

28 September 2023

Pepco Group N.V.
Trading Update, Strategy Review and Organisational Changes

As reported in our announcement on 12 September 2023, the Group has experienced an increasingly challenging trading environment over recent weeks within our core markets of Central and Eastern Europe (“CEE”), with weaker consumer demand for our key clothing and general merchandise categories. This has resulted in lower than anticipated Pepco revenues during August, worsening in September, with negative like-for-like sales and weaker than expected performance from new stores.

Related to a slower rate of sales, we have not, as yet, seen the expected recovery in gross margins as we continue to work through inventory from earlier in the year bought at a higher cost. In addition, the timing of our autumn/winter collection landing in stores has coincided with persistent record warm weather in our core CEE markets, resulting in weaker customer demand at this time.

The weaker sales along with continued inflationary pressure on costs, and the drag from investment in new stores, has resulted in a further downward revision to our forecast for the full year 2023. Alongside that we have revisited the appropriate level of stock provision in light of the weaker trading environment. We now expect to deliver underlying FY23 EBITDA (IFRS 16) of approximately €750 million (FY22 EBITDA: €731 million). Notwithstanding the weaker profit outturn, the Group has a strong balance sheet with access to over €400 million in liquidity (from cash and credit facilities) and continues to generate strong cash flow from its operations.

We have taken immediate and decisive steps to reorientate the Group management structure, recognising the current underperformance, challenging consumer trends, and following the recent departure of the outgoing CEO. As a result, Anand Patel, the Managing Director of the Pepco business, will step down with immediate effect. He will be replaced by Barry Williams, the Managing Director of Poundland. Austin Cooke, who is currently Chief Operating Officer (COO) of Poundland, will assume the role of Managing Director of Poundland.

We have also established a new Group Executive Committee which will undertake a strategy review across the Group to place greater focus on addressing costs and initiatives that are likely to generate appropriate returns in the near term, accelerate the transformation into a single business and refocus on our core markets.

Andy Bond, Executive Chairman, said: *“We remain confident in the opportunity of building Europe’s leading variety discount retailer offering great value to consumers across a range of FMCG, clothing and general merchandise products. However, it is clear that we need to refocus on delivering for our customers in our core business while delivering more measured growth. We need to improve profitability and cash generation in our established business alongside a more targeted growth plan in markets where we have an existing presence.”*

Pepco Group will release its Q4 FY23 trading update on 12 October 2023. A more detailed update on the Group’s revised strategic plans for the business will be presented at the upcoming capital markets day on 18 October 2023.

ENQUIRIES

Investors and analysts

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

Media

Rollo Head, FGS Global	+44 (0) 7768 994 987
James Thompson, FGS Global	+44 (0) 7947 796 965
Anna Tabor, FGS Global	+44 (0) 7876 155 302