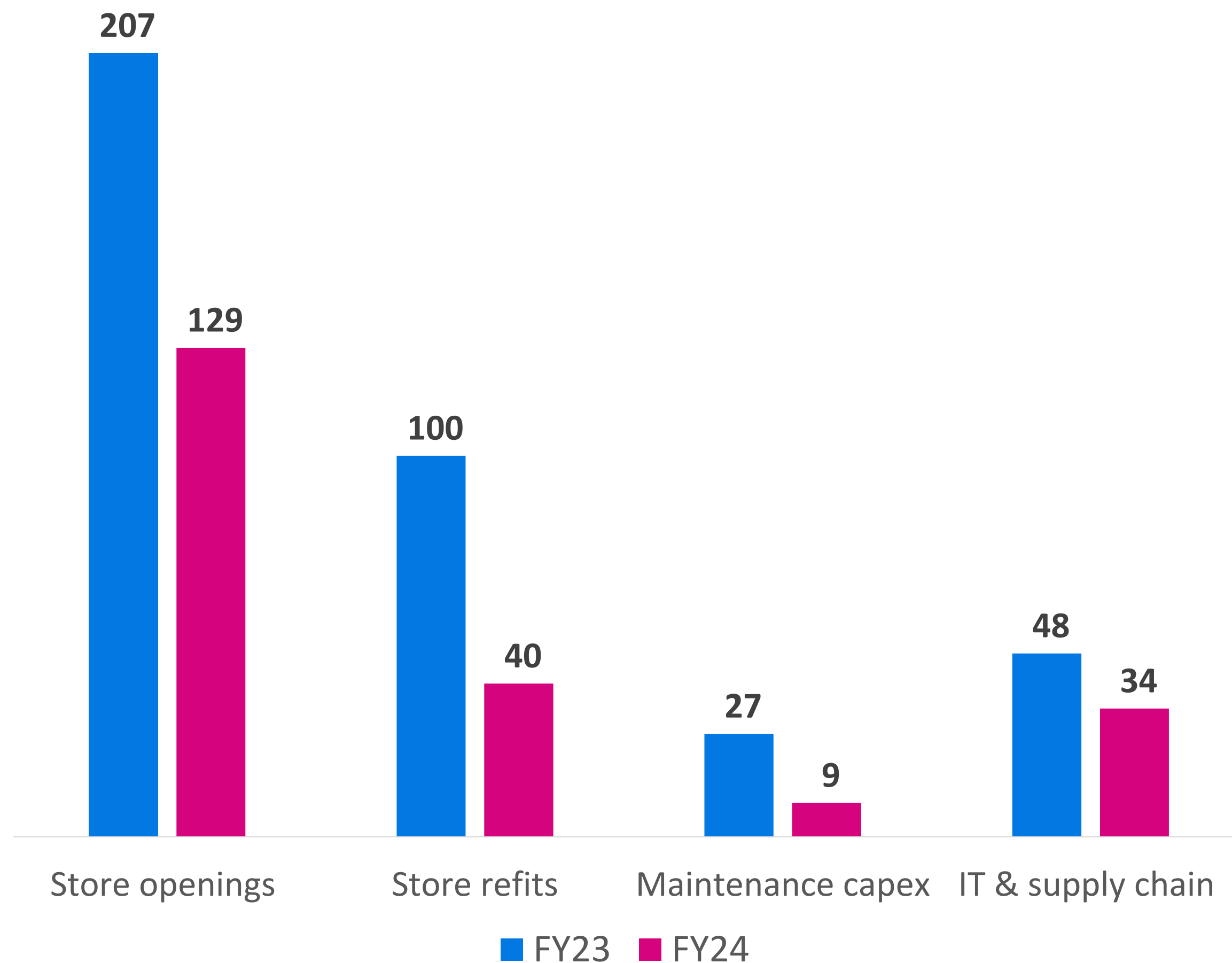
Cashflow summary

EUR million	FY24	FY23	Change
Underlying EBITDA (pre-IFRS 16)	515	402	113
Working capital	(3)	1	2
Tax paid	(85)	(75)	(10)
Operating cash flow	432	328	104
Non-underlying items	(52)	(52)	-
Capex	(212)	(382)	170
Free cash flow	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 fluctuation	30	9	21
Cash and cash equivalents at the beginning of the period	330	344	(14)
Cash and cash equivalent at the end of the period	363	330	33
Net debt (pre - IFRS 16)	256	411	(155)
Leverage (pre – IFRS 16)	0.5x	1.0x	-0.5x

- Capex reduction of €170m y-o-y due to lower store openings and refits
- Free cash flow increased by €274m y-o-y to €168m, driven by strong underlying EBITDA and lower capex
- Financing activities included repayment of borrowings from our revolving credit facility (€120m)
- Group cash closed at €363m, an increase of €33m vs. FY23
- Net debt position of €256m is €155m lower than prior year
- Leverage (pre-IFRS 16) of 0.5x, the lowest since our IPO

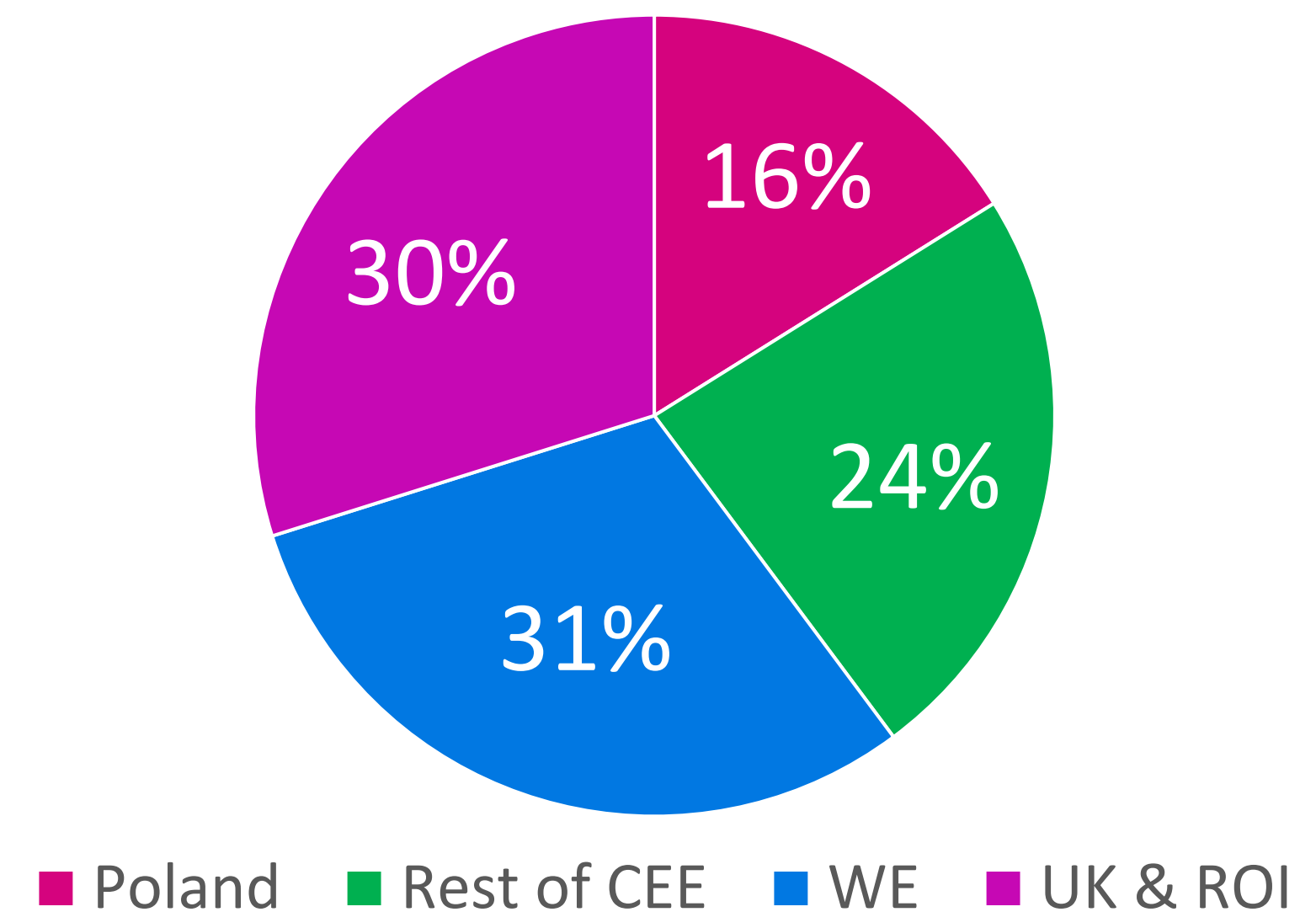
FY24 capex spend down significantly y-o-y

FY24 capex by type (€m)



- FY24 capex was €212m – a significant reduction from FY23 (€382m) reflecting lower store openings and refits
- We opened fewer stores in FY24 (gross 509) versus FY23 (806)
- Store related capex was the key source of the decline (-€138m) driven by fewer store openings (-€78m) and lower store refit expenses (-€60m) as our New Look program was paused

Capex split by region (%)



Balance sheet summary

EUR million

Assets

Property, plant and equivalent

Right of use asset

Goodwill and other intangible assets

Trade and other receivables

Derivative financial instruments

Deferred tax asset

Inventories

Cash and cash equivalents

Total assets

Liabilities

Trade and other payables

Lease liabilities

Borrowings

Provision

Derivative financial instruments

Other non-current liabilities

Total liabilities

Net assets

FY24

FY23

Change

743

746

(3)

1,305

1,226

79

107

847

(740)

103

144

(41)

35

48

(13)

106

113

(7)

1,235

1,120

115

363

330

33

3,998

4,575

(577)

1,406

1,292

114

1,381

1,293

88

613

729

(116)

34

31

3

52

93

(41)

-

-

-

3,486

3,438

48

511

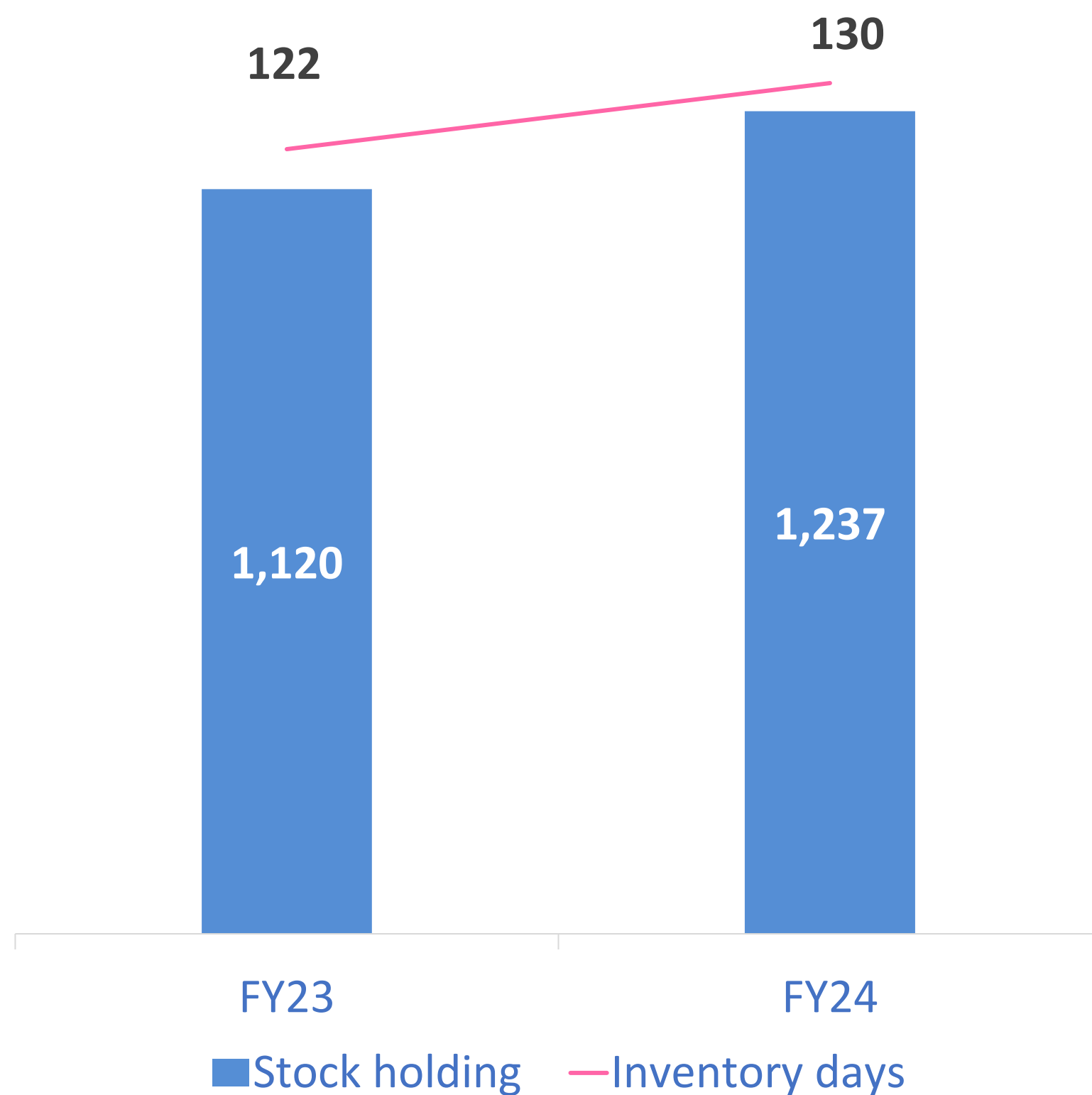
1,138

(627)

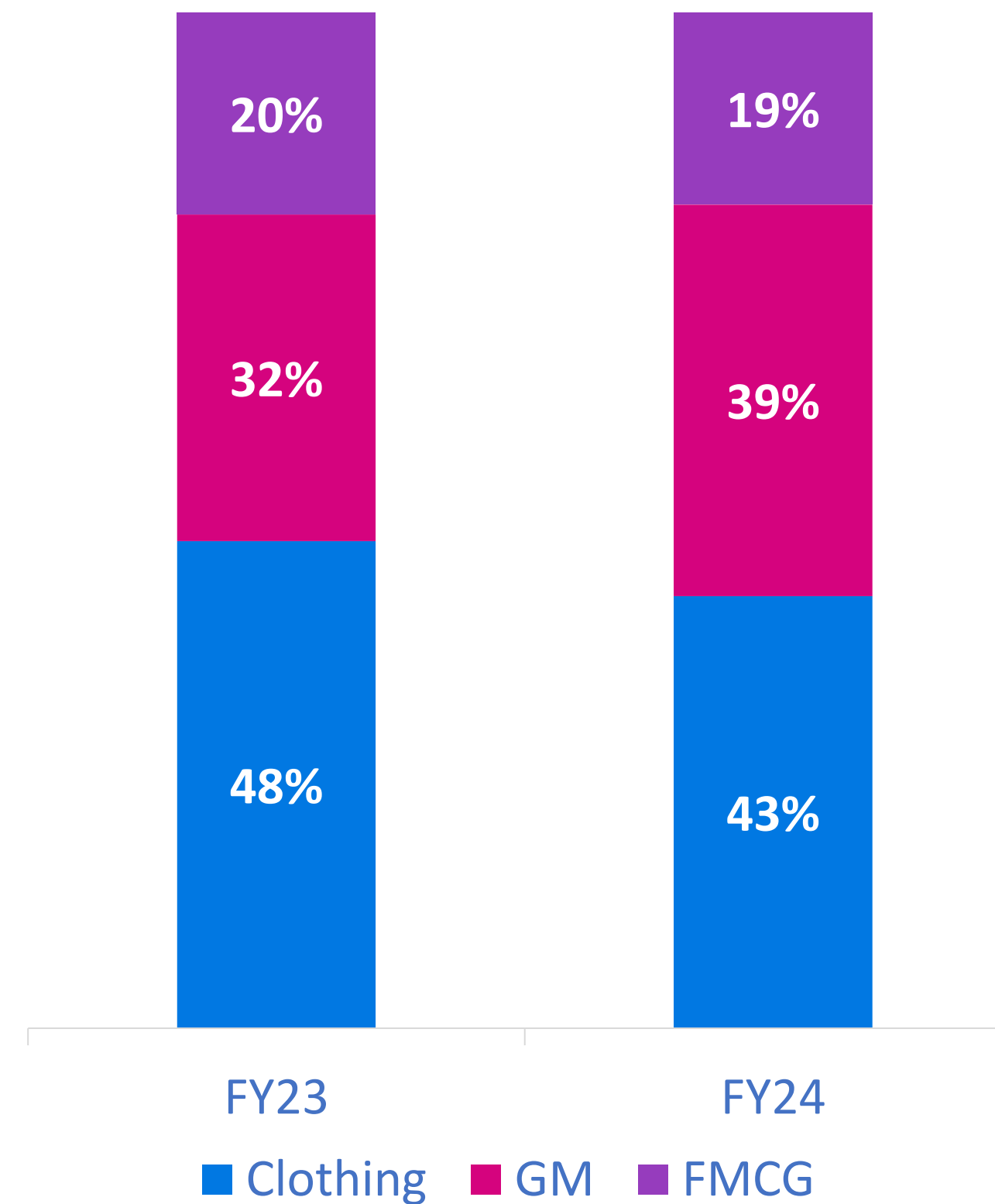
- Growth in right of use assets largely driven by additions from our continued store expansion program
- Sizeable impairment of Poundland goodwill and brand following lower FY24 performance and weak outlook
- Inventories increased y-o-y due to store growth, which also impacted the growth in trade payables
- Revolving credit facility repaid from excess cash

Inventory days increased on timing differences

Stock holding (€m)



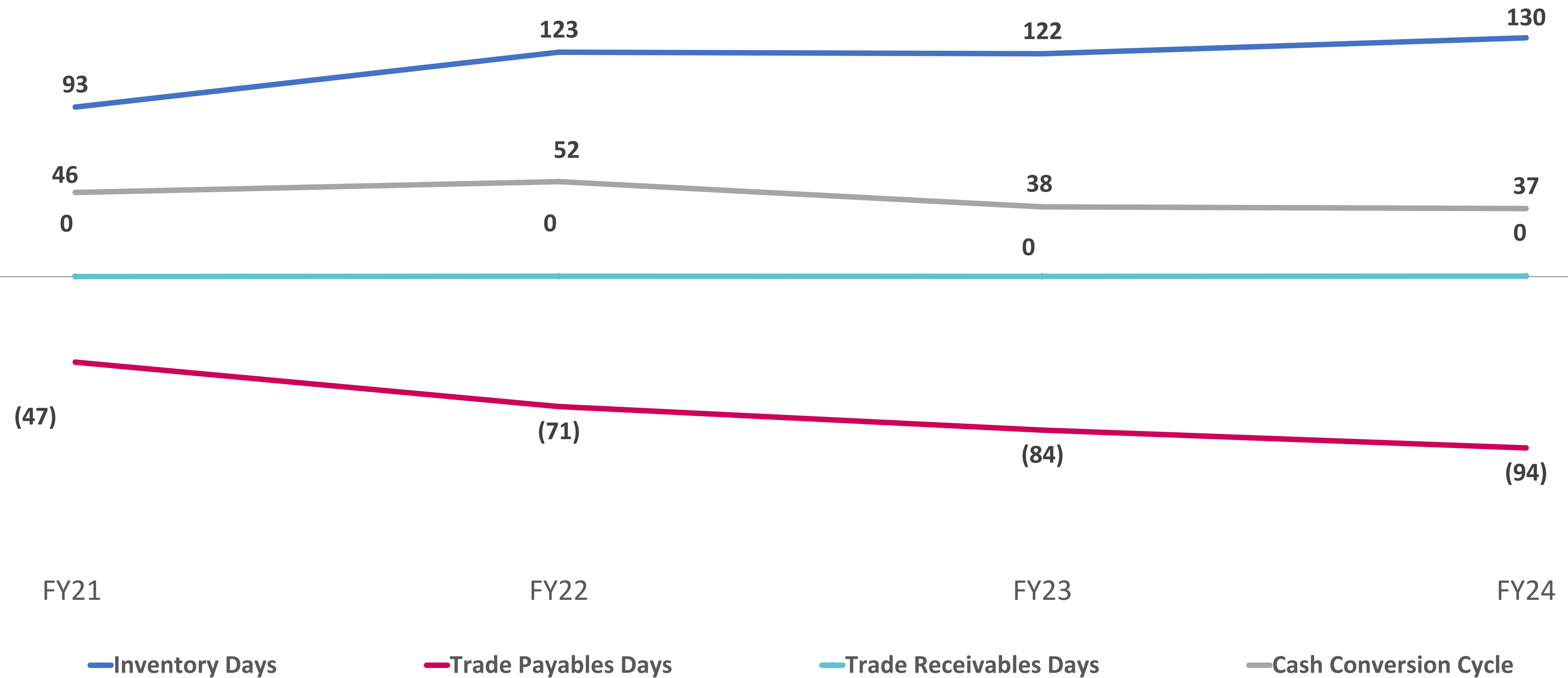
Stock category mix (%)



- Inventory days increased at the balance sheet date due to higher level of stock in transit from shipping delays, and earlier purchases to ensure ample seasonal stock
- 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 = H1 Closing Inventory / Last 12 Months COGS * 365*

*Trade Payables Days = H1 Closing Trade Payables / Last 12 Months COGS * 365*

*Trade Receivables Days = H1 Closing Trade Receivables / Last 12 Months Revenue * 365*

Financing

- Bond (maturing June 2028): €375m 5-Year senior secured notes with 7.25% coupon
- RCF (due April 2027) of €390m provides additional working capital (Zero drawn at end of FY24)
- Strong balance sheet gives access to over €500m of liquidity

<i>Facility</i>	<i>Amount</i>	<i>Coupon</i>	<i>Expiry</i>
<i>Term Loan B</i>	€250m	6m Euribor + 1.50% (3.00% + 1.50% = 4.50%)	April 2026
<i>RCF</i>	€390m	6m Euribor + 1.15% (3.00% + 1.15% = 4.15%)	April 2027 (+1Y 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>FY24</u></i>
<i>Net debt (pre-IFRS 16)</i>	€256m
<i>Leverage LTM (pre-IFRS 16)</i>	0.5x
<i>Net debt (IFRS 16)</i>	€1,631m
<i>Leverage LTM (IFRS 16)</i>	1.7x

Business review

Stephan Borchert – Chief Executive Officer

Objectives at start of year

- Rebuild Pepco's profitability in its core CEE markets through gross margin recovery
- Adopt a more disciplined approach to investment with more targeted growth
- Review underperforming areas of the business
- Deliver stronger cash generation



Progress made on all objectives, but there remains more to achieve

Rebuild profitability in Pepco CEE

c. 80%

- Percentage of FY24 Group EBITDA (IFRS 16) from Pepco CEE

+530bps

- FY24 Pepco gross margin increase y-o-y driven by strong CEE performance

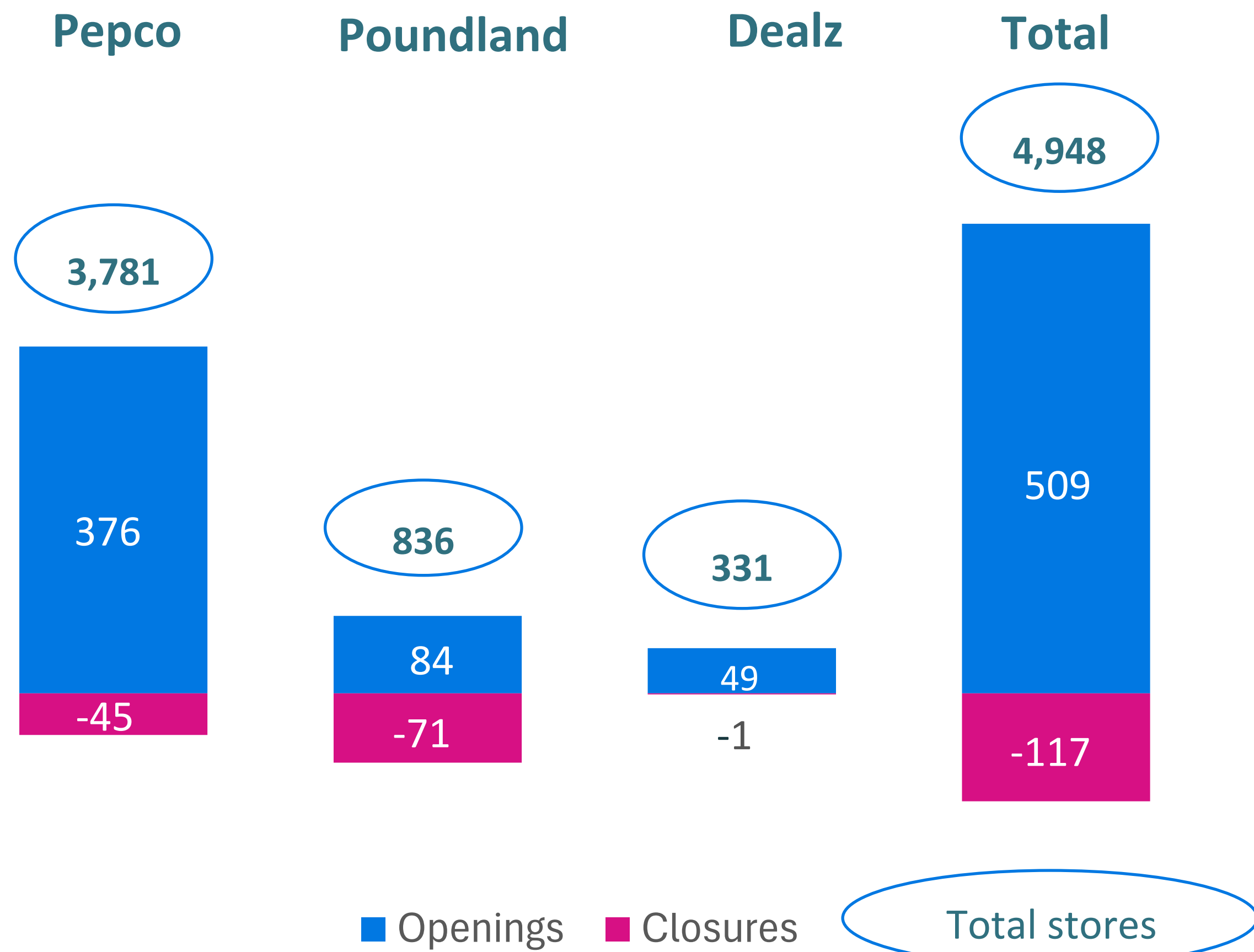
€218k

- Pepco CEE store profit back to pre-Covid levels

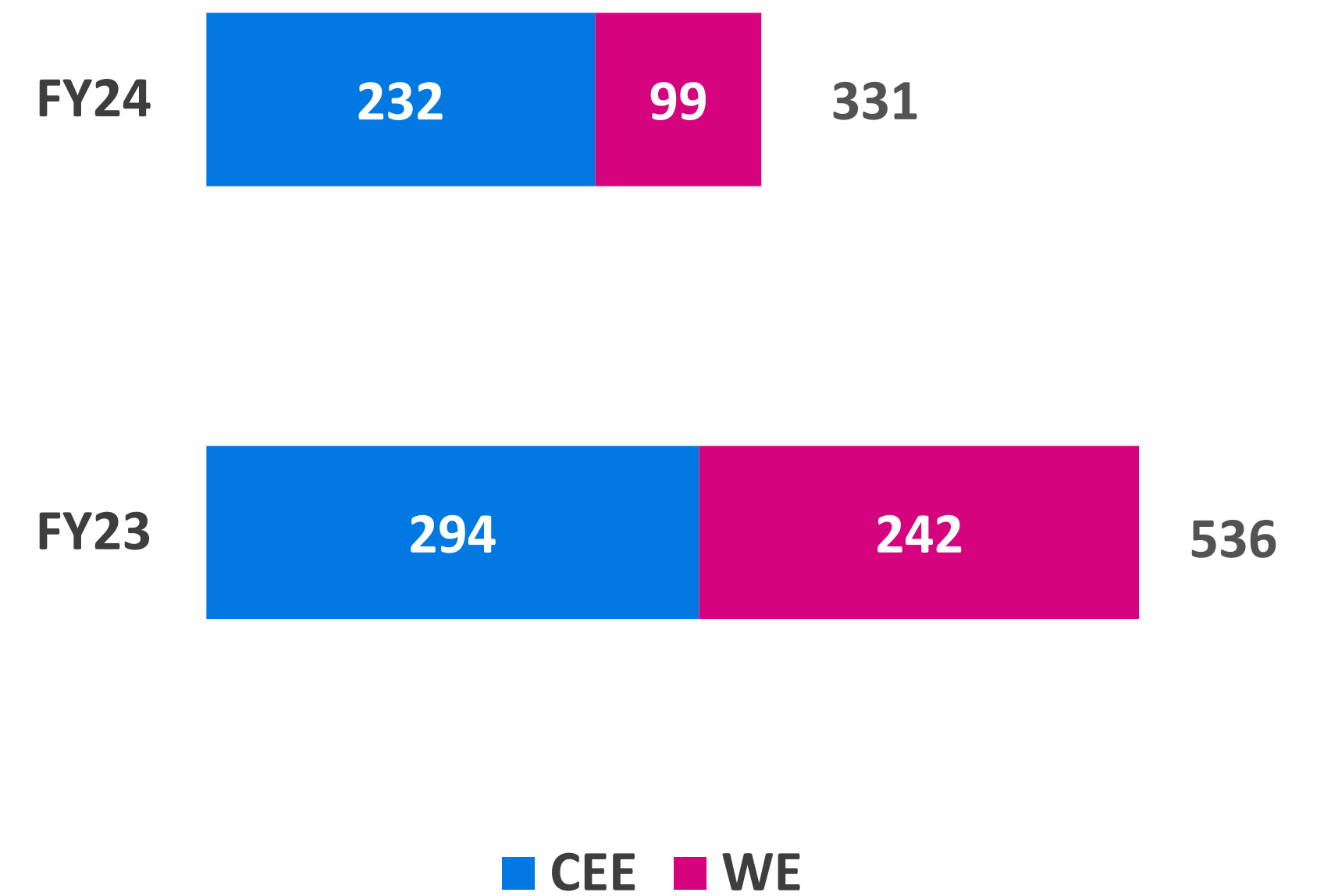


More targeted store growth

FY24 store openings by brand



Pepco store openings more targeted in FY24, with CEE focus



Review of underperforming areas

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

Pepco 'Plus' format paused



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

Exit of Pepco Austria



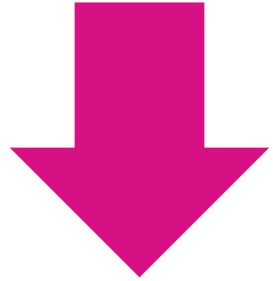
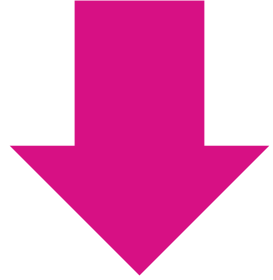
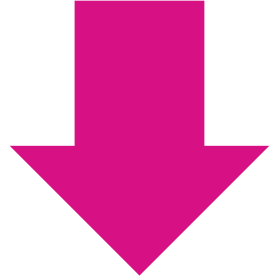
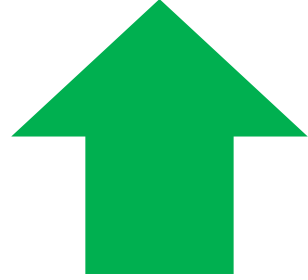
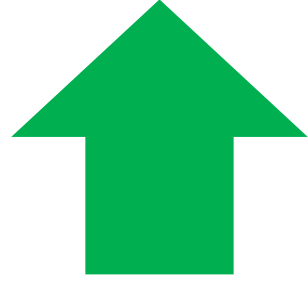
- Exited Austria in February 2024
- 73 stores operated in the country
- Operations loss-making since inception
- €1m loss per month in Austria while in operation

New look programme paused



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

Stronger cash performance through disciplined investment

	<i>FY23</i>		FY24
Gross store openings (#)	806		509
Pepco store re-fits (#)	715		219
Capex(€m)	€382m		€212m
Free cash flow(€m)	(€106m)		€168m
Dividend(€ cents)	<i>N/A</i>		6.2

Current trading and outlook

Stephan Borchert – Chief Executive Officer

Current trading and outlook

- Mixed current trading across formats
- Positive Pepco LFL sales since September 2024 driven by volume through sharper pricing
- Negative Poundland LFL sales due to continued underperformance of clothing and GM categories
- Group gross margin improvement in Q1 FY25 to date
- Expect to open around 300 net new stores in FY25

Cautiously optimistic in making progress in year ahead





Summary

- Good progress made over last 12 months, with record revenue and EBITDA performance driven by Pepco
- Business has been reset with more measured growth and capital discipline, providing solid foundation to build on
- Management team strengthened with hire of Group CIO and CHRO
- First dividend announced following strong free cash generation and robust balance sheet
- Pepco concept is our key engine for future strategic and financial growth
- Swift action being taken on Poundland to get business back on track
- Further detail on strategic vision to be outlined at a Capital Markets Day on 6 March 2025

Q&A

Appendix

Store coverage map



Poland

- Pepco 1339
- Dealz 331

United Kingdom

- Poundland 758

Romania

- Pepco 475

Czechia

- Pepco 307

Hungary

- Pepco 256

Spain

- Pepco 234

Bulgaria

- Pepco 167

Slovakia

- Pepco 153

Serbia

- Pepco 145

Croatia

- Pepco 130

Lithuania

- Pepco 88

Ireland

- Poundland 78

Italy

- Pepco 199

Latvia

- Pepco 60

Germany

- Pepco 63

Slovenia

- Pepco 39

Estonia

- Pepco 38

Greece

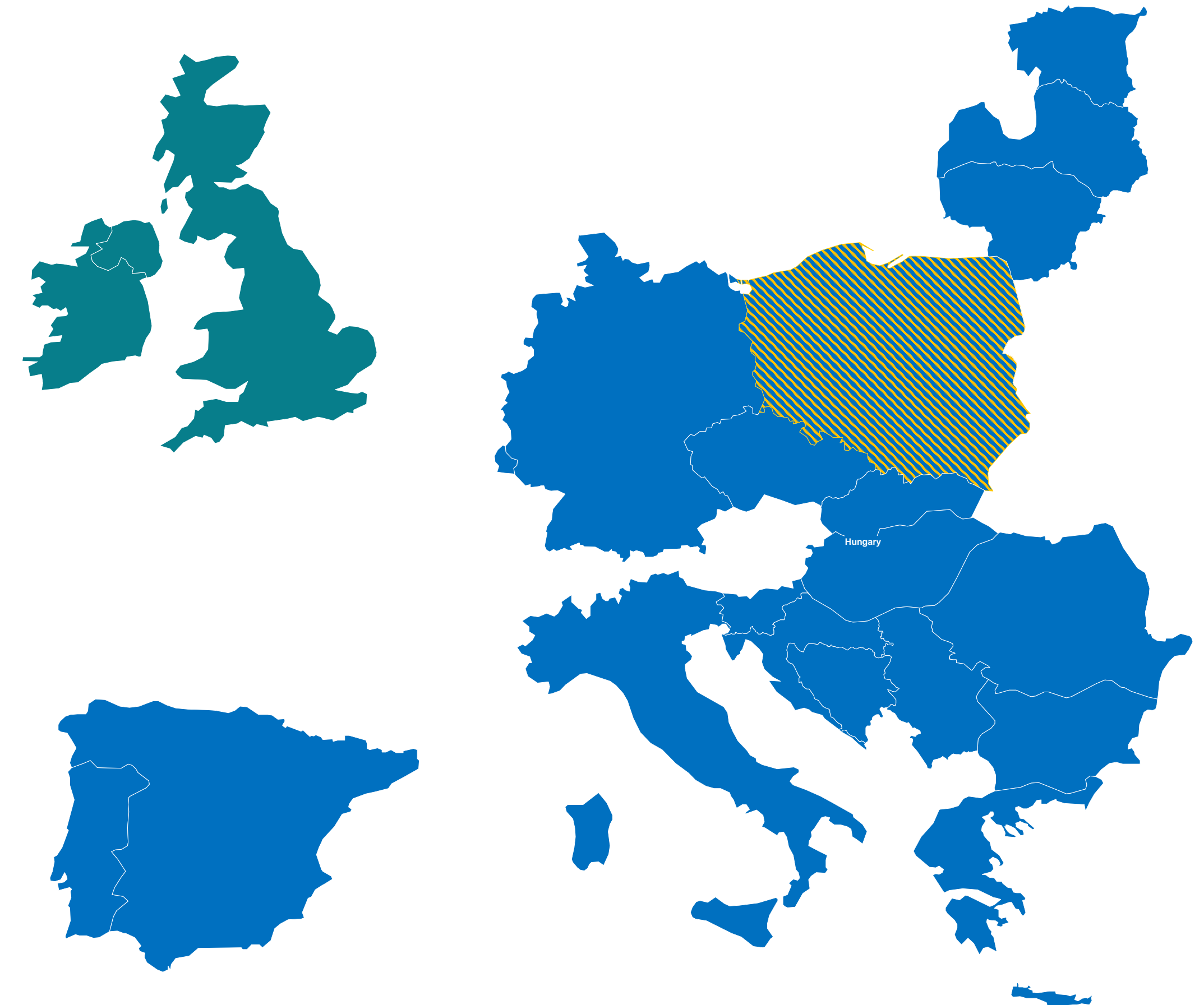
- Pepco 37

Portugal

- Pepco 16

Bosnia & Herzegovina

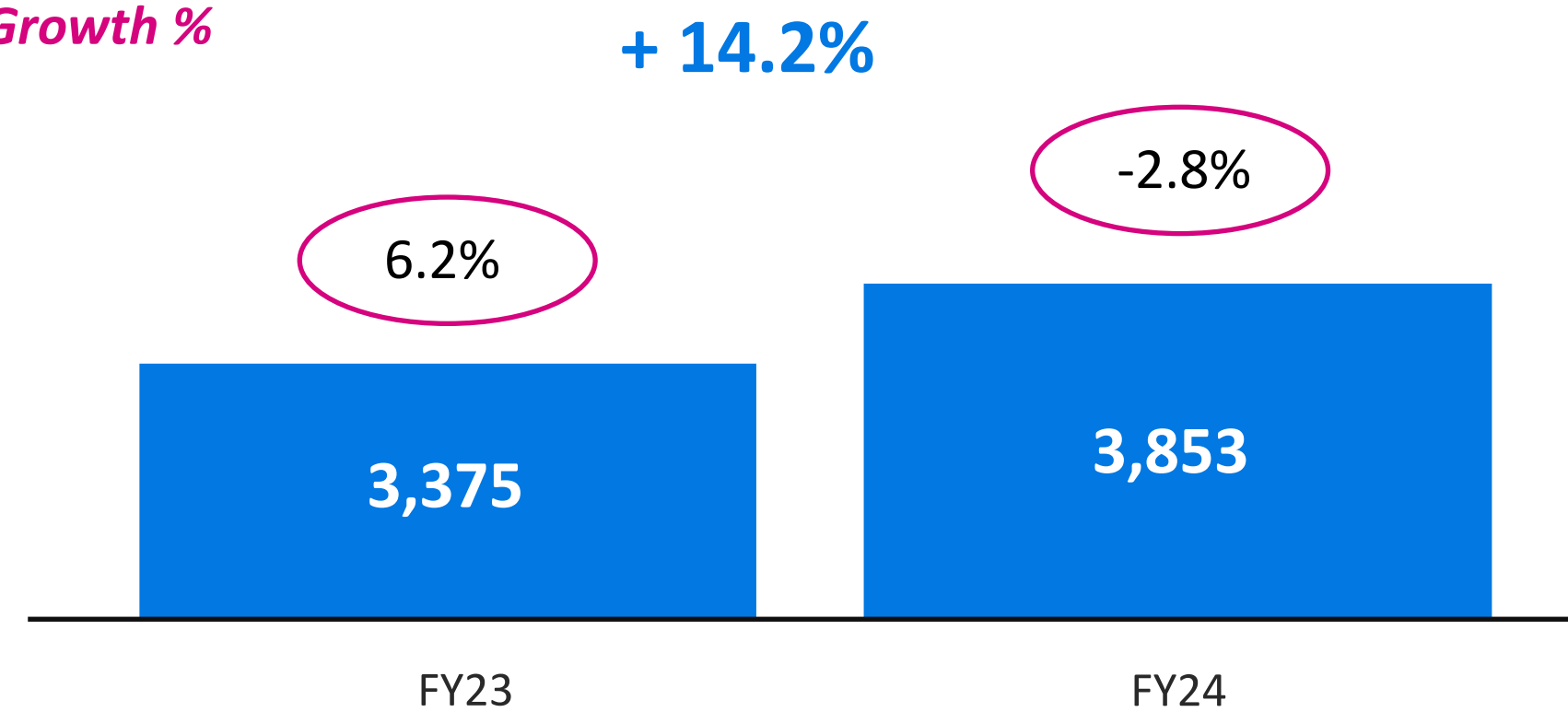
- Pepco 35



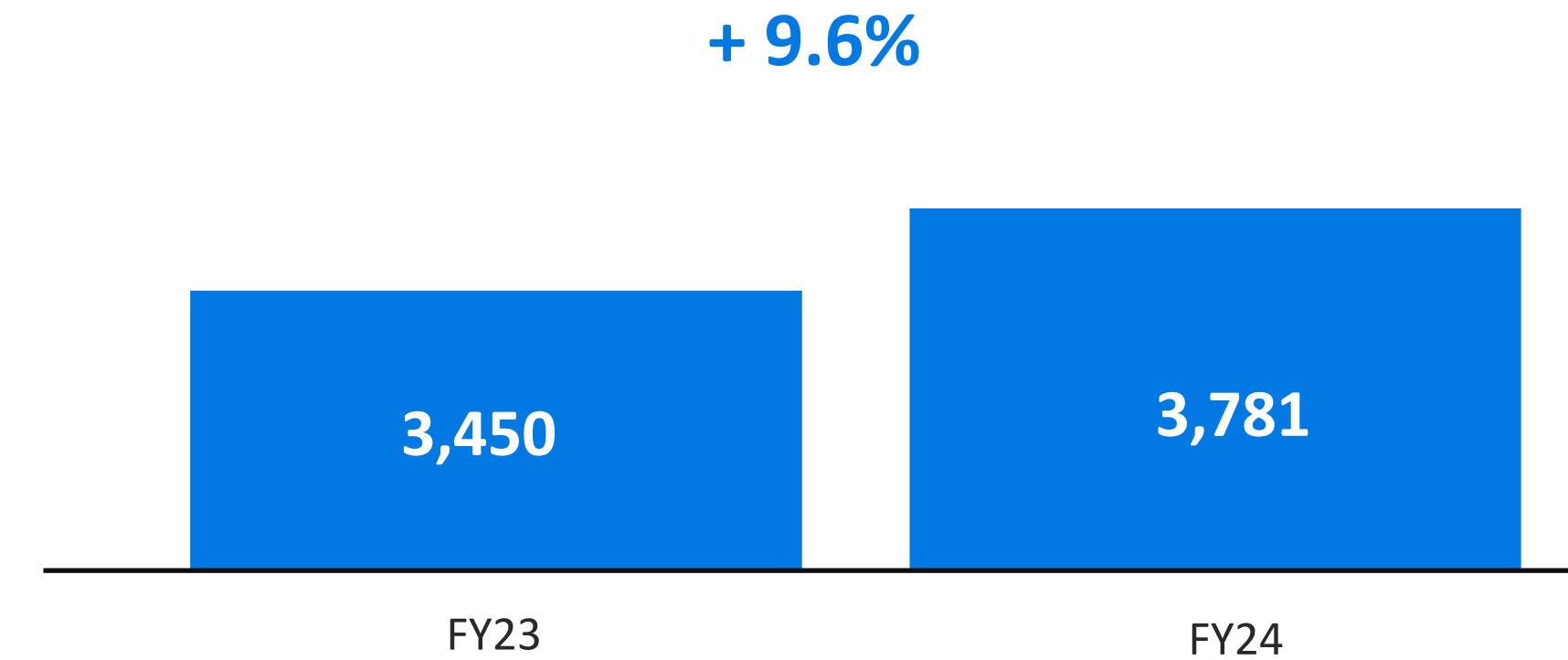
Focus on Pepco

Revenue & LFL

LFL Growth %

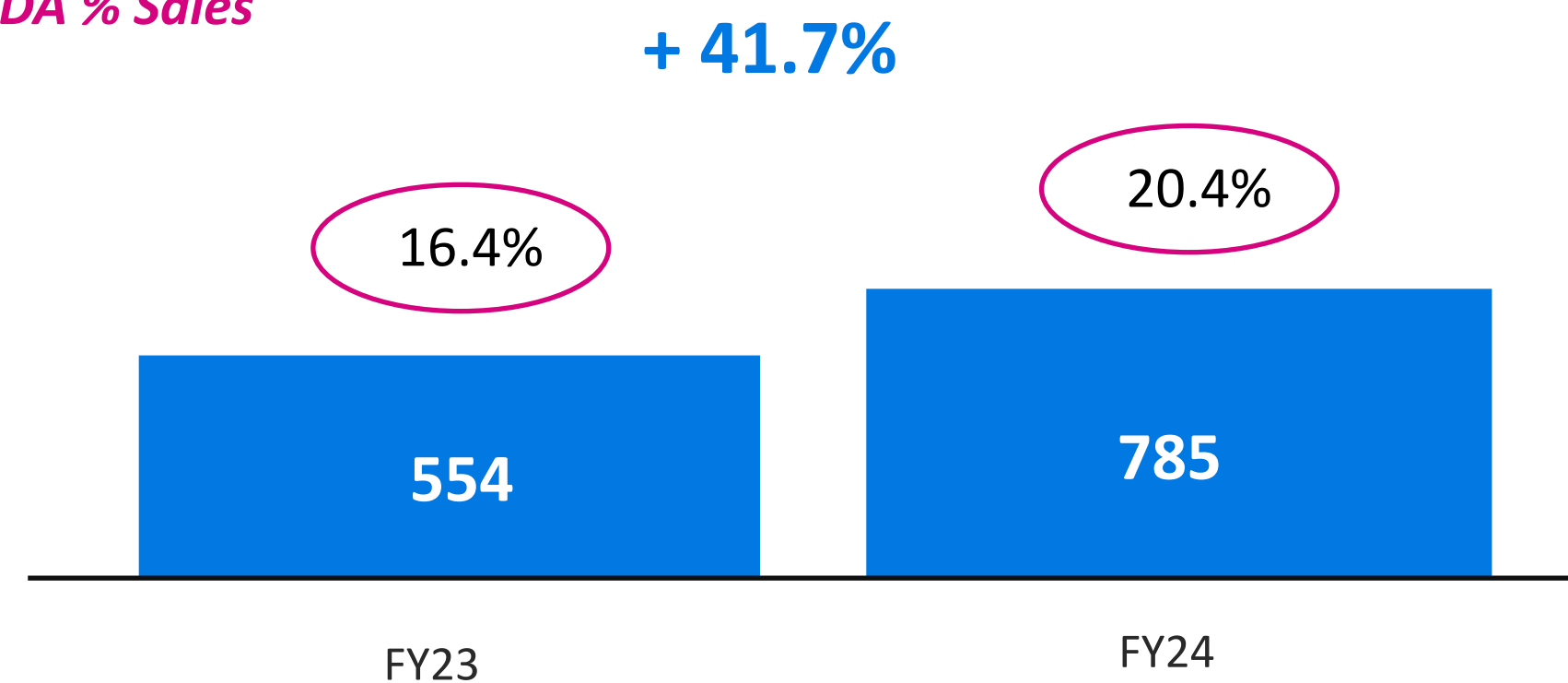


Store Numbers



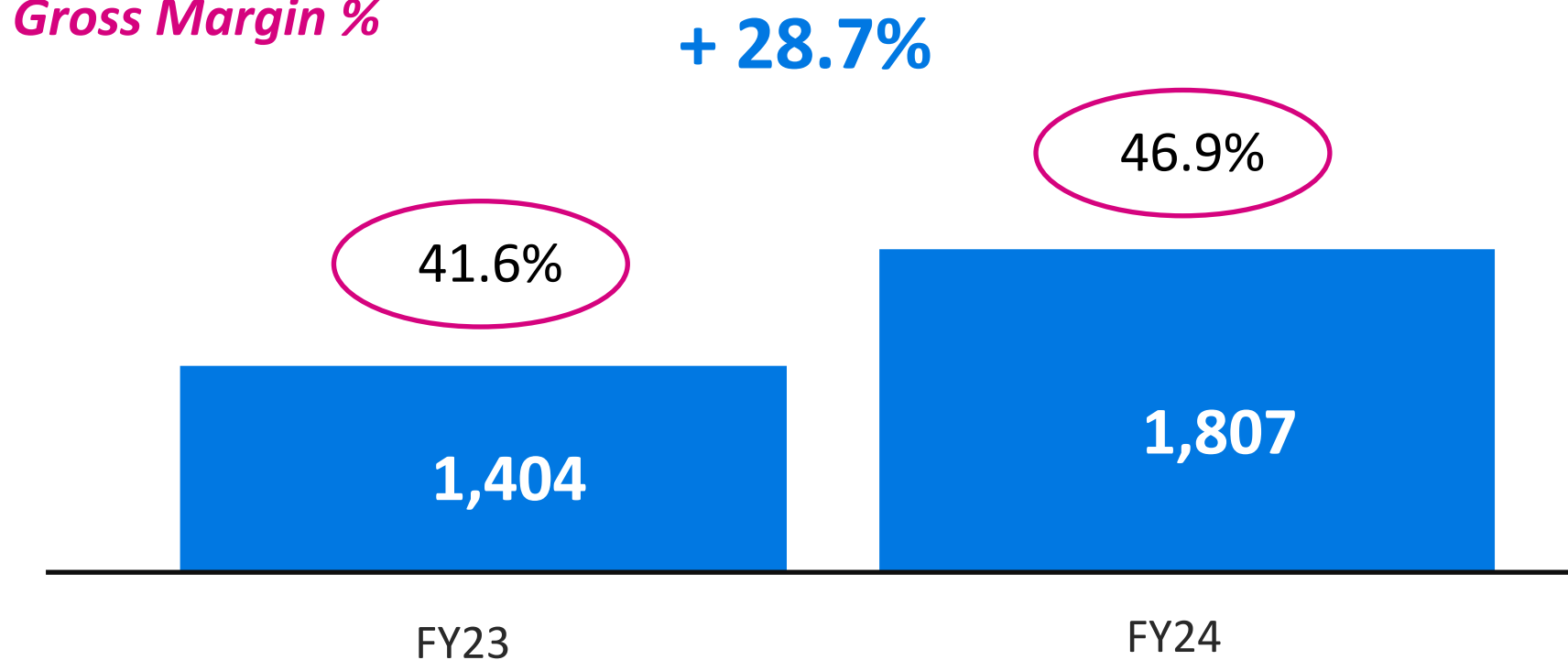
EBITDA (IFRS 16)

EBITDA % Sales



Gross Profit

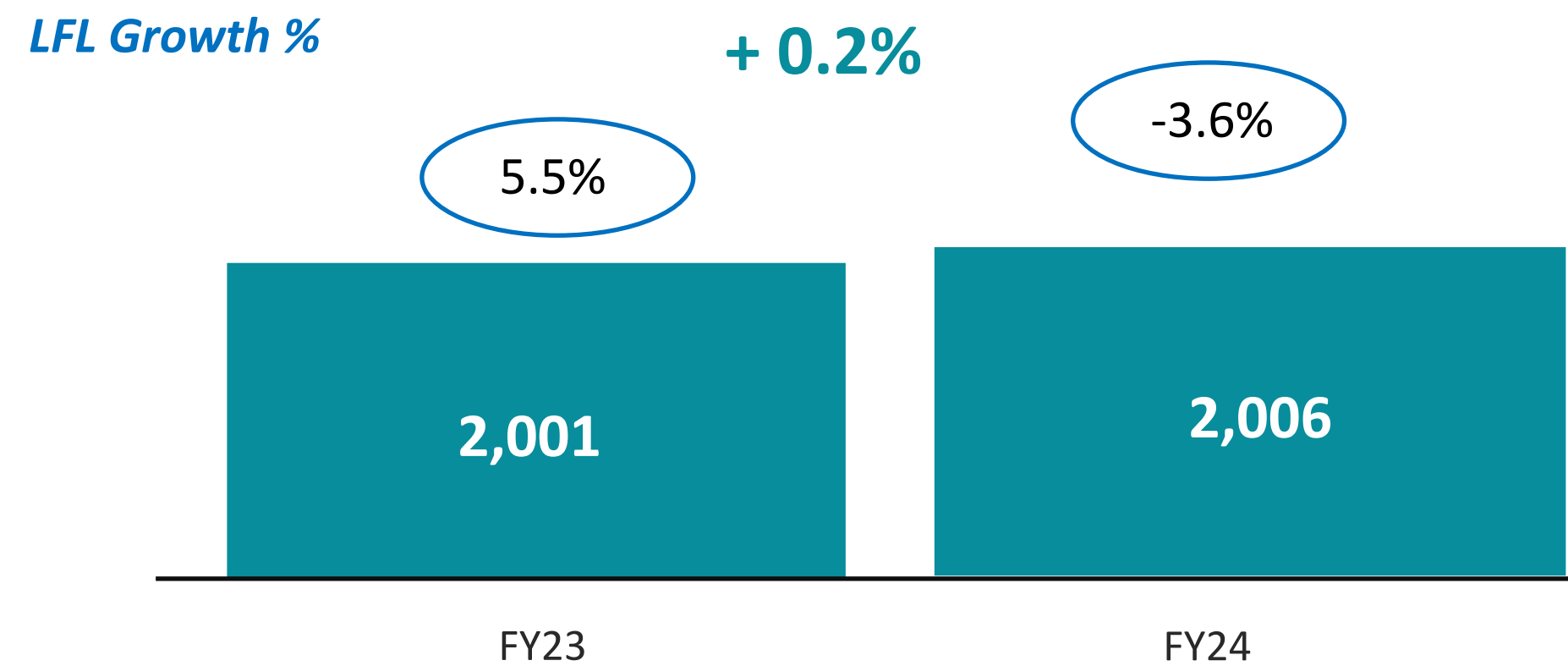
Gross Margin %



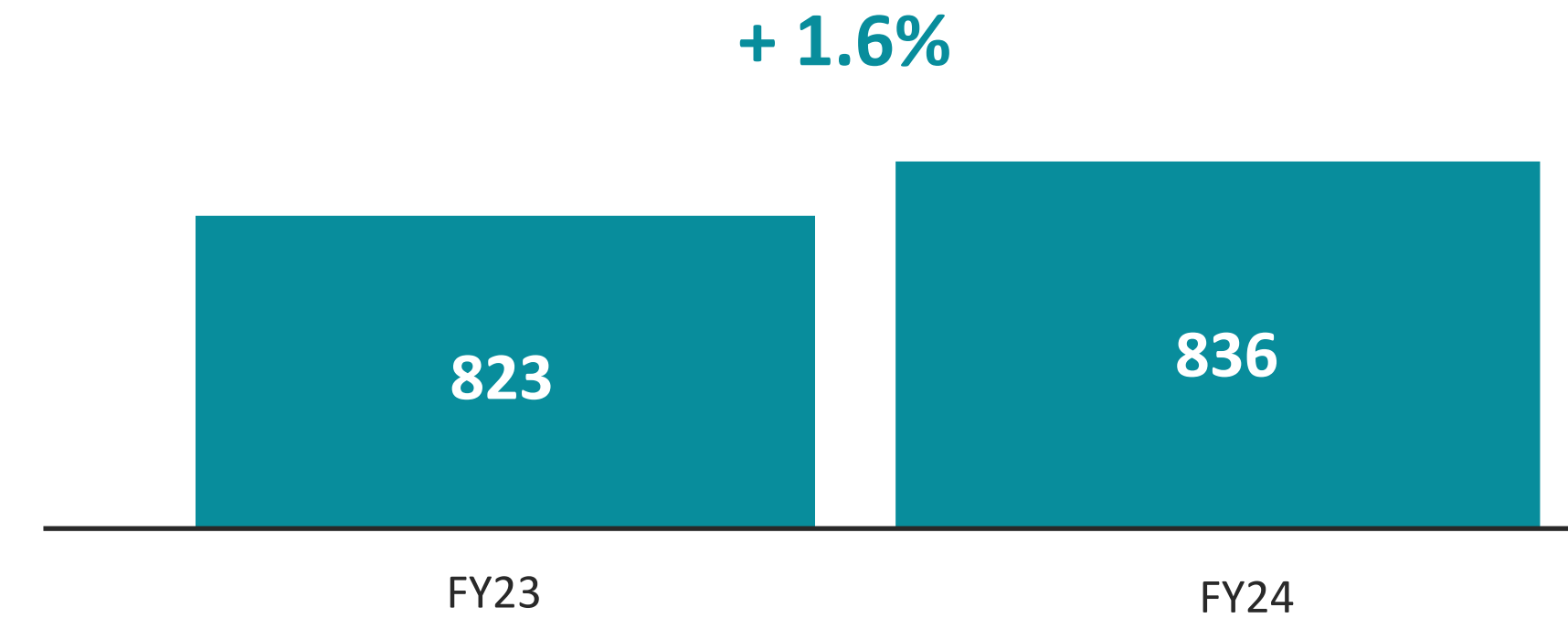
FY24 figures are unaudited, based on latest Outturn information and subject to change

Focus on Poundland

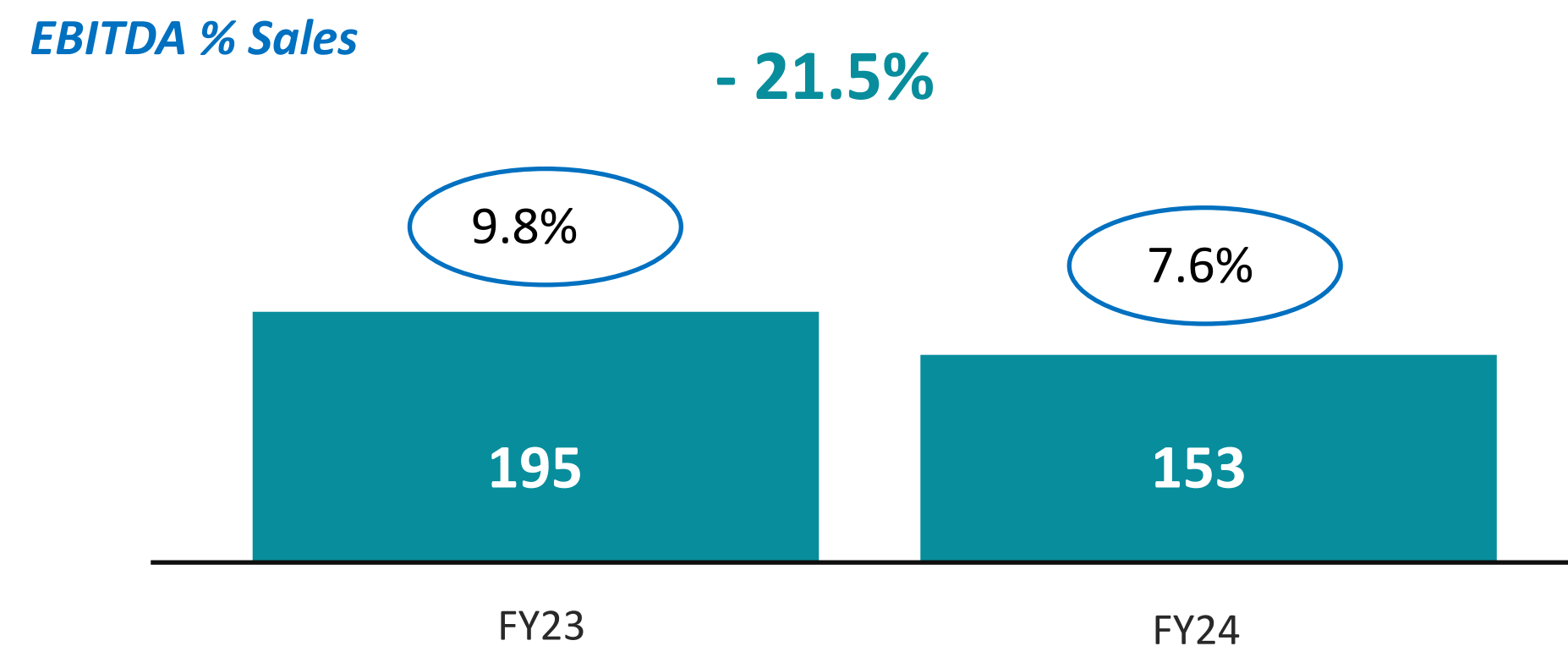
Revenue & LFL



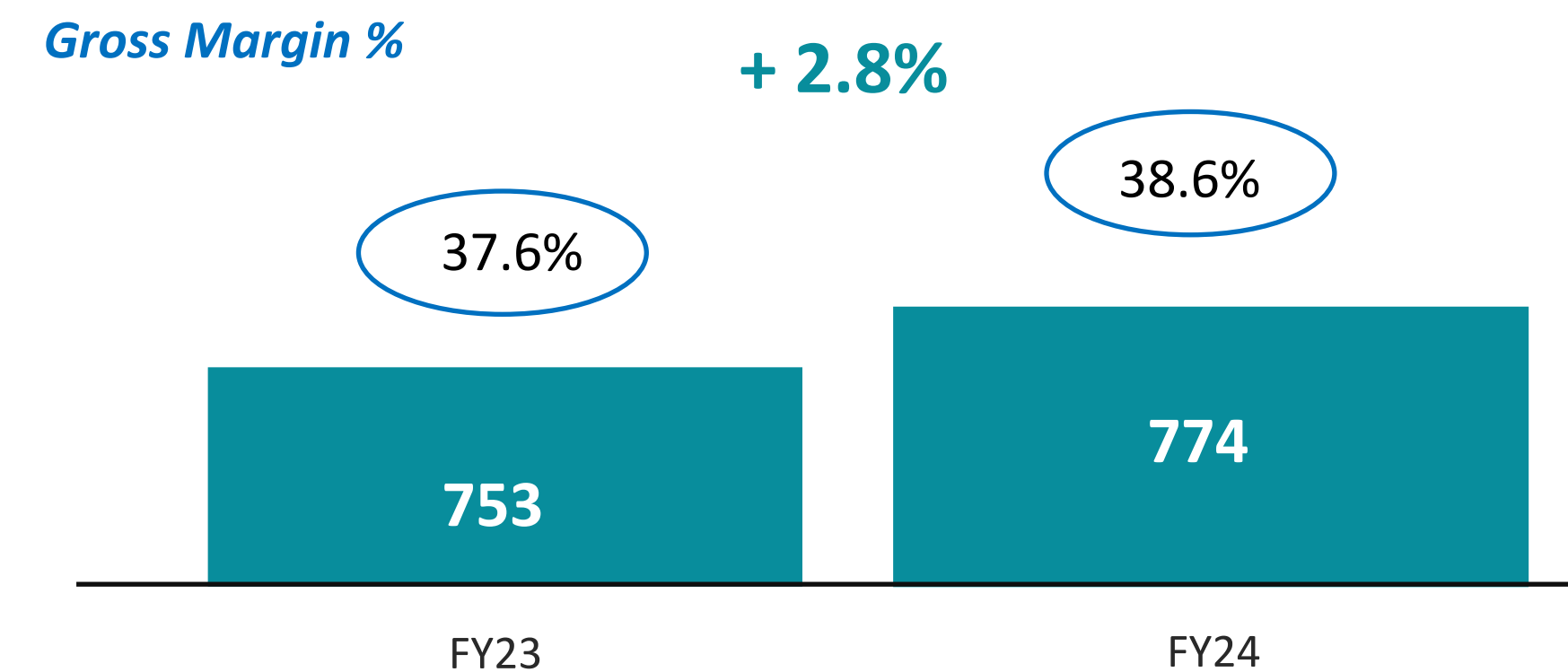
Store Numbers



EBITDA (IFRS 16)



Gross Profit

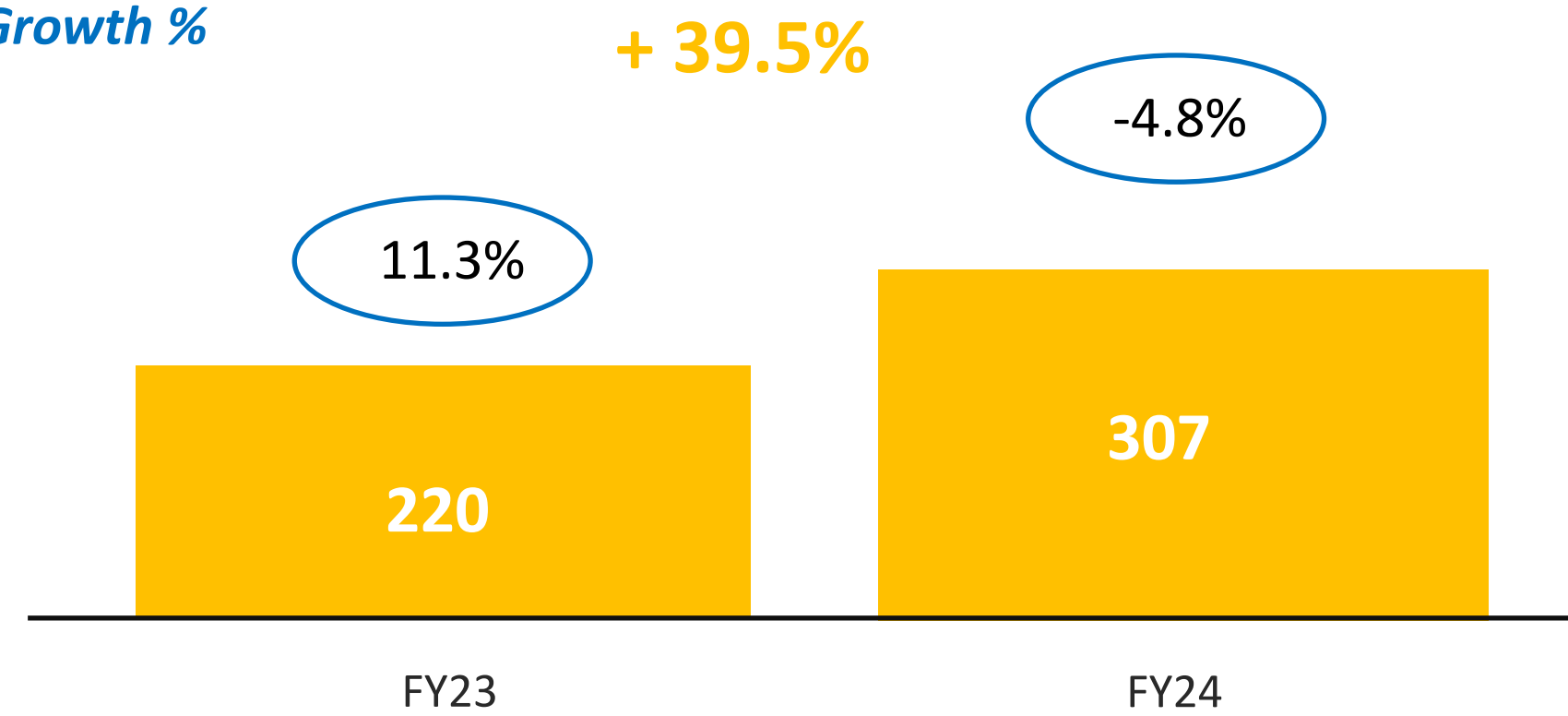


FY24 figures are unaudited, based on latest Outturn information and subject to change

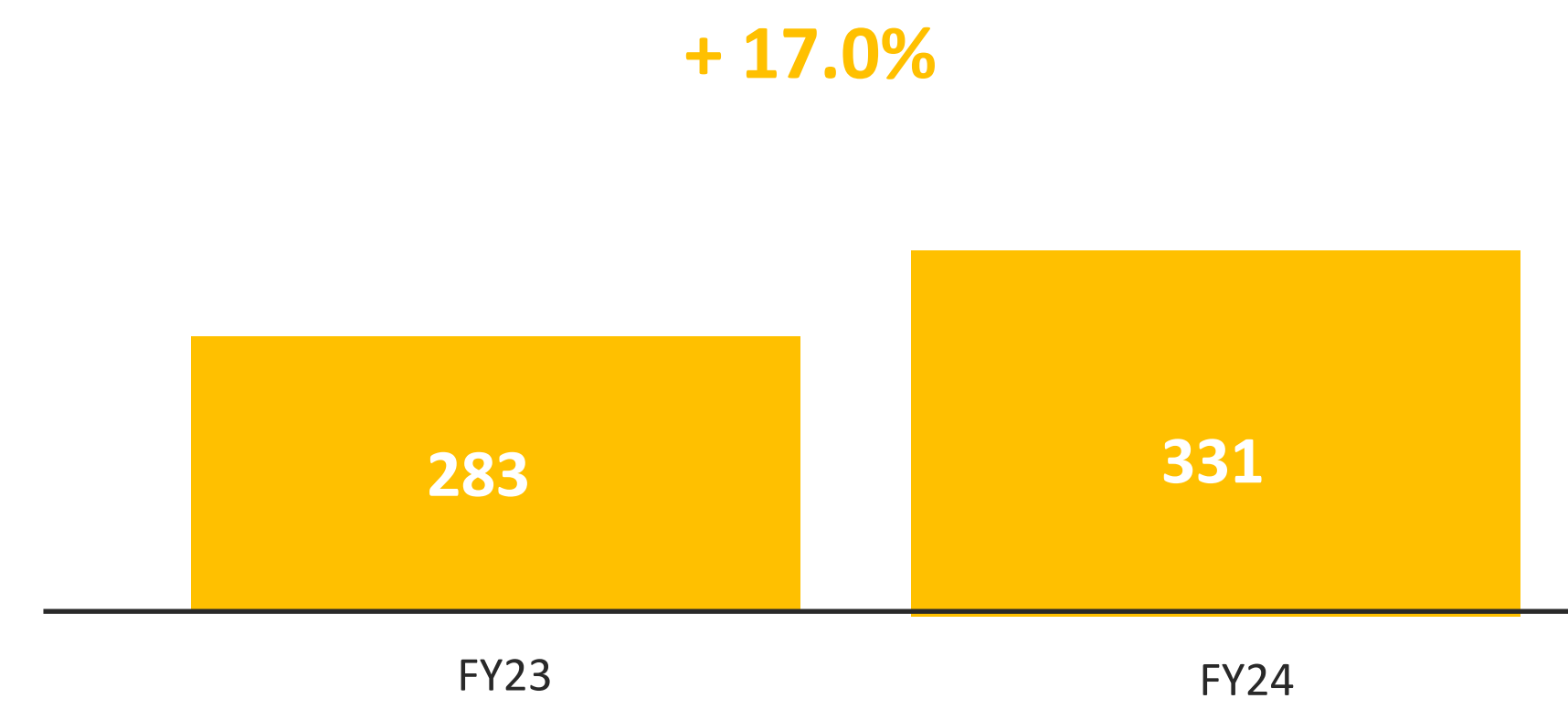
Focus on Dealz

Revenue & LFL

LFL Growth %

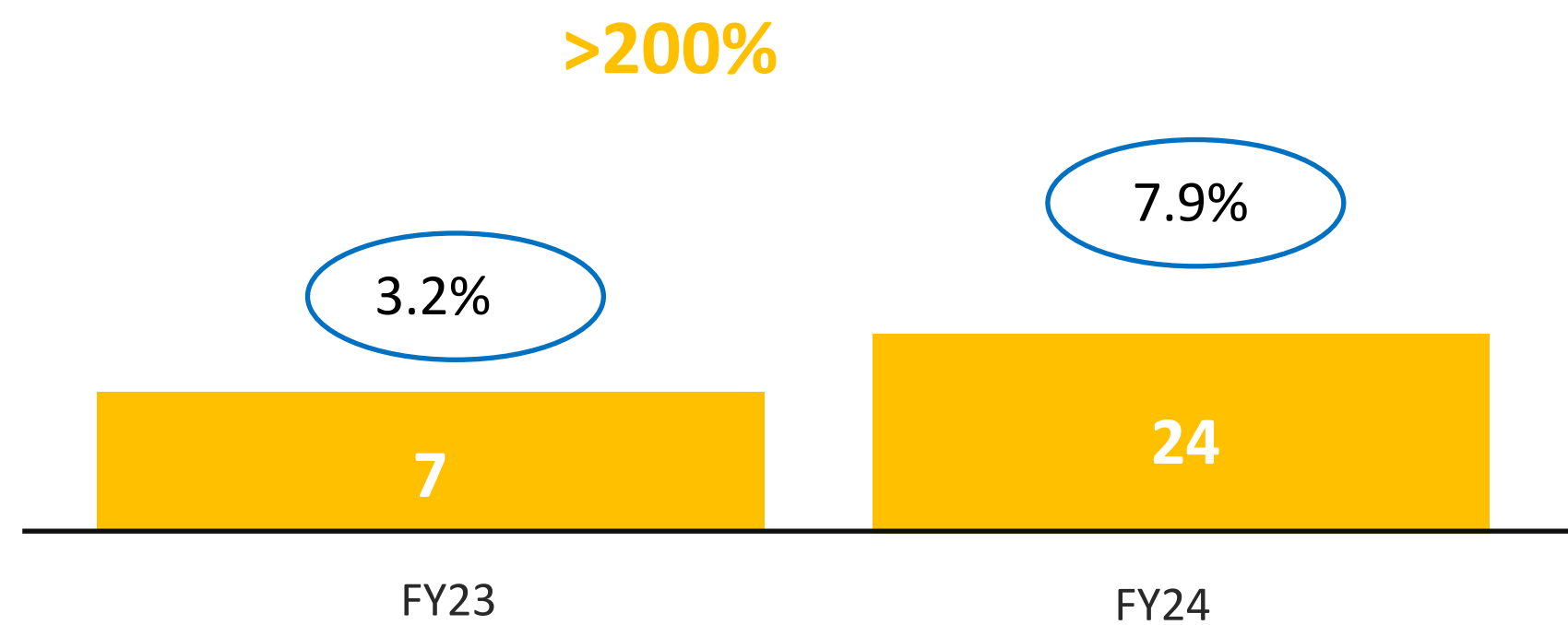


Store Numbers



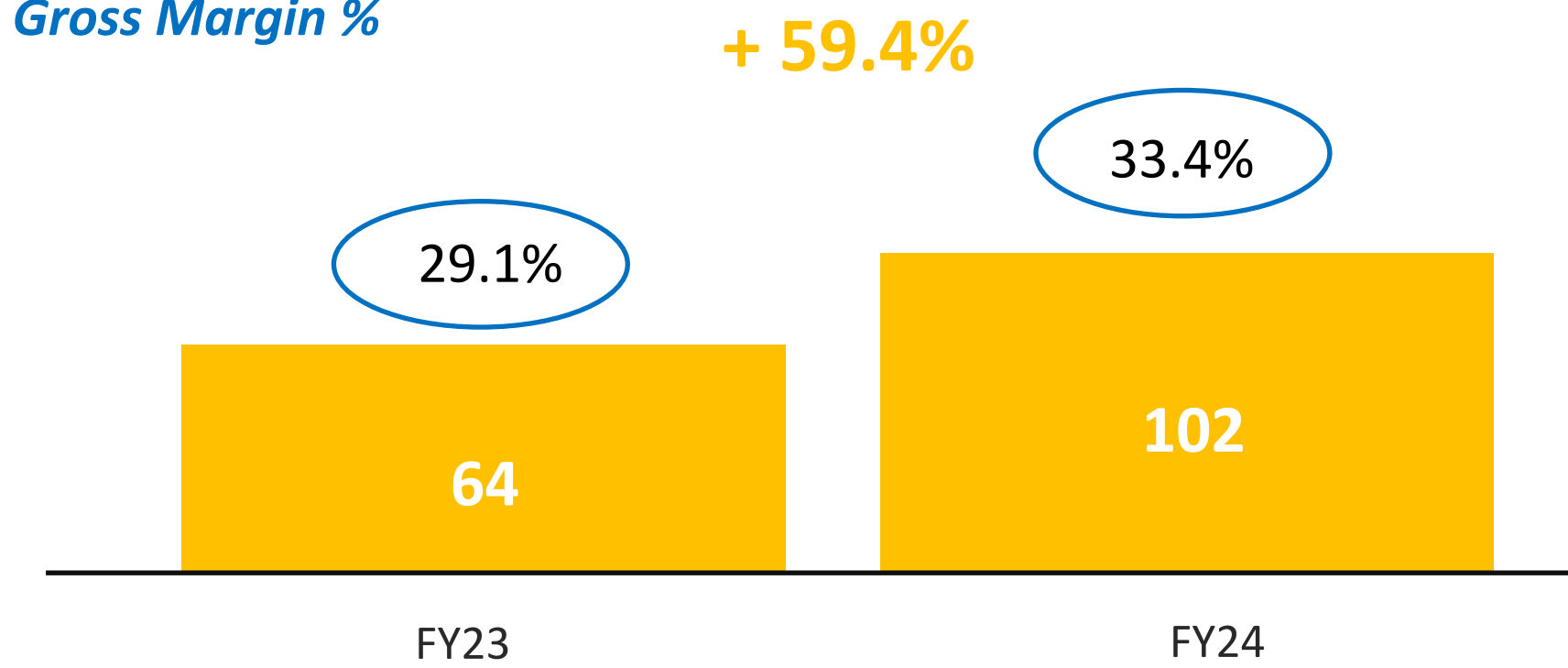
EBITDA (IFRS 16)

EBITDA % Sales



Gross Profit

Gross Margin %



FY24 figures are unaudited, based on latest Outturn information and subject to change