

Capital Markets Day

Introduction

Trevor Masters, CEO

Valencia, Thursday 13th October 2022

feel the quality,
~~love~~ the price
guess

Trevor Masters

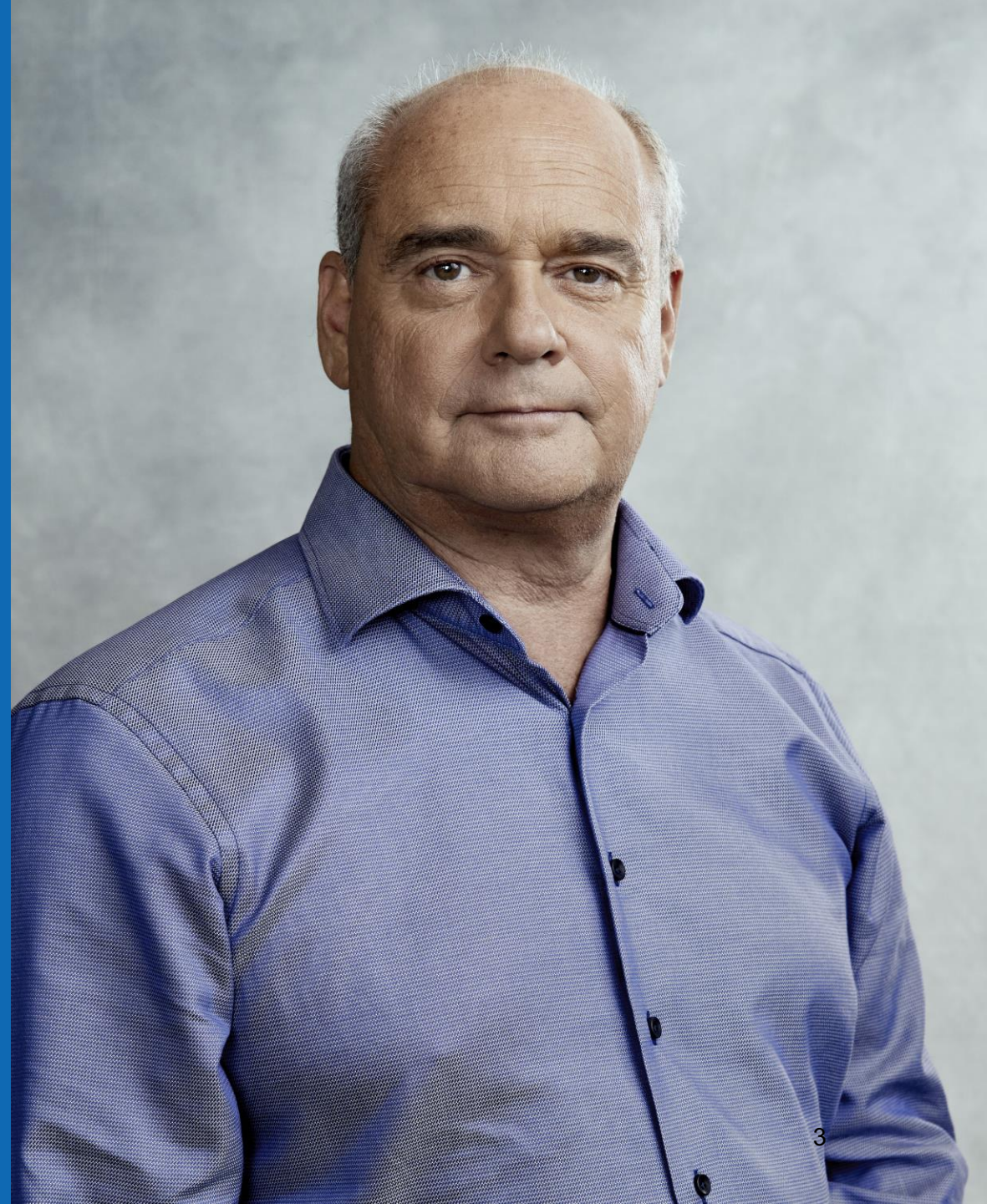
CEO

Joined Pepco in 2019 with responsibility for the largest and fastest growing operating business, Pepco

Appointed Group COO in October 2021 and Group CEO in 2022

40 years' experience within the retail sector internationally

Significant executive expertise having served as the CEO of Tesco International for 7 years and in various operational roles for Tesco



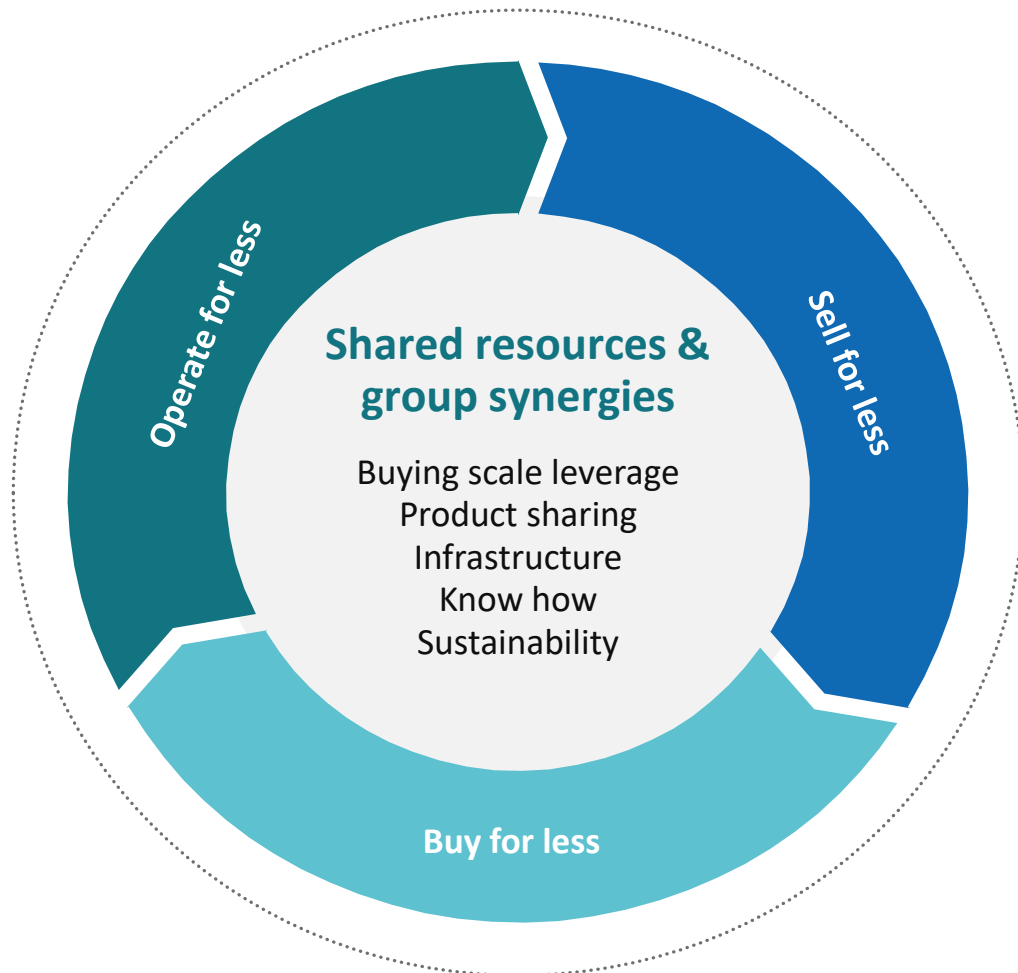
Agenda

Thursday 13 th October			
1pm		Introduction	Trevor Masters
1.15pm	BETTER	New Product Initiatives	Agnieszka Jaworska
		Project New Look	Agnieszka Olejniczak
		Pepco Plus in Western Europe	Mark Murphy
		FMCG	Mark Murphy
3.00pm		Store Tours	
6.30pm		Depart for Dinner	
Friday 14 th October			
8.30am	BIGGER	Acceleration of Store Expansion Strategy	Anand Patel
	CHEAPER	PGS: Our exclusive Sourcing Entity	Carlos Coene
		ESG	Agnieszka Olejniczak
9.45am		Coffee Break	
10.00am	SIMPLER	Optimised Supply Chain	Alex Kennedy
		Finance	Mat Ankers
11.00am		Close	Trevor Masters

Our vision is to be the largest, the best, the cheapest and the most well-known variety discount brand in Europe



Building Europe's Pre-eminent Discount Variety Retailer



Sell for less

- Price leadership
- Low risk inventory
- Simple price architecture

Buy for less

- \$1.55bn sourcing scale
- Seasonal buying model
- Shared suppliers
- Consolidated volume

Operate for less

- Standardised store format
- Volume leverage on operating costs
- Discount mindset

ENHANCED BY GROWTH: Price is not a barrier to affordable, sustainable and ethically produced products

Strong Strategic Progress

Our four key strategic pillars



BIGGER

1

Grow revenue, brand and market share



BETTER

2

Enhance portfolio of stores, categories and ranges



CHEAPER

3

Drive cost efficiency



SIMPLER

4

Simplify customer offering and drive operational simplicity

Grow our business: Better

New Product Initiatives

Agnieszka Jaworska, Commercial Director

Valencia, Thursday 13th October 2022

Agnieszka Jaworska **Commercial Director**

Joined Pepco in 2013, with
responsibility for product & marketing

20+ years experience in commercial
management across Europe

Worked with German fashion
boutique Orsay





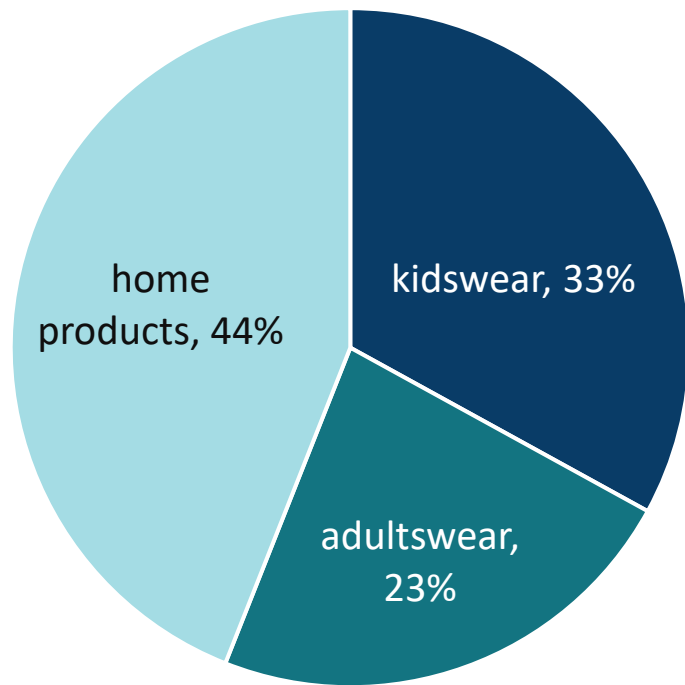
Key messages

- ✓ Pepco strong in established markets of Kidswear and Home
- ✓ Our customers love us for price, offer and convenience
- ✓ Our constantly evolving product offer drives our business

**Pepco is strong in established markets of
Kidswear and Home**

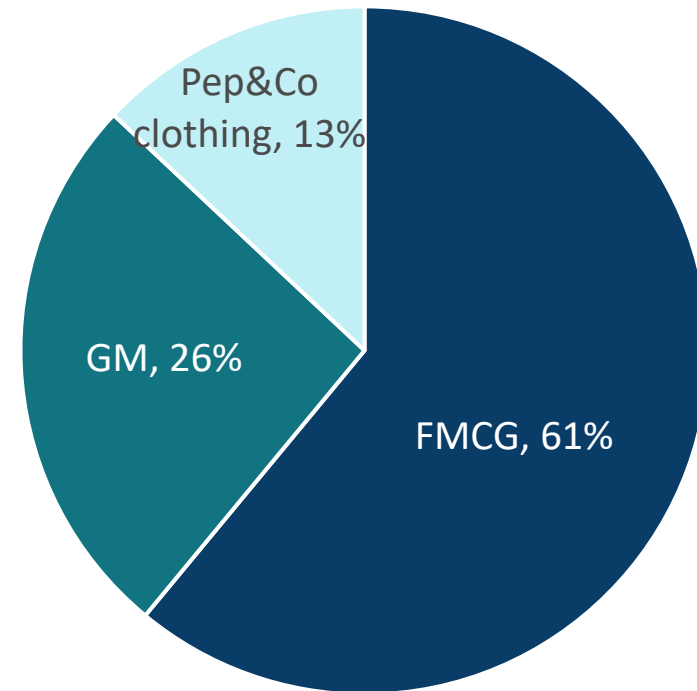
Key categories of Kidswear and Home represent 3/4 of Pepco turnover, FMCG is the main category in Poundland

Pepco's sales share



■ kidswear ■ adultswear ■ home products

Poundland's sales share



■ FMCG ■ GM ■ Pep&Co clothing

Pepco is the value market leader in Kidswear & has consistent market share growth in last 5 years in Poland, Czech Republic, Hungary, Romania

MARKET VALUE [EUR]

1,1bn

250m

170m

380m

POLAND

CZECH REPUBLIC

HUNGARY

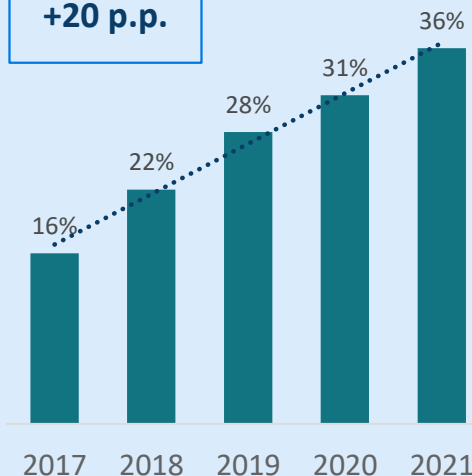
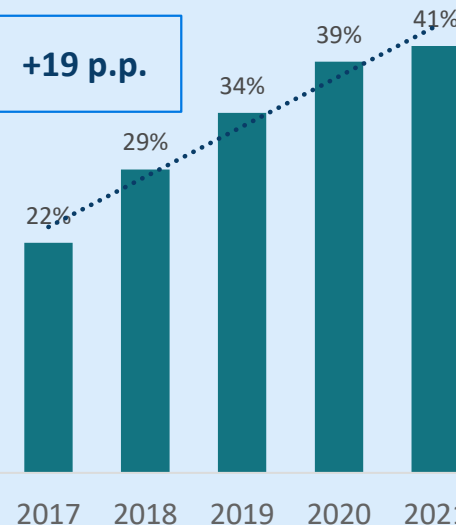
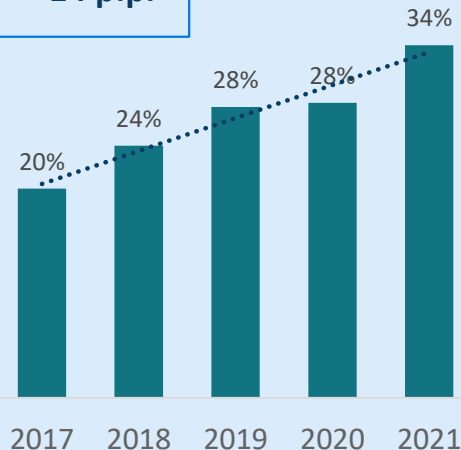
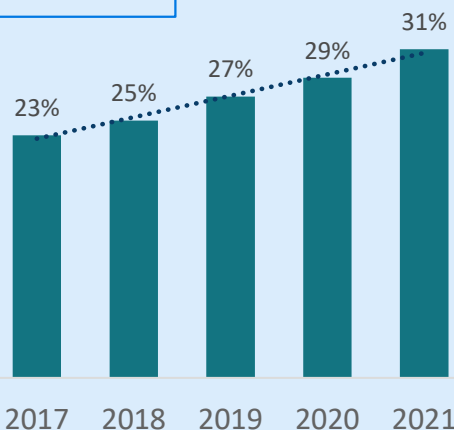
ROMANIA

+8 p.p.

+14 p.p.

+19 p.p.

+20 p.p.



The closest competitors

1	Pepco
2	LPP
3	H&M

1	Pepco
2	Kik
3	Tchibo

1	Pepco
2	Brendon
3	H&M

1	Pepco
2	Inditex
3	H&M

Source: Internal calculations and analysis based on Euromonitor International, Apparel & Footwear 2021ed, brand shares data 2019-202 and internal Pepco's sales. Pepco's market share based on internal sales and adjusted Euromonitor's data for each category. Pepco sales value for a given calendar year Private labels not included. Other countries data unavailable.

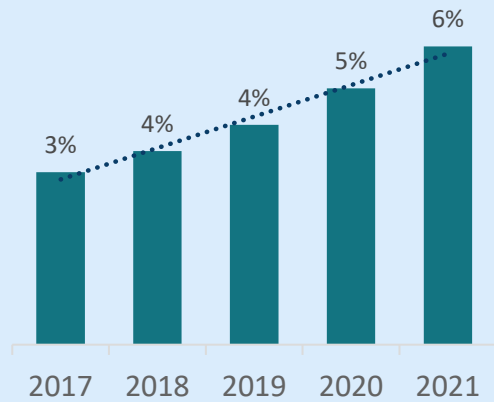
In the very competitive category of womenswear, Pepco has consistently grown market share in key markets for the last 5 years

MARKET VALUE
[EUR]

3,3bn

POLAND

+2.4 p.p.

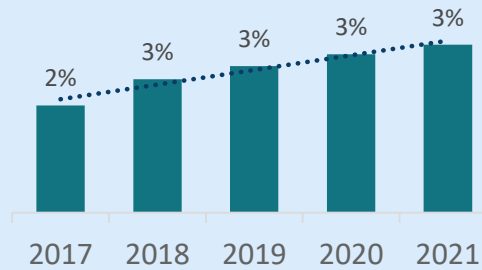


- 1 LPP SA (all brands)
- 2 Inditex
- 3 **Pepco**
- 4 H&M
- 5 Orsay
- 6 Otto Group (bon prix)
- 7 Tengelmann Group (Kik)

1,0bn

CZECH REPUBLIC

+1.2 p.p.

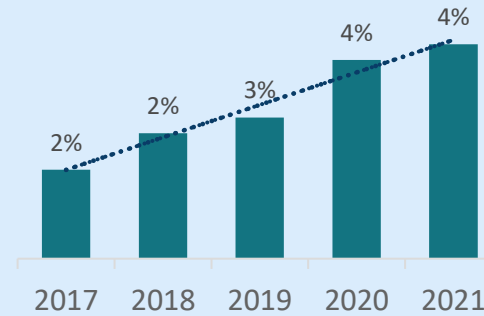


- 1 H&M
- 2 C&A
- 3 New Yorker
- 4 **Pepco**
- 5 Tengelmann Group (Kik)
- 6 Orsay
- 7 Inditex

800m

HUNGARY

+2.4 p.p.

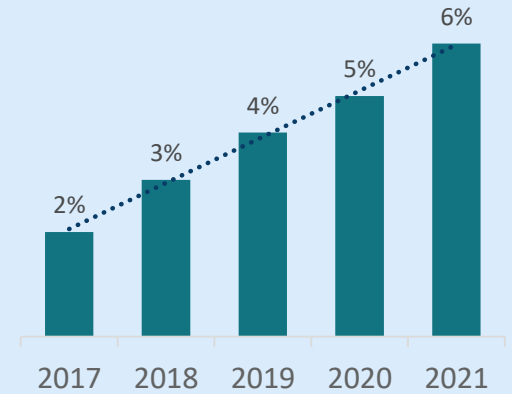


- 1 H&M
- 2 Inditex
- 3 New Yorker
- 4 LPP SA
- 5 C&A
- 6 Orsay
- 7 **Pepco**

1,2bn

ROMANIA

+3.6 p.p.



- 1 Inditex
- 2 H&M
- 3 **Pepco**
- 4 LPP (all brands)
- 5 C&A
- 6 LC Waikiki
- 7 New Yorker

Source: Internal calculations and analysis based on Euromonitor International, Apparel & Footwear 2021ed, brand shares data 2019-202 and internal Pepco's sales.
Pepco's market share based on internal sales and adjusted Euromonitor's data for each category. Pepco sales value for a given calendar year
Private labels not included. Other countries data unavailable.

Pepco market share in Home Textiles has grown consistently for the last 5 years in Poland and Romania

MARKET VALUE [EUR]

360m

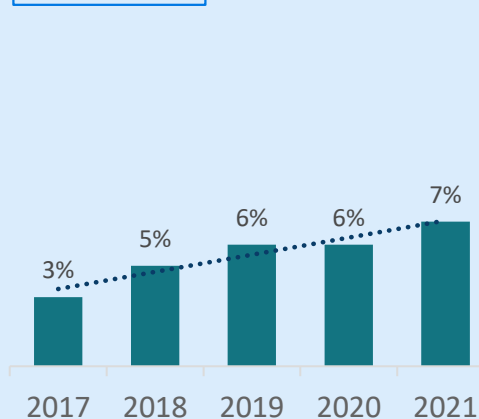
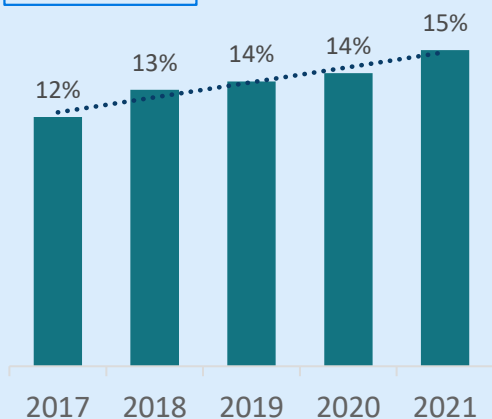
310m

POLAND

ROMANIA

+3 p.p.

+4 p.p.



Source: Internal calculations and analysis based on Euromonitor International, Home Textiles 2021ed, brand shares data 2019-202 and internal Pepco's sales. Pepco's market share based on internal sales and adjusted Euromonitor's data for each category. Pepco sales value for a given calendar year Private labels not included. Other countries data unavailable.

**Brand Awareness:
Customers shop in Pepco more than any other store**

for kidswear
ladieswear
& home products

in Central and
Eastern Europe



- Poland
- Czech Republic
- Slovakia
- Hungary
- Romania
- Croatia
- Bulgaria

Source: Brand Tracker SS'22. PL, LT, CZK, SK, HU, RO, SL, HR, BG. By Kantar ¹⁶iska
Shopping the most often in the stores with clothes for children/clothes for women/home articles.
Sample: women, aged 18-69, nationwide per country. LT (1. Maxima), SL (1. H&M)

**Our customers love us for price,
offer and convenience**

Why customers love us

PRICES

- Regular very low prices
- Value for money
- Freedom of impulse shopping

OFFER

- Choice: many categories & a wide offer within each category
- Quality: materials & finishing
- Design: colours & styles
- Licences & brands
- The best categories: children & home deco

CONVENIENCE

- Stores' location
- Size of stores
- Access to friendly personnel



Pepco is the price leader in Poland and Spain in these categories:

- ✓ Babywear
- ✓ Kidswear
- ✓ Kids' essentials
- ✓ Kitchen
- ✓ Bathroom
- ✓ Living room

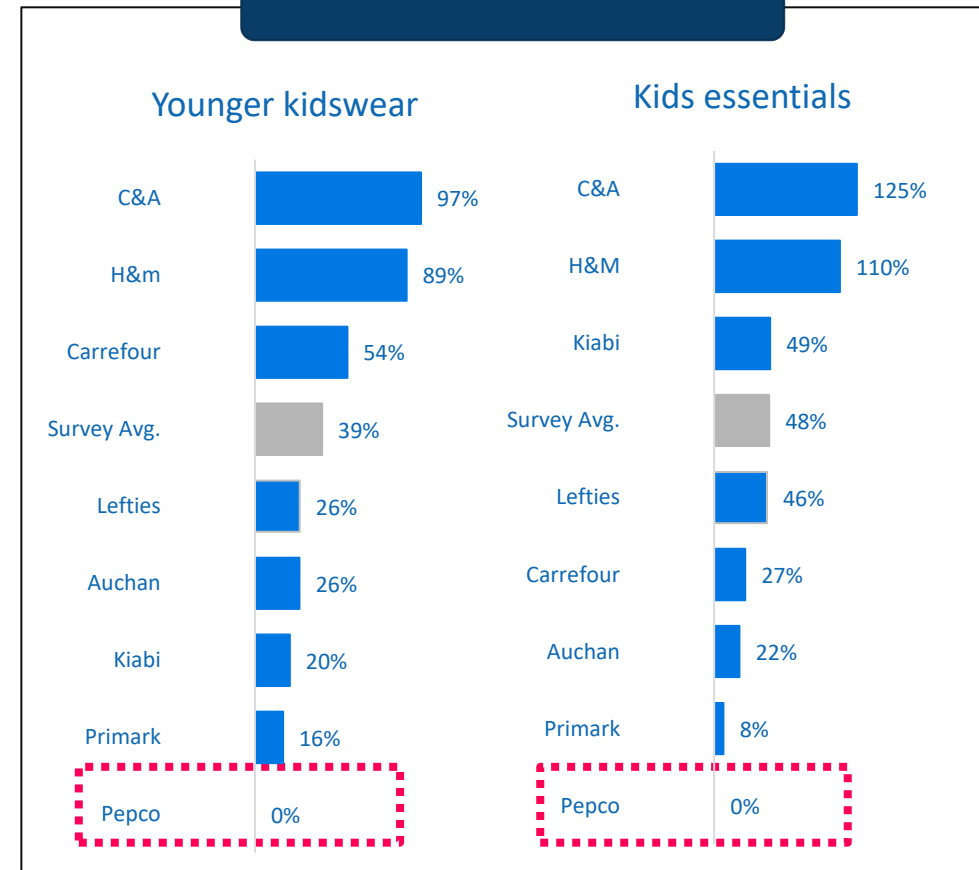
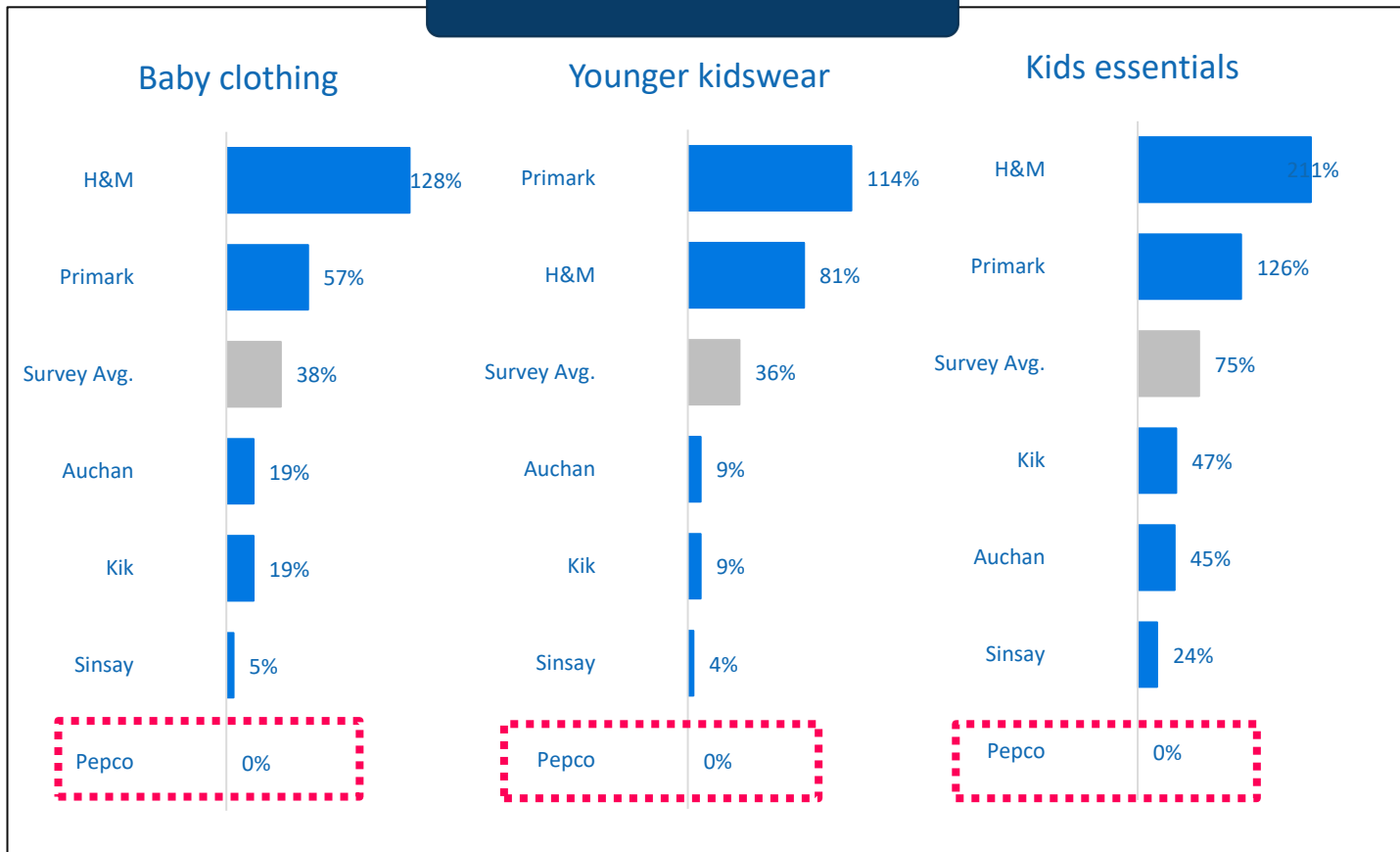


Pepco is the price leader in the kidswear category in Poland & Spain

Minimum Price Shopping Baskets variance vs Pepco

POLAND

SPAIN

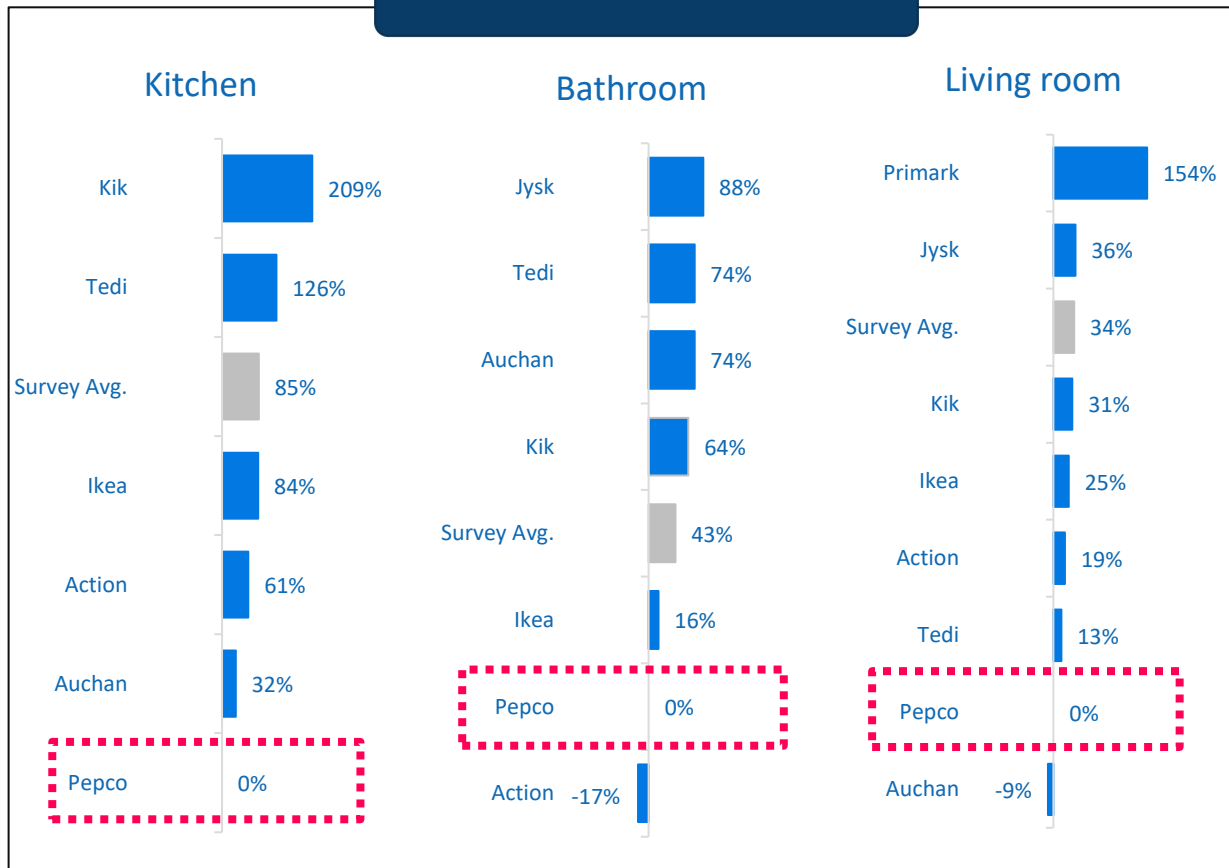


Source: Internal calculations and analysis based on data collected from the market in Poland and Spain. April 2022

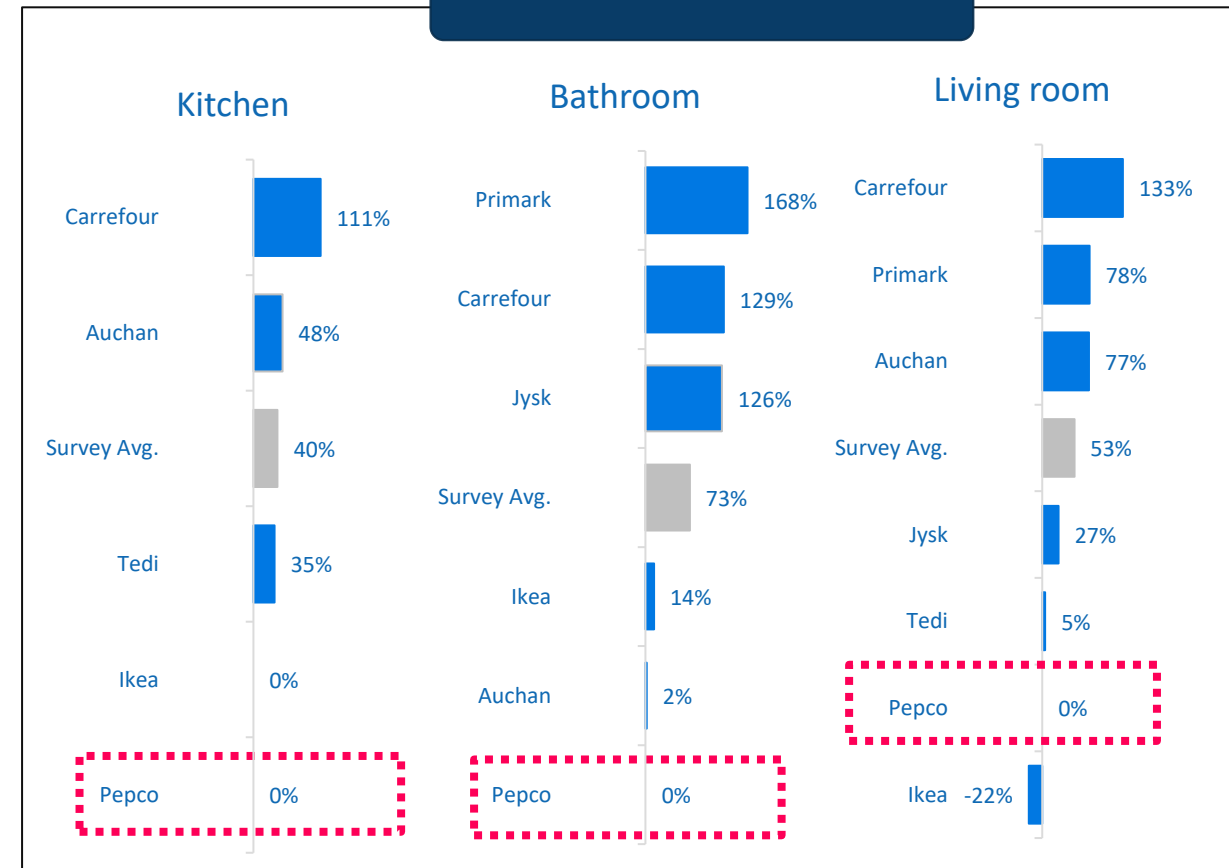
Pepco is the price leader in the kitchen category in Poland & Spain

Minimum Price Shopping Baskets variance vs Pepco

POLAND



SPAIN

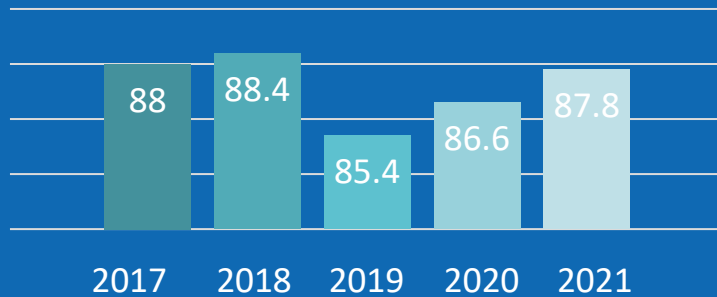


Source: Internal calculations and analysis based on data collected from the market in Poland and Spain. April 2022

Consistently ranked highly in Customer Satisfaction Index

BABSON CSI Index	87.8
checkouts	93.7
customer service quality	92.4
today's visit	91.9
interior design	91.8
returns	91.7
complaints	91.7
prices	89.2
comprehensive offer	85.2
product selection	84.3
leaflets	83.0
product availability	82.8

The highest scores are given for service

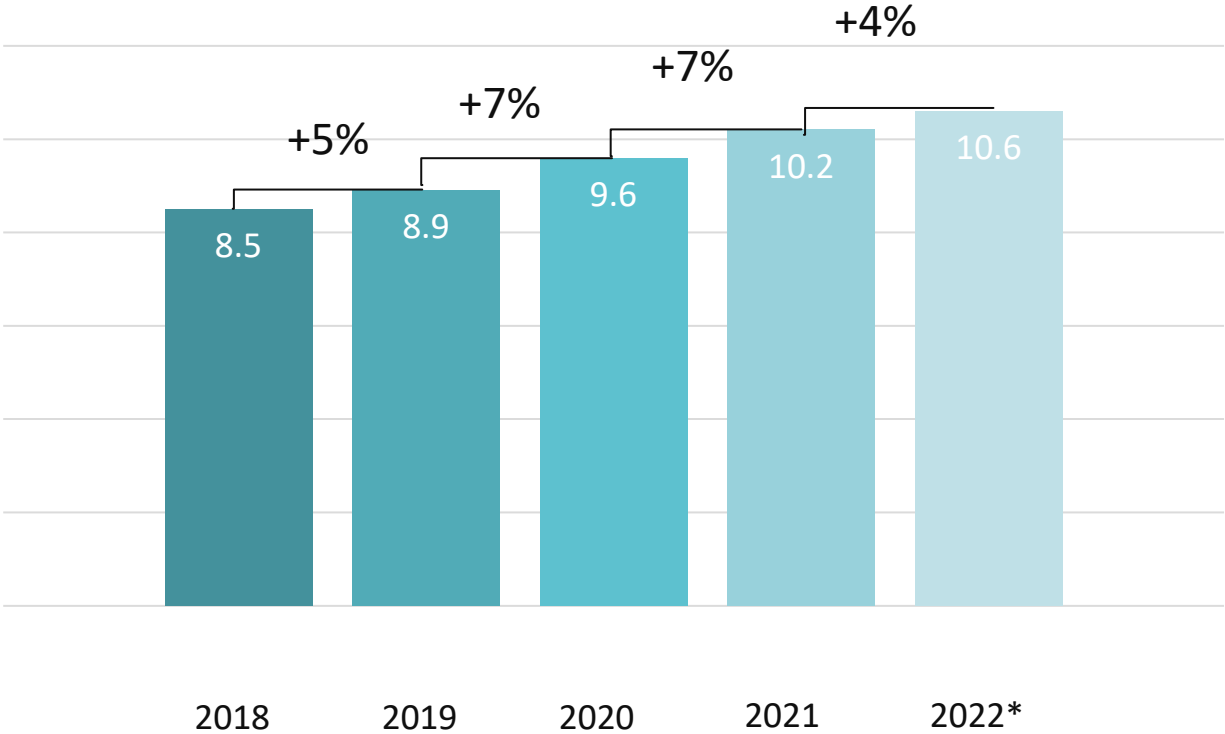


CSI Index



Average basket size trending upwards

Average basket size per customer in EUR



Average sale per customer currently €10.6

Pepco customers are loyal visiting on average 3.5x per month

Source.: internal sales data Data in PLN. All countries Sales per Customer YTD, week 52
*OY22 Sales per Customer YTD, week 51

Pepco's efficient planning and production processes deliver market leading prices whilst maintaining great quality for customers



How does Pepco deliver great prices?

- ✓ Smooth efficient process with "right first time" sampling
- ✓ Benefits of growing economies of scale
- ✓ Early order placement allowing suppliers to plan efficiently
- ✓ PGS close to source with local knowledge and strong supplier relationships



Customers love Pepco quality

- ✓ Offer competitive quality goods at competitive prices
- ✓ Growing our range with Quality certificates
- ✓ Test our products extensively for "Fit for Purpose" use
- ✓ Products are of a consistent quality maintaining all safety requirements

Our constantly evolving product offer drives our business

**We regularly update
and improve our offer
to drive customer visit
frequency**

250 new products every week

80 new collections every season





Japandi



Porto



Checked Shacket

Our collections are always in line with key trends

We work closely with brand partners to broaden our customer offer

CARDIO  BUNNY

Turtledove London
organic collection

ZOMBIE DASH

RUSTLER
HARD WORKING JEANS...GUARANTEED
FROM 

chic
BY Lee



We launch, grow and retain strong proprietary brands



We constantly respond to customer needs



Bedding



Rugs & Chair Pads



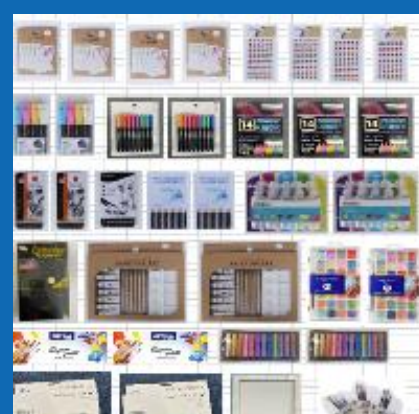
Small Electricals



Branded Stationery



Health & Beauty



Drawing & Painting



Pepco is Green Utensils



DIY

We continually adapt and expand our customer proposition in our existing categories



Bekkin Sports Adults



Seasonal Footwear



Ladies Loungewear



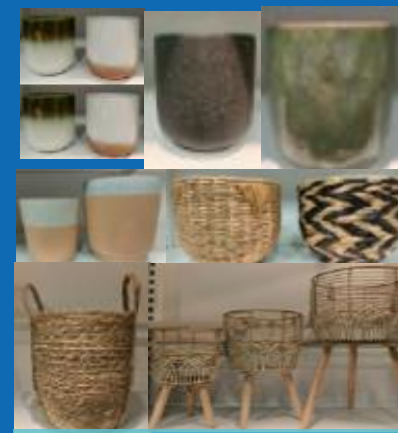
Beachwear



Bekkin Sports Kids



Affluent Home



Pots & Planters



Natural Home Scents

We are developing ranges specifically for Western Europe: Clothing in hot countries



Baby boys



Younger boys



Older boys



Men



Baby girls



Younger girls



Older girls



Women

We are developing ranges specifically for Western Europe: Home in hot countries



Gen Z



Picnic & Melamine



Disposable Tableware



Morrocan

Q&A

Grow our business: Better

New Look

Agnieszka Olejniczak, Marketing Director

Valencia, Thursday 13th October 2022

Agnieszka Olejniczak **Marketing Director**

Joined Pepco in 2013 and currently
leading marketing department

+20 years experience in leading
marketing for major brands

Have worked for worldwide brands
including Nestle





Highlights

- ✓ **Ensure sustainable, dynamic sales growth** across all current markets (both CEE and WE) by **enhancing our brand equity**
- ✓ **Initial trials of New Look customer proposition** in two cities in Poland
- ✓ **Successful outcome of initial trial driving increase in LFL** vs control group of **37 percentage points**
- ✓ **Roll-out being expanded across the store estate in CEE**, with new stores in WE already in the new format

Strategic context

- ✓ Changing/growing expectations of our current loyal customer base
- ✓ Brand perception needs to evolve to attract new, value-led customers in CEE
- ✓ Adapting to meet the requirements of WE customers
- ✓ Opportunity to merchandise more products in store and warehouse thanks to E2E project



Scope of changes





The trial

We undertook a trial in in two cities in Poland: Wrocław and Warsaw

Our New look stores opened in March 2022 in Wrocław & in June 2022 in Warsaw

About first trial city: Wrocław

Major cultural, economic, academic and tourist center

The **4th** biggest city in Poland, with a population of more than 600 000 people

The **2nd** richest city in Poland

#15 in Financial Times Global Cities of the Future ranking for 21/22 in mid-size cities category

43% * of female population are not Pepco customers (vs 28% for towns over 200k of citizens in Poland)

16 Pepco stores

Source:

Brand Tracker. PL – Oct-Nov 2021, CZK Nov 2021. % women who did not shop in Pepco within last 12 months

*43% based on Wrocław research, 40% estimated on Brand Tracker

Competitors

8



8



8



4



Opening soon
2023

PRIMARK®

Wroclaw: 22% increase of selling mods through 12% space increase

Average increase of sales area by 12% (36.4 sq m)

- ✓ Decreased stock rooms on most of stores
- ✓ Removed or decreased fitting rooms
- ✓ Removed few manager's offices

# of stores	DECREASED	REMOVED	NO CHANGES
Fitting rooms	2	14	-
Stock room	11	-	5
Manager's office	-	2	14

Average increase of mods by 22% (34 mods)

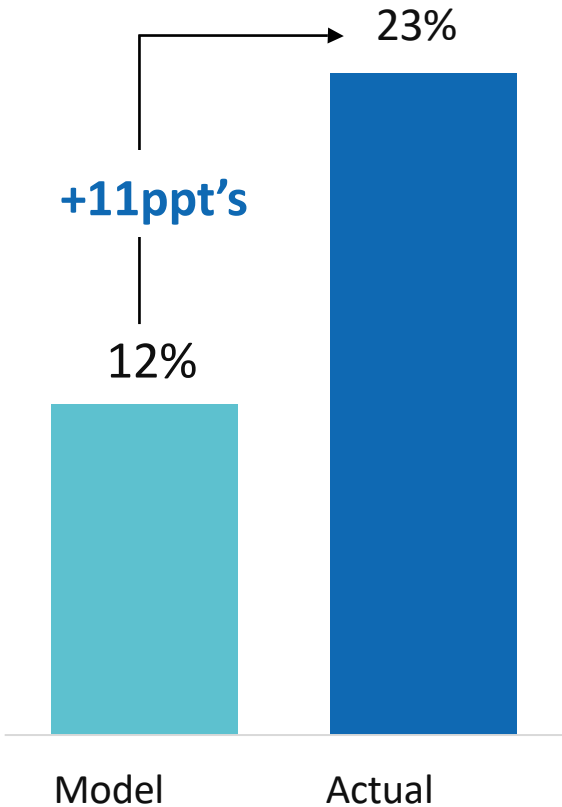
- ✓ +19% in clothing and +26% in GM
- ✓ Fitting full GM & clothing range in almost all stores

# of mods	BEFORE CHANGES	AFTER CHANGES
Av. No. of clothing mods per store	96	114
Av. No. of GM mods per store	61	77
Full range of clothing	7	13
Full range of GM	5	12

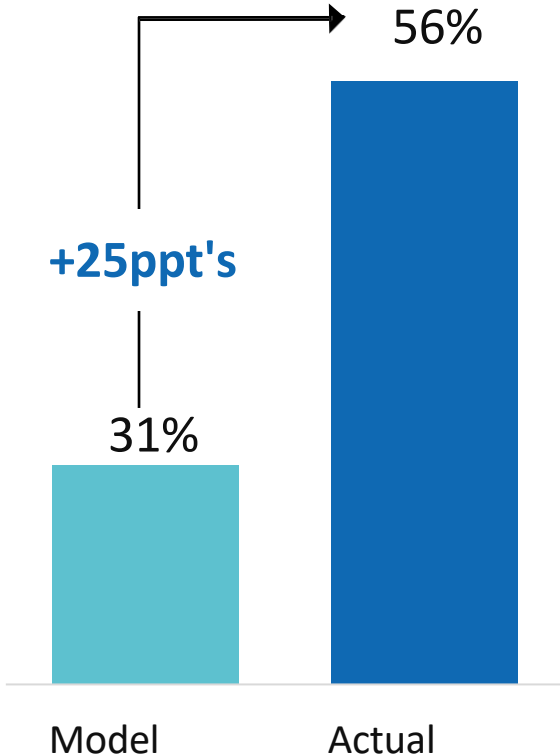
Wroclaw trial performance summary

Success criteria met with performance significantly ahead of expectations

Gross sales Run Rate



IRR %



€ 95k

Average capex per store

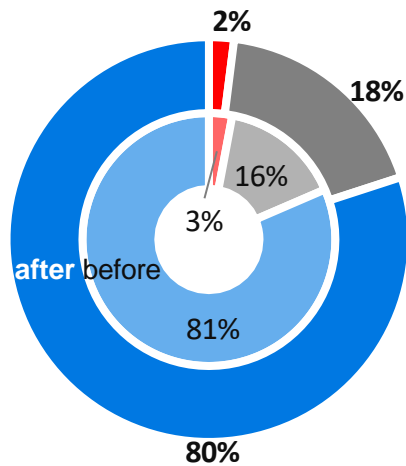
+2.8 p.p

Store profitability YoY in comparison to the control group

Note: Cumulative view for trading Weeks 23-51, 16 Wroclaw stores

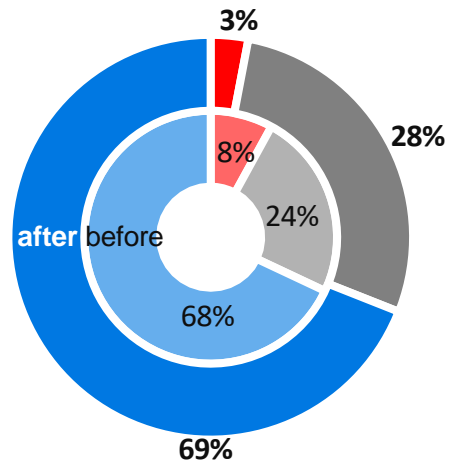
Significant NPS improvement in Wroclaw

+2 increase in very loyal shoppers



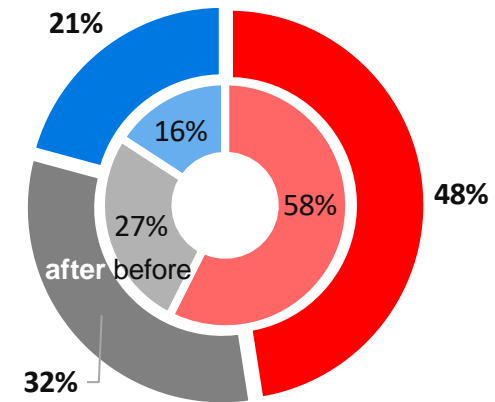
+78

+7 increase in occasional shoppers



+66 (+7)

+15 increase in non-customers



-27 (+15)



About second trial city: Warsaw

The capital, business, academic and tourist center

The **1st** biggest city in Poland, with a population of almost 1.8m people

The **1st** richest city in Poland

#20 in Financial Times Global Cities of the Future ranking for 21/22 in mid-size cities category

38% * of female population are not Pepco customers
(vs 28% for towns over 200k of citizens in Poland)

47 Pepco stores

Source:

Brand Tracker. PL – Oct-Nov 2021, CZK Nov 2021. % women who did not shop in Pepco within last 12 months

*43% based on Wrocław research, 40% estimated on Brand Tracker

Competitors

14



10



6



7



1



Warsaw: 15% increase of selling mods through 4% space increase

Average increase of sales area by 4% (14.6 sq m)

- ✓ Decreased stock rooms in 16 stores
- ✓ Removed or decreased most of fitting rooms
- ✓ Removed some manager's offices

# of stores	DECREASED	REMOVED	NO CHANGES
Fitting rooms	27	18	2
Stock room	16	-	29
Manager's office	-	7	40

Average increase of mods by 15% (27.3 mods)

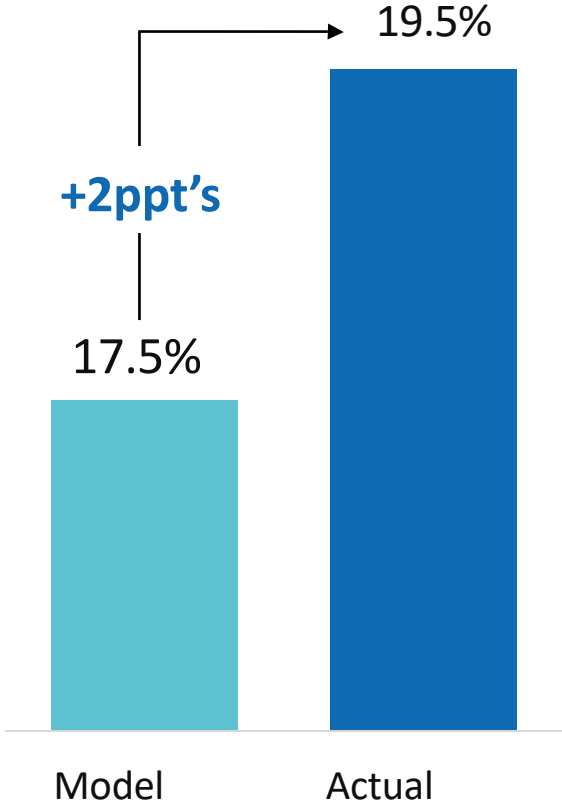
- ✓ +10% in clothing and +24% in GM
- ✓ Fitting full GM & clothing range in almost all stores

# of mods	BEFORE CHANGES	AFTER CHANGES
Av. No. of clothing mods per store	110	121
Av. No. of GM mods per store	72	89
Full range of clothing	21	34
Full range of GM	19	39

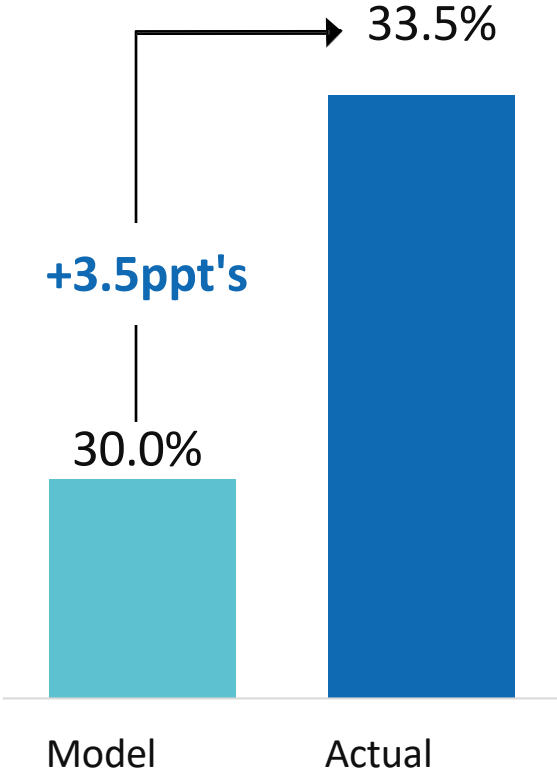
Warsaw trial performance summary

Success criteria met with performance significantly ahead of expectations

Gross sales vs Run Rate



IRR %



€ 107 k

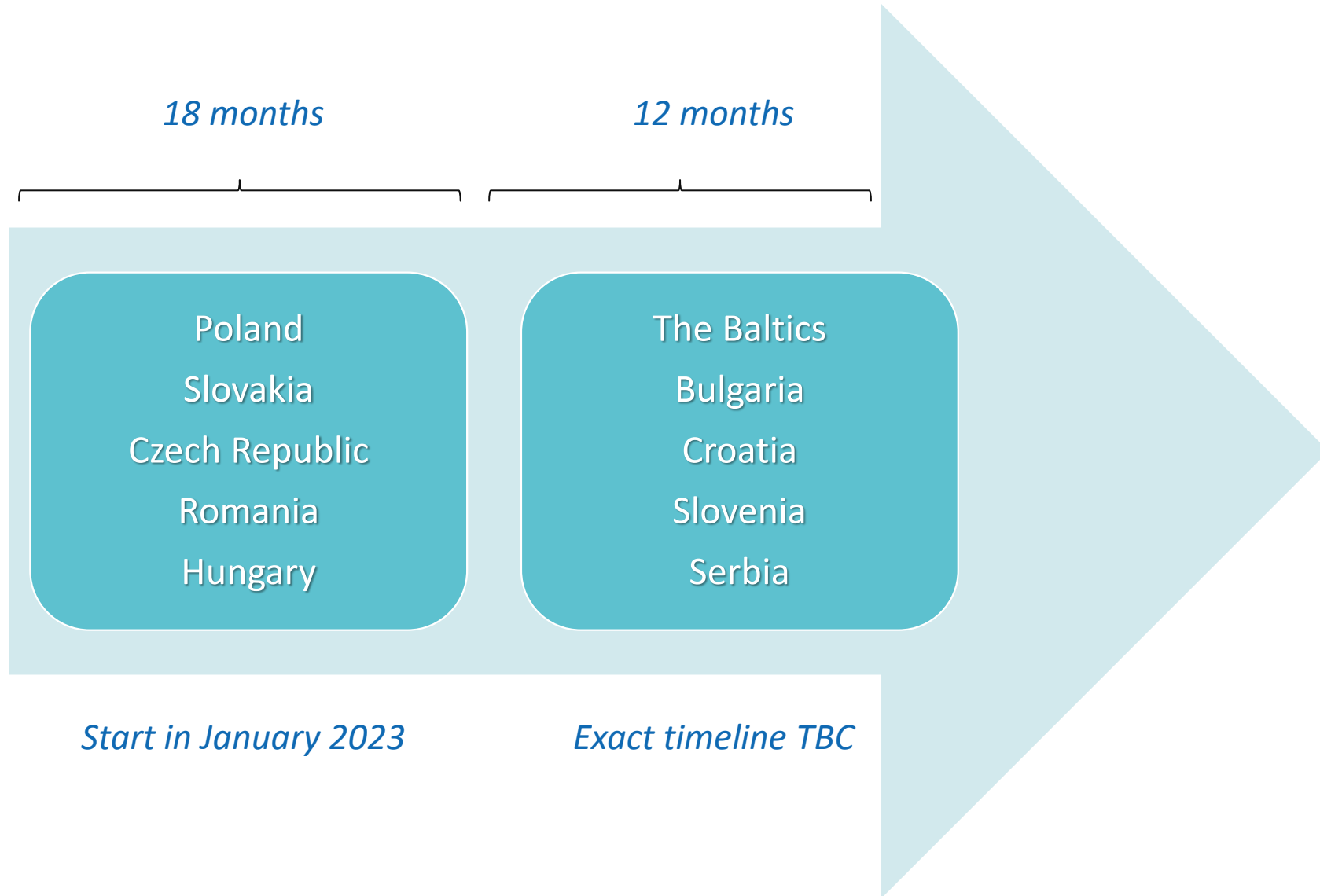
Average capex per store

+0.7 p.p

Store profitability YoY in comparison to the control group

Note: Cumulative view for trading Weeks 40-51, 35 Warsaw stores

Complete roll-out to take 2.5 years



Q&A

Grow our business: Better

Pepco Plus

Mark Murphy, Operations & Procurement Director

Valencia, Thursday 13th October 2022

Mark Murphy

Operations & Procurement Director

Joined Pepco in 2021 with responsibility for operations as well as procurement

+30 years experience in leading product categories across Europe as well as Japan and Thailand

Have worked with Tesco 1988-2021

Extensive category knowledge in Beers Wines, Spirits, Grocery Foods, Bakery and Produce



Agenda

Strategic context:
combining the
best of Pepco
and Dealz under
one roof

Spain trial
was a huge
success
driving +30pp
in LFL

Next phase is
further expansion
in Spain and trial
in Ireland already
showing +53pp
LFL increase

What is a “Pepco Plus”?

- ✓ Expand the current assortment that Pepco offers with a complementary range of edible and non-edible grocery products (= the “Plus”)
- ✓ Bring the best of Pepco (clothing & GM) and Dealz / Poundland (branded FMCG) together “under one roof”
- ✓ Increases Pepco share of wallet with its core target customer (family on a budget)

Pepco Plus

Super-charge Pepco's customer proposition

- Weekly replenishment of FMCG to drive incremental traffic and sales

Grow quicker: any box, anywhere

- Flexibility to deploy 3 categories (Clothing, GM, FMCG) to fit store size & location: big assortment for big boxes

Simpler business: One Business leverage

- Combining Dealz and Pepco in Spain creates a simpler operating model – One Brand, One Range, One Team

Agenda

Strategic context:
combining the
best of Pepco
and Dealz under
one roof

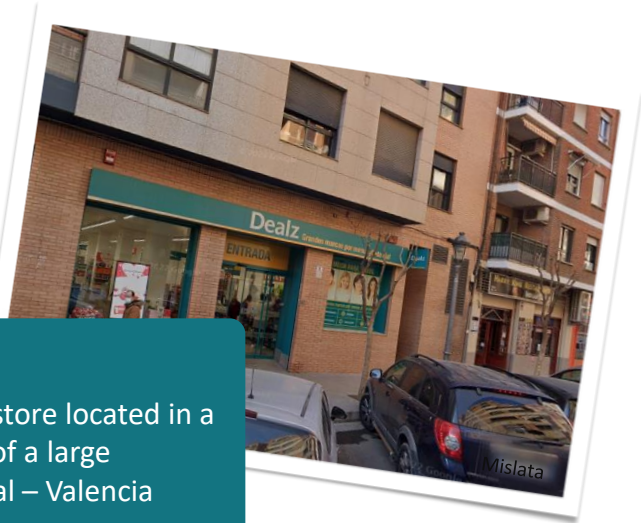
**Spain trial
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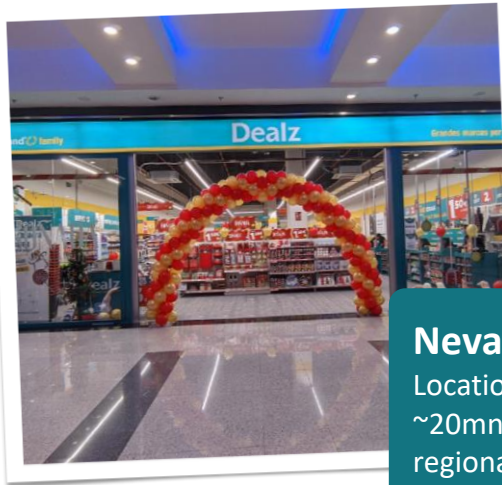
Four trial stores



Merida
A store located in a busy retail park of a large regional town of 60k people

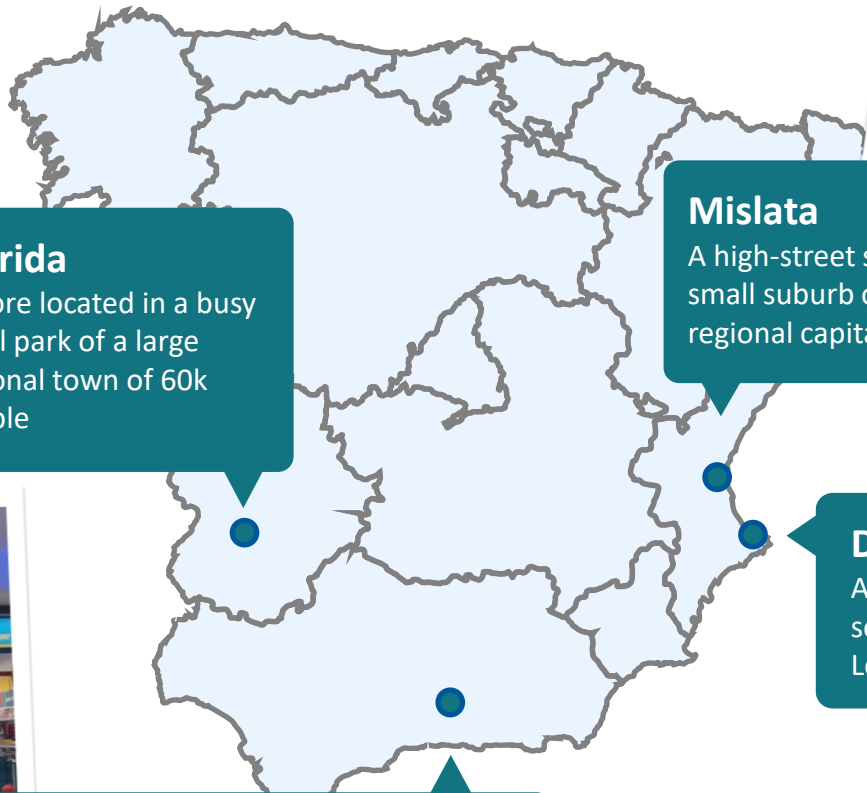


Mislata
A high-street store located in a small suburb of a large regional capital – Valencia



Nevada, Granada
Location in a busy shopping centre with ~20mn visits per year. Granada is a large regional city of 230k inhabitants

Denia
A stand-alone unit in a small seaside tourist location in the Levante region



What we have changed vs Dealz?

Range

- ✓ **Improved assortment**
Pepco GM & clothing (+46% space for GM)

Macro space

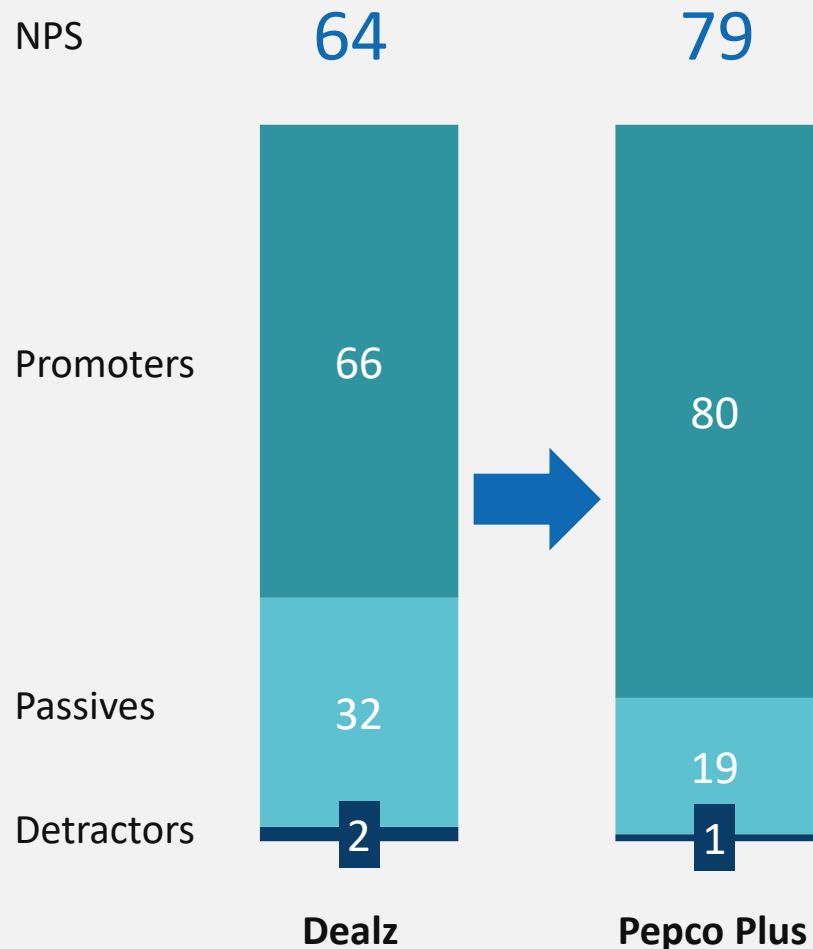
- ✓ **Bigger sales area, smaller stock room**
-57% smaller stock rooms
- ✓ **Reduction in stock holding of FMCG**
-19% reduction in linear space (same SKUs, less space)
- ✓ **Simpler layout for customers**
Layout in 3 distinct blocks: FMCG, GM, Clothing

Look & feel

- ✓ **Refreshed, modern look & feel**
In store and colleague social rooms

Before & After video

Spain customer feedback: NPS of 79



“This store is much better than Dealz. Home is amazing and cheap; clothing is like Primark and I have my favourite products I used to buy.”

“My first time today and I’m going to come back tomorrow because I haven’t got hands to carry all I want with me.”

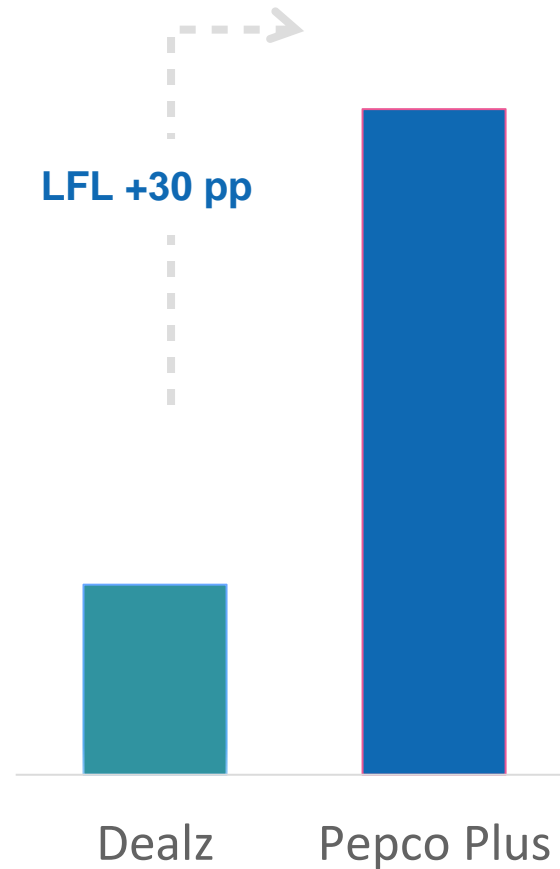
Financial benefits:

LFL +30 pp
vs control group

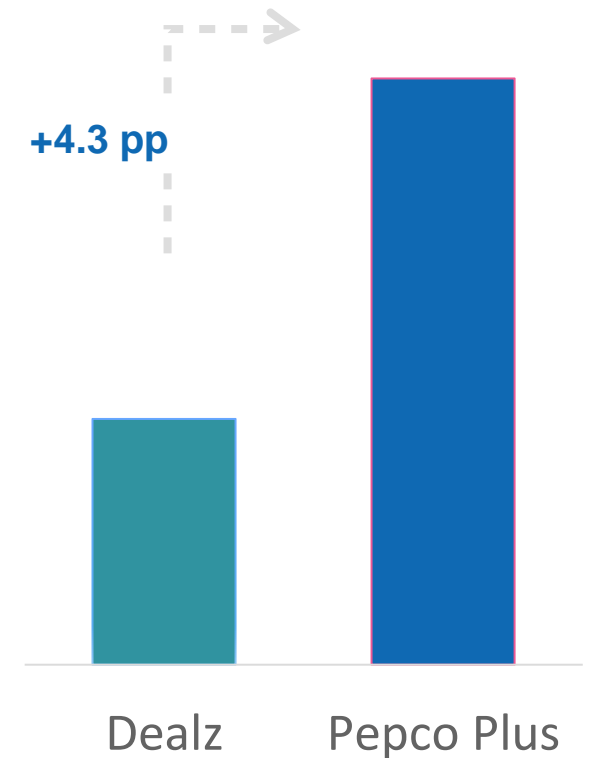
gross margin
+430bps vs control
group

37% reduction in
stock cover

LFL %



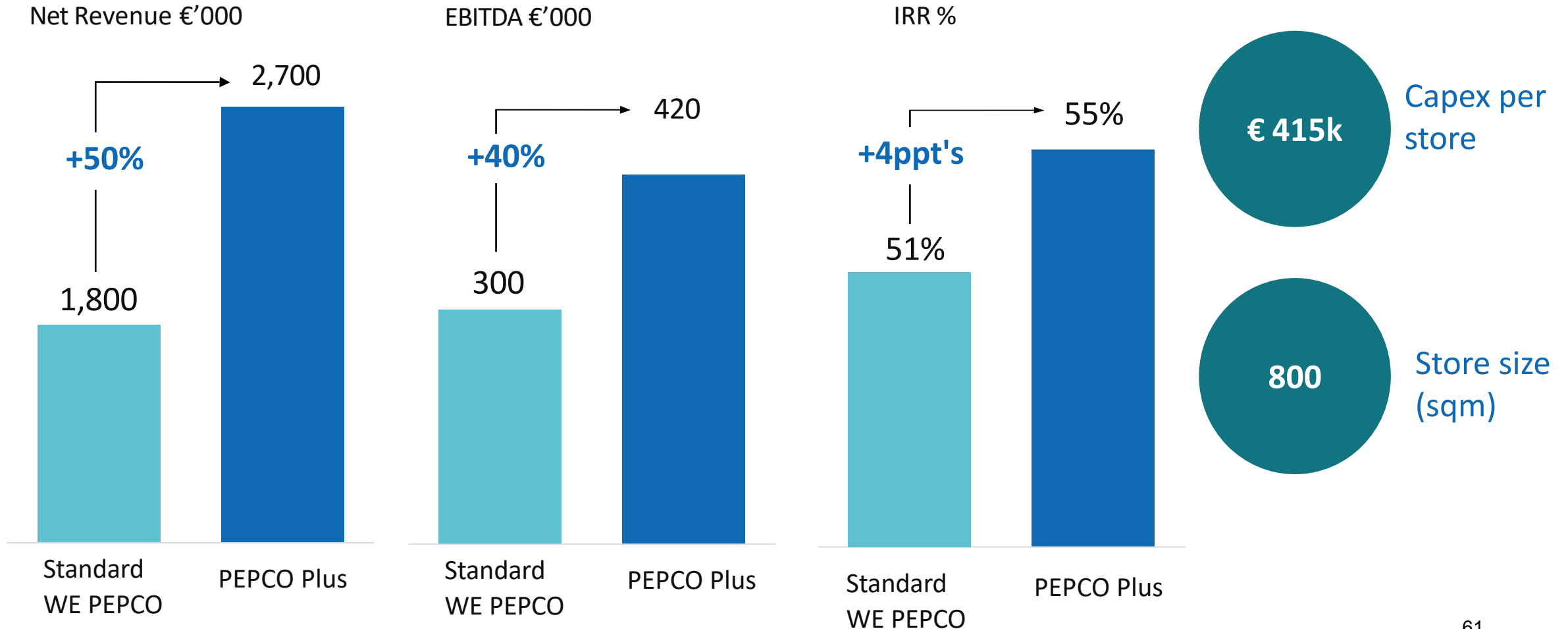
Gross margin %



Based on data from March – August 2022

Pepco Plus performance summary

Pepco Plus delivers an additional 40% IAS 17 EBITDA against a standard WE Pepco



Agenda

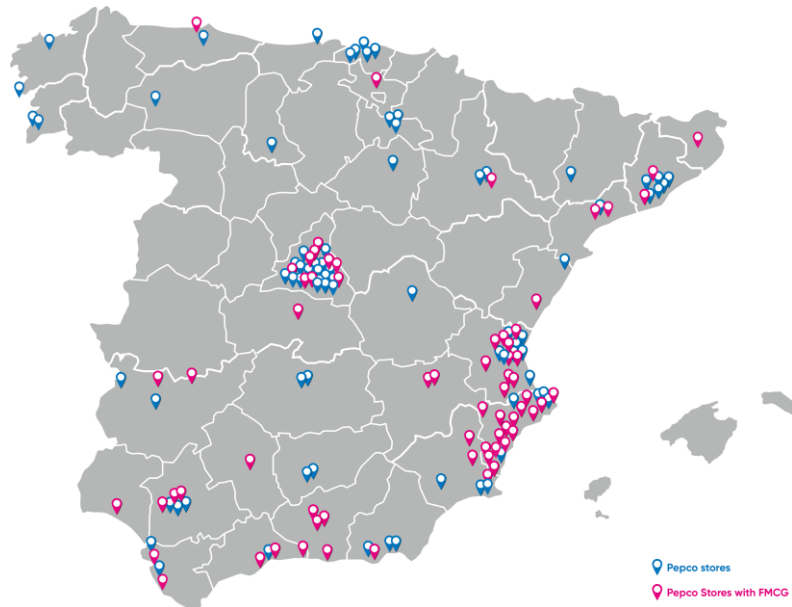
Strategic context:
combining the
best of Pepco
and Dealz under
one roof

Spain trial
was a huge
success
driving +30pp
in LFL

Next phase is
further expansion
in Spain and trial
in Ireland already
showing +53pp
LFL increase

Pepco Plus stores in Iberia (FY23)

SPAIN



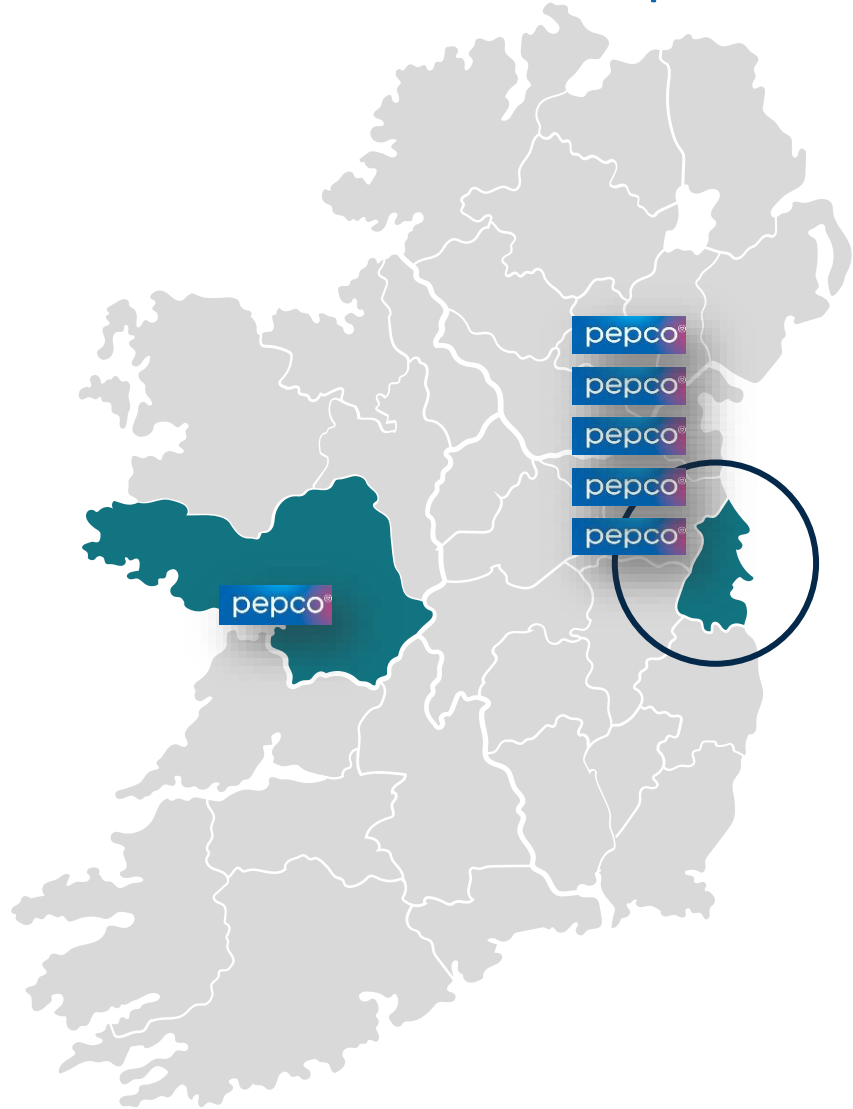
**c45%+ stores in Spain will have FMCG
by end FY23**

PORTUGAL

- ✓ Portugal country opening in May 2023
- ✓ Openings focused on 3 areas (Porto, Lisbon, Algarve)

Pepco Plus in Ireland

6-store trial launched in September



- ✓ 6 stores planned for conversion from Dealz to Pepco Plus
- ✓ c800 sqm avg size
- ✓ Same concept as Spain



Pepco Plus Omni store Dublin

Trial to Date:

+53%pts increase in LFL Sales vs. control group

~50:50 split ATV and Transactions



Q&A

Grow our business: Better

FMCG

Mark Murphy, Operations & Procurement Director

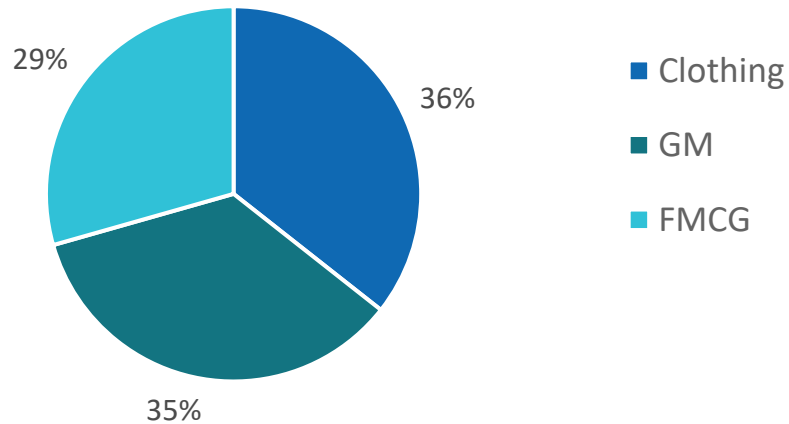
Valencia, Thursday 13th October 2022

Key messages

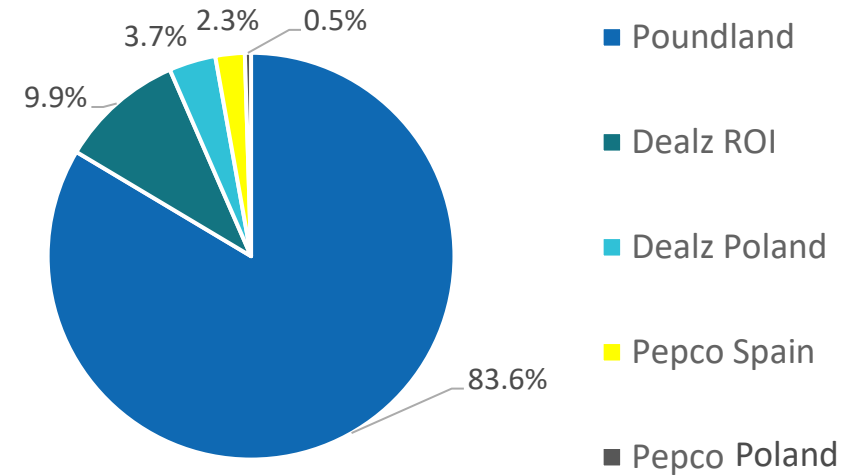
- ✓ FMCG represents a great growth opportunity to leverage the potential within the Group and to deliver sustainable sales growth and profits
- ✓ We offer unique brands and products at amazing prices
- ✓ Over 2500 existing stores in our estate that do not currently stock FMCG at all provides a significant opportunity
- ✓ We have existing FMCG expertise and capability in our Poundland business for us to leverage
- ✓ We have the ability to access the best End-to-End cost prices through our hubs across the Group

Current FMCG participation and markets

Core categories



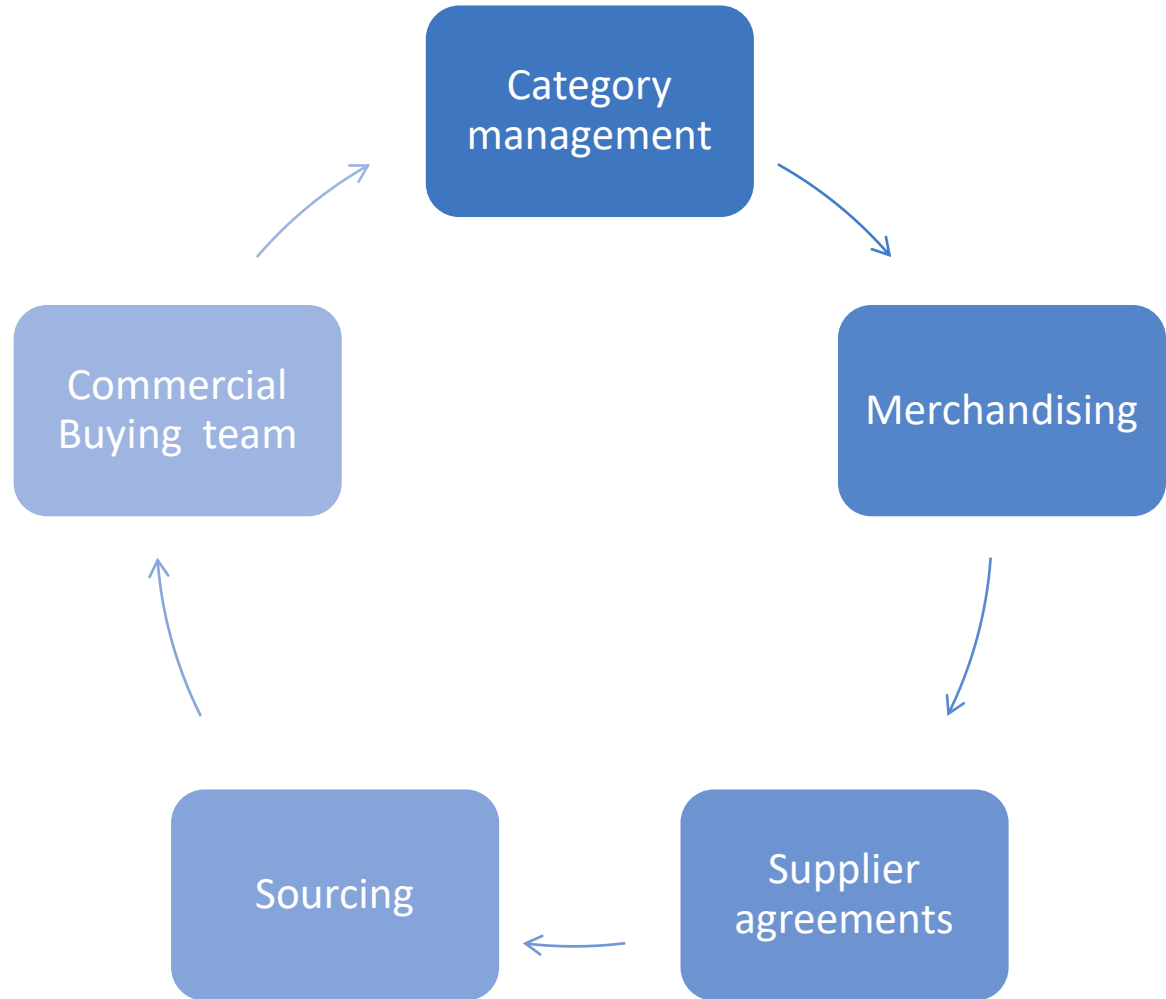
4 markets of FMCG: UK, ROI, Spain, Poland



Key benefits of expanding our FMCG offering

- ✓ Unique brands and products at amazing prices
- ✓ Delivering incremental sales and profits
- ✓ Increased visit frequency and basket size
- ✓ Sustained future growth
- ✓ Strengthens and differentiates our offer vs our competitors

Leveraging our Poundland existing capability within the group



- ✓ UK Poundland hub provides a centre of excellence for FMCG:
- ✓ Category management expertise
- ✓ Private / Tertiary brands capability
- ✓ Access to unique and differentiated brands
- ✓ Existing resources and teams
- ✓ Supplier relationships and agreements
- ✓ Sourcing capability and consolidation of volumes

Unique
products,
great prices



Kodak partnership

- ✓ Over 25m packs sold last year
- ✓ Zinc 10pk accounts for over 40% of total sales
- ✓ We have 13% share of total UK batteries market
- ✓ 16% below cheapest in market



Lotus partnership

- ✓ Exclusive biscuits pack
- ✓ Best selling in the biscuit category
- ✓ £4.1m sales last year
- ✓ 9% cheaper than comparable in market



Ranging principles & key categories

Principles

- ✓ Customer first approach with defined category roles for all categories
- ✓ Great market leading Brands and unique products
- ✓ Disciplined innovation
- ✓ Offer amazing value everyday

Key categories

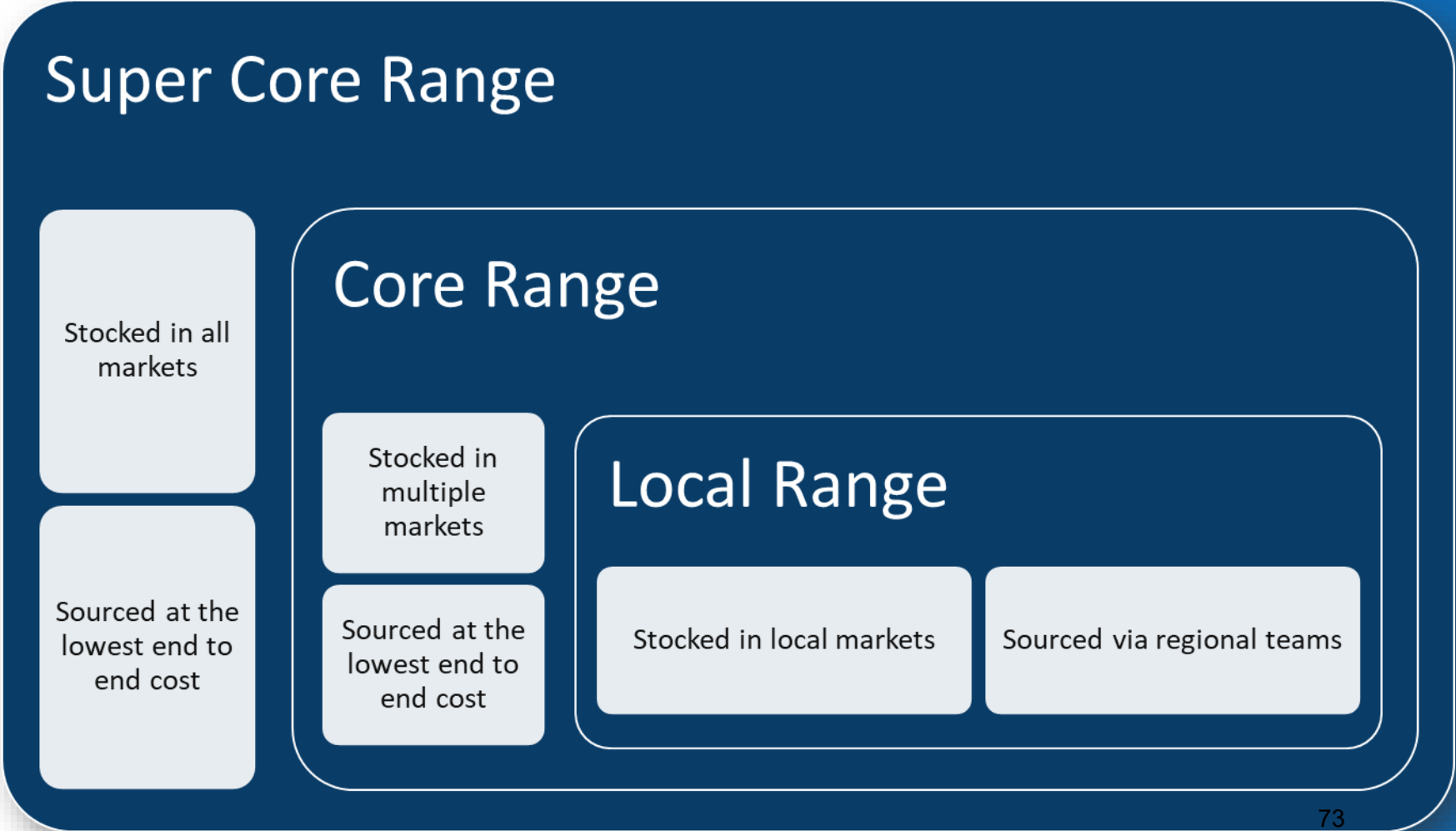


Why these categories?

- Multi £bn categories
- High growth
- High penetration
- Low price points driving higher purchasing frequency

We will drive maximum commonality of range in order to leverage our scale whilst allowing for disciplined localisation

FMCG: Ranging strategy using Customer first approach



FMCG Sourcing: Agile sourcing model to leverage best source of product

Flexibility to source via Regional Sourcing hubs when the EU provides the lowest end-to-end cost

Leverage our existing sourcing capabilities based in the UK to source Super Core and Core Ranges - currently our scale FMCG Market

Regional Sourcing hubs in WE and CEE to provide Local Ranges



Super Core Ranges

Our Super Core Ranges are key volume items, a combination of Big Global Brands and key Tertiary/Private Label SKUs

Super Core Range

Global Brands/
Private Brand/
Tertiary Brands



Leading branded products in all Markets



Private Brand for Dried Fruit and Nuts Category to be Stocked across all markets

Core Ranges

Our Core Ranges are key volume items, a combination of Big Global Brands and key Tertiary Labels which are ranged across multiple markets...

Core Range



Market Brands/
Private Brand/
Tertiary Brands



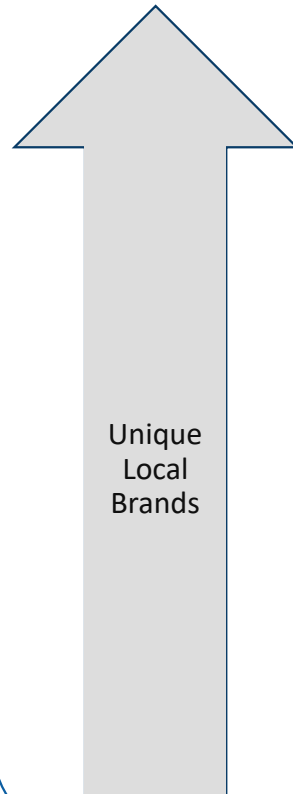
Big Brand not currently ranged in all markets

Group negotiation to leverage scale across the business

Local Ranges

Our Local Ranges are monitored to identify any items which we believe we can scale across the wider group

Local Range



Balconi opportunity for Italian brand to be featured in all markets. Bigger range & Private Brand opportunity to leverage



Long Chips currently ranged in Poland opportunity to be featured in all markets

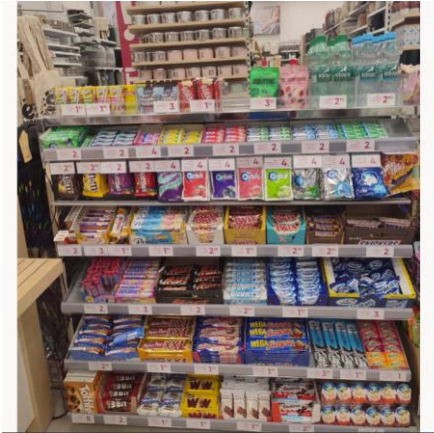
FMCG next phase:

Pepco Plus



22% LFL
in FMCG in
Pepco Plus
stores

Pepco



Introduced
one Impulse
mod in 120
stores & one
Sweets mod
in 300 stores

Excellent
results
driving roll-
out into 1200
stores as well
as seasonal
products by
Christmas

New stores



Q&A

Grow our business: Bigger

Accelerated Store Expansion

Anand Patel, Pepco Managing Director

Valencia, Friday 14th October 2022

Anand Patel **Pepco Managing Director**

Joined Pepco in 2017 to lead Finance

Currently Pepco Managing Director

20+ years experience significant
experience within the retail sector

Previously Retail Finance Director at
Halfords and held senior finance roles
at Argos and Egg plc



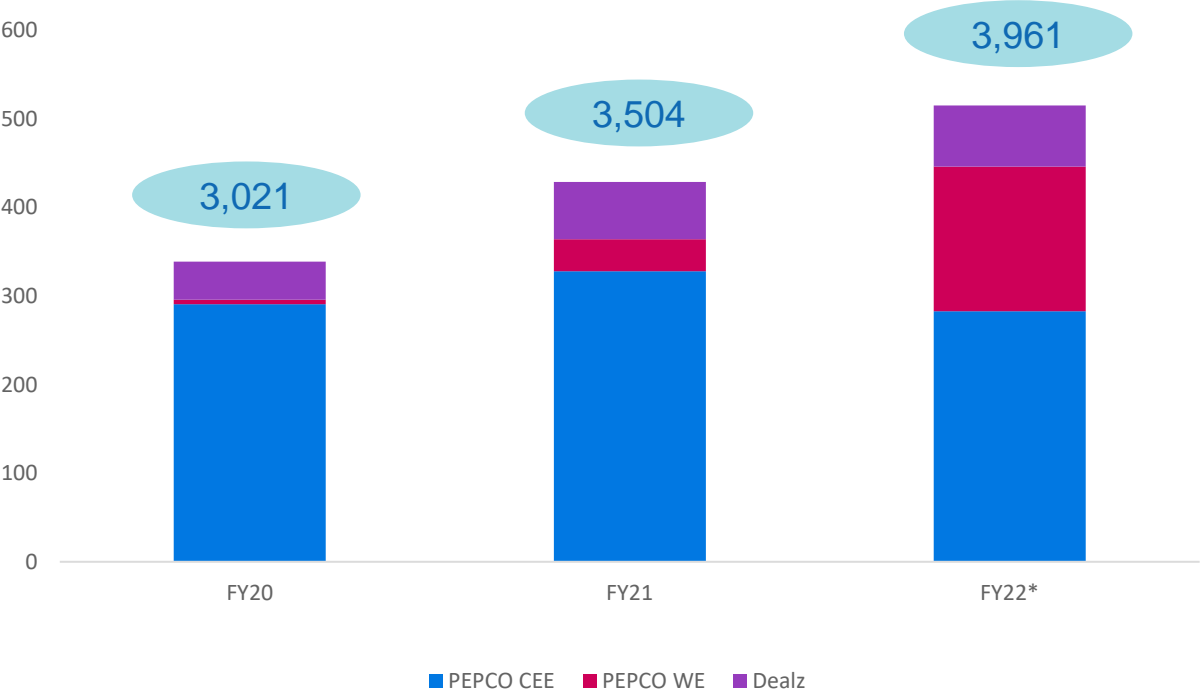


Key messages

- ✓ Accelerating store growth remains the Group's single biggest driver of value creation
- ✓ Aspirational long term store potential of 20,000 stores
- ✓ There remains headroom for further store growth in Central Europe
- ✓ Western Europe will be the primary area of growth in coming years
- ✓ Credible structure and processes that enable the accelerated store opening roll out
- ✓ Unit Economics demonstrate validity of Western European roll out strategy

Acceleration in store openings underpinned by credible store opening programme

New Store Openings Split By Type

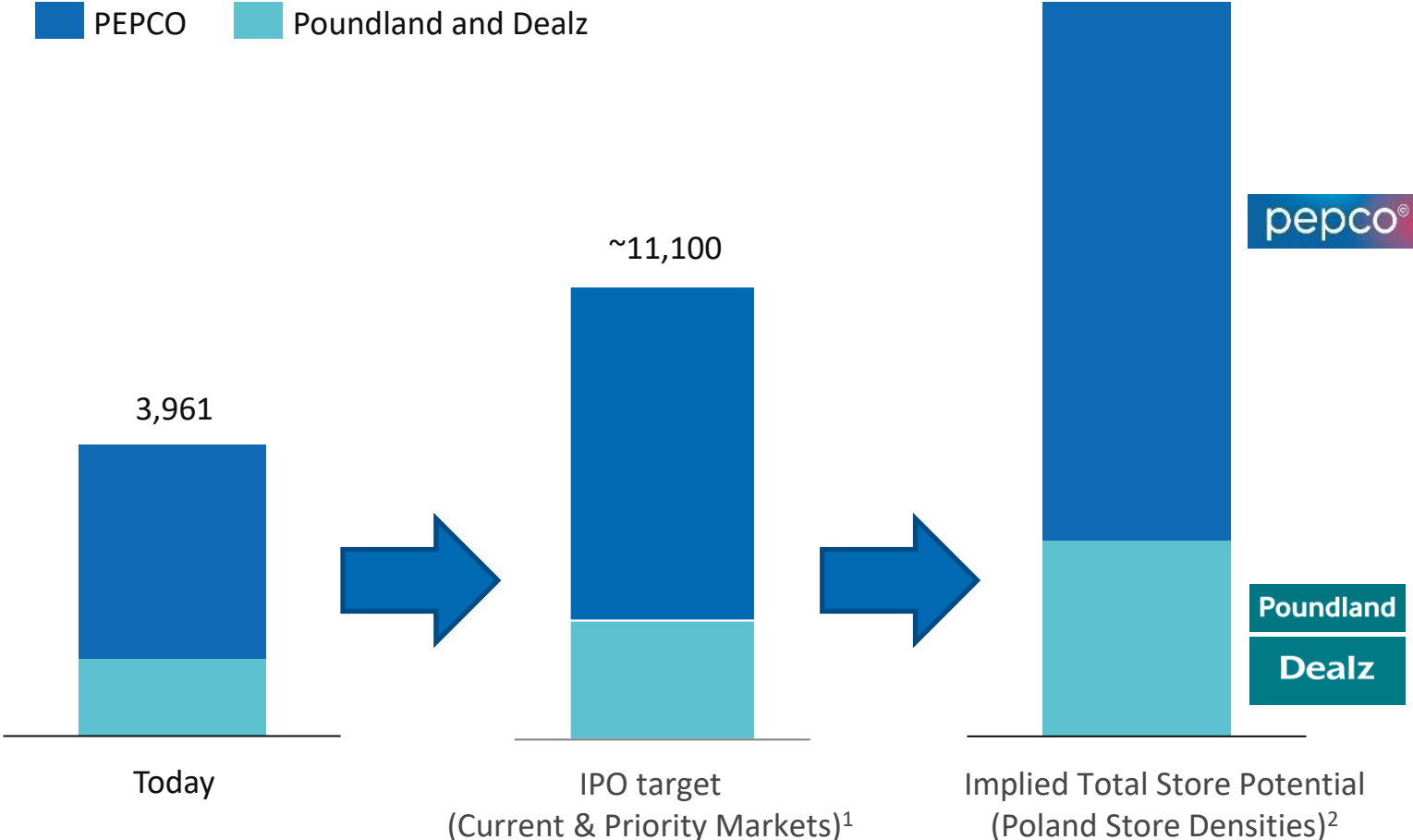


Total stores (at year end)

*Net new stores total 457 during FY22 with 516 new stores excluding the closure of Fultons Store estate

- ✓ More than 450 new store openings in each of the last two years
- ✓ Significant increase in FY22 WE store openings
- ✓ Consistent roll-out of Dealz and PEPCO throughout the last 3 years

Aspirational long term potential for 20,000 stores



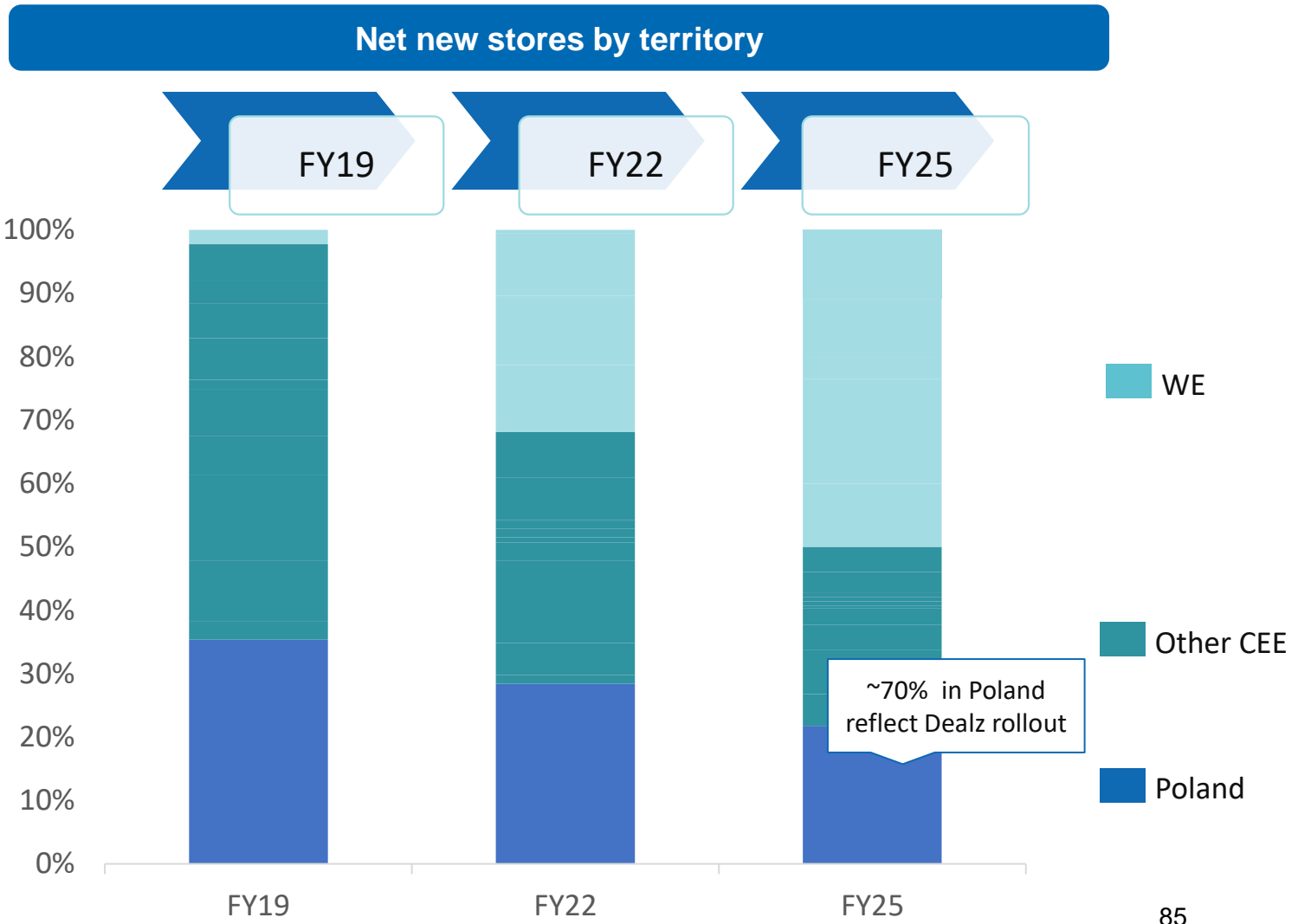
- ✓ Catchment analysis supports significant growth upside with attractive returns on invested capital
- ✓ Potential for 20,000 stores in territories where we will be operating from within the next 10 years

Note: Today as per 30th September '22
 Source: ¹ OC&C analysis. Catchment opportunities validated by OC&C except PEPCO (Spain & Italy), Poundland and Dealz (ROI) – Management Estimate. ² Management estimates based upon store densities in Poland

WE markets represent increasingly greater share of the Group's store roll out

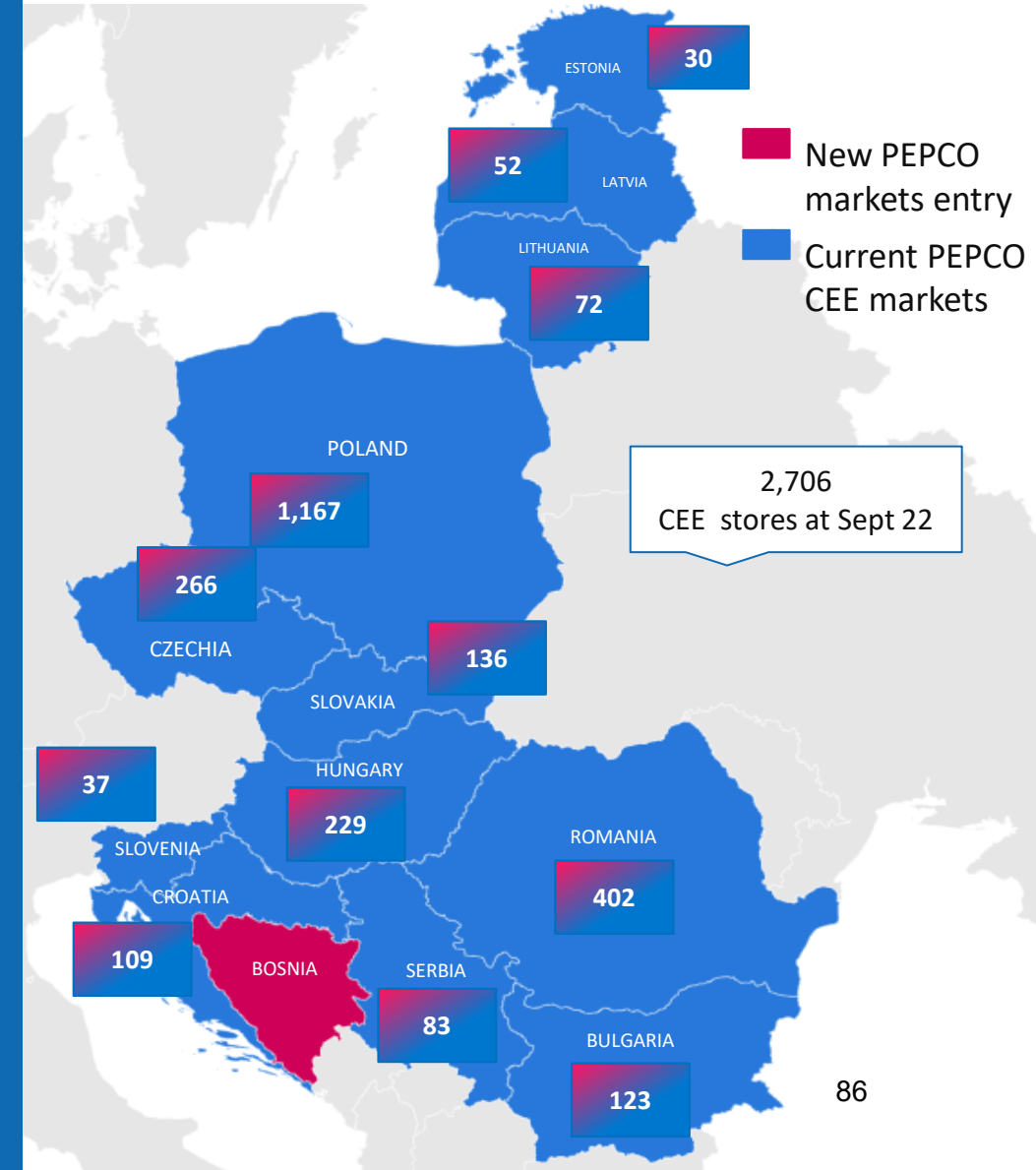
Accelerated store roll out with >550 new stores annually including ~500 Pepco format

Continued significant roll out in proven CEE territories



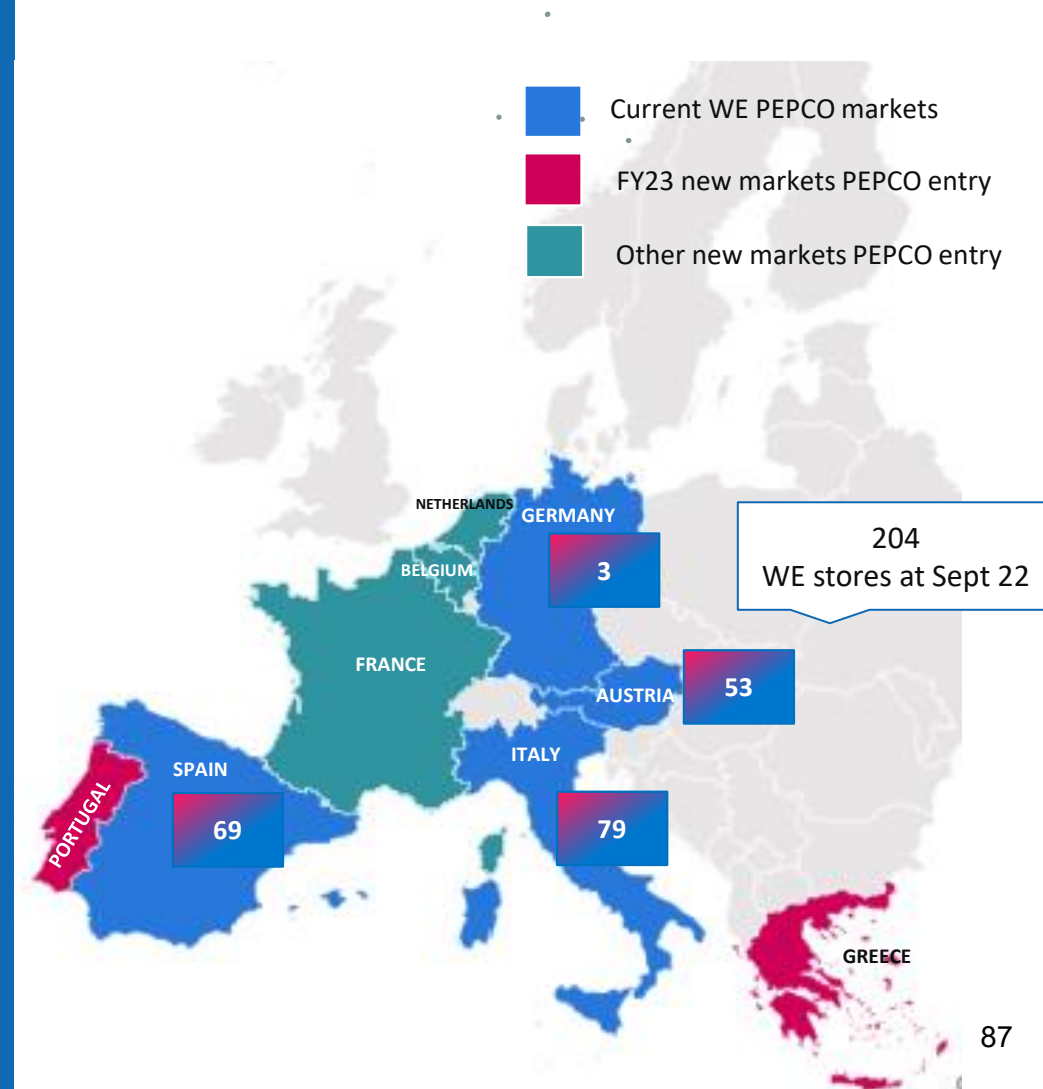
Significant store opportunities remain for PEPCO format core CEE markets

- ✓ High delivery certainty for >750 new PEPCO stores in CEE over the next 5 years
- ✓ Bosnia and Herzegovina next CEE territory to be opened with potential for 50+ stores
- ✓ Significant headroom remains in key CEE markets of Poland, Romania & Hungary
- ✓ Adjacent market opportunities: Montenegro, Moldova, Albania and North Macedonia (50+ potential new stores p.a. / 250+ total)
- ✓ Exceptionally strong store performance in Serbia, the most recent CEE territory



WE significant opportunities for PEPCO format given consumer scale and expenditure

- ✓ High delivery certainty for >1,750 new stores in WE over the next 5 years
- ✓ Sizeable Apparel & GM and Grocery markets with even further potential to increase penetration than CEE
- ✓ 420+ million people with a polarisation between high and stable disposable income levels and low disposable income – both of whom seek value
- ✓ First stores opened in Germany during FY22 with Greece and Portugal opening in FY23
- ✓ Significant untapped opportunities in France, Netherlands, Belgium



Italy Case Study: Opening a new territory

Italy identified as an attractive market for Pepco, it has the 4th largest spend on retail and the 3rd largest mid-lower economic population in Europe



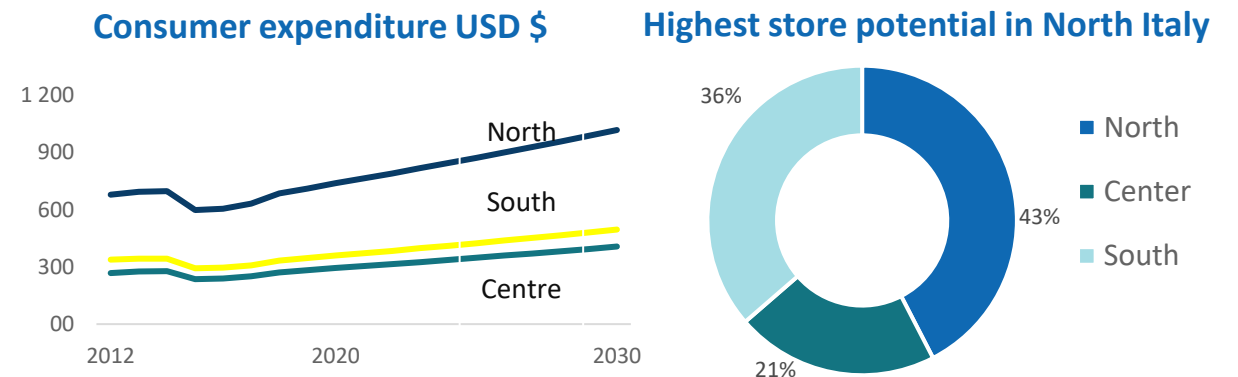
1 Research

- ✓ Italy is increasingly attractive for chain value retail
- ✓ Italians have less disposable income than Polish¹
- ✓ Situation will not change over the coming 5 years
- ✓ There is a supply-hole in the current market
- ✓ Italian retail market is 4 times bigger than Polish

	Italy	Poland
Population	60.0m	38.0m
GDP per head ²	€31,700	€15,700
Towns >10k	1,200	400

2 Business case & market entry strategy

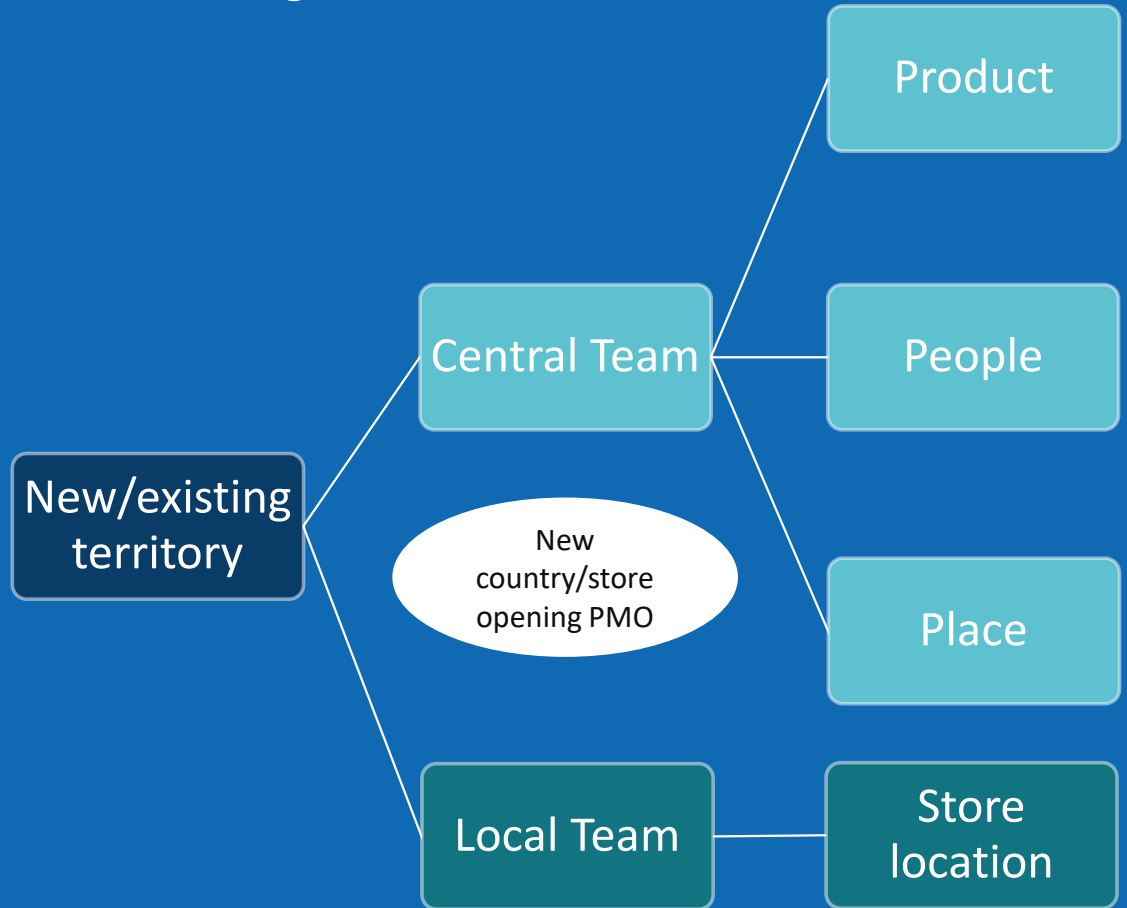
- ✓ Store potential in Italy is 50% higher compared to Poland, current biggest market for Pepco



Source: ¹ OC&C analysis when adjusted for purchasing power parity ² World Bank 2020

3 Italy Case Study: Delivering the Project

✓ Efficient team and process in place today to enable growth





4 Italy Case Study: Post-opening evaluation

Where we are now?



- ✓ Strong feedback on low prices, value for money and convenience
- ✓ Pepco Italy has the potential to build its image as a modern & convenient chain for families, offering great kids' and home products with great value for money
- ✓ Success to date provides firm validation of WE rollout strategy

The proven model results in attractive, market leading store economics

Typical Store Annual Performance – IAS17	CEE - current	WE – go forward*
PROFIT & LOSS		
Net Revenue (€k)	1,100	1,800
Underlying EBITDA (€k)	235	300
INVESTMENTS		
Store Opening Costs** (€k)	195	365
Working Capital (€k)	25	30
RETURN METRICS		
Payback Months (post tax)	16	23
IRR	85%	51%

* Italian territory used as proxy for WE performance

** Includes Capex and pre-opening costs

- ✓ Quality of earnings and investment payback maintained across CEE
- ✓ Attractive model will further benefit from scale over time in WE as model is honed
- ✓ Working Capital improvements driven by Supply Chain Finance roll out and stock holding optimisation
- ✓ Pepco Plus / Pepco Hybrid offers further opportunity

Q&A

Grow our business: Cheaper

PGS Integrated sourcing

Carlos Coene, MD of PGS & Director of Pepco Group compliance

Valencia, Friday 14th October 2022

Carlos Coene

Managing Director, PGS

Director of Compliance, Pepco Group

Joined PGS in 2016 with responsibility for running the business

+30 years' international sourcing experience providing supply chain solutions

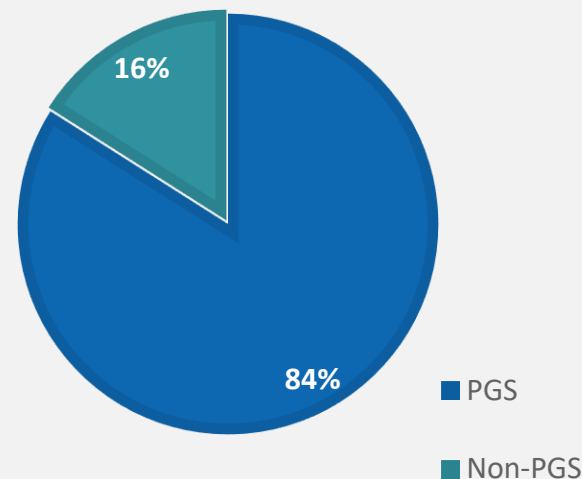
Worked for major European, North American and Australian retailers including Adidas, Van Heusen and The Arcadia Group plc



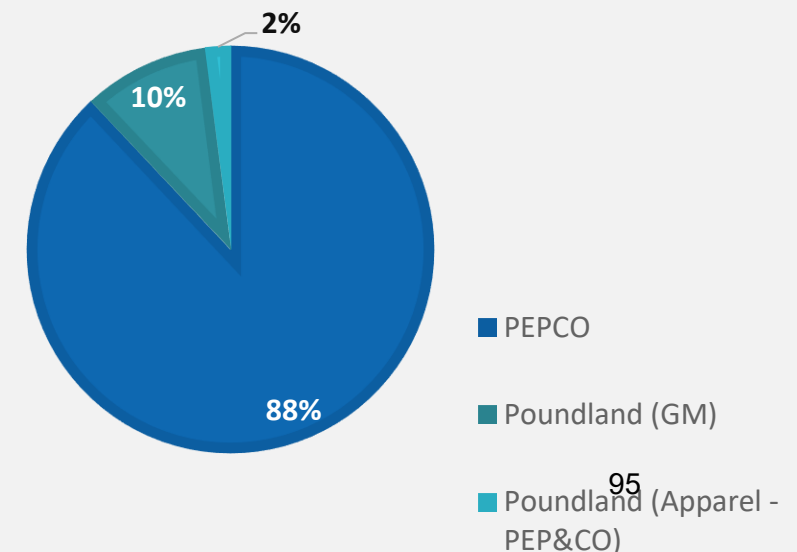
Exclusive sourcing capabilities of PGS provide the Pepco Group with significant competitive advantage

- ✓ Very few discount retailers have an integrated sourcing entity, instead having to source through third-party agents
- ✓ PGS sources own label goods across Apparel, General Merchandise, Footwear & Accessories through its operations in mainland China, Hong Kong, Bangladesh, Pakistan and India
- ✓ PGS sourced non-branded buy increased to 84% in FY22 from 75% in FY21, with a plan to increase to 95% by FY27

Group sourcing GM & Apparel FY22



Destination of PGS sourced goods FY22



PGS: Group owned sourcing entity is unique to discount retail market

Pepco

- ✓ Product CAD created in-house by PEPCO team – our self designed products are exclusive to PEPCO and cannot be bought anywhere else
- ✓ Products sourced through PGS with full control on End-to-End production

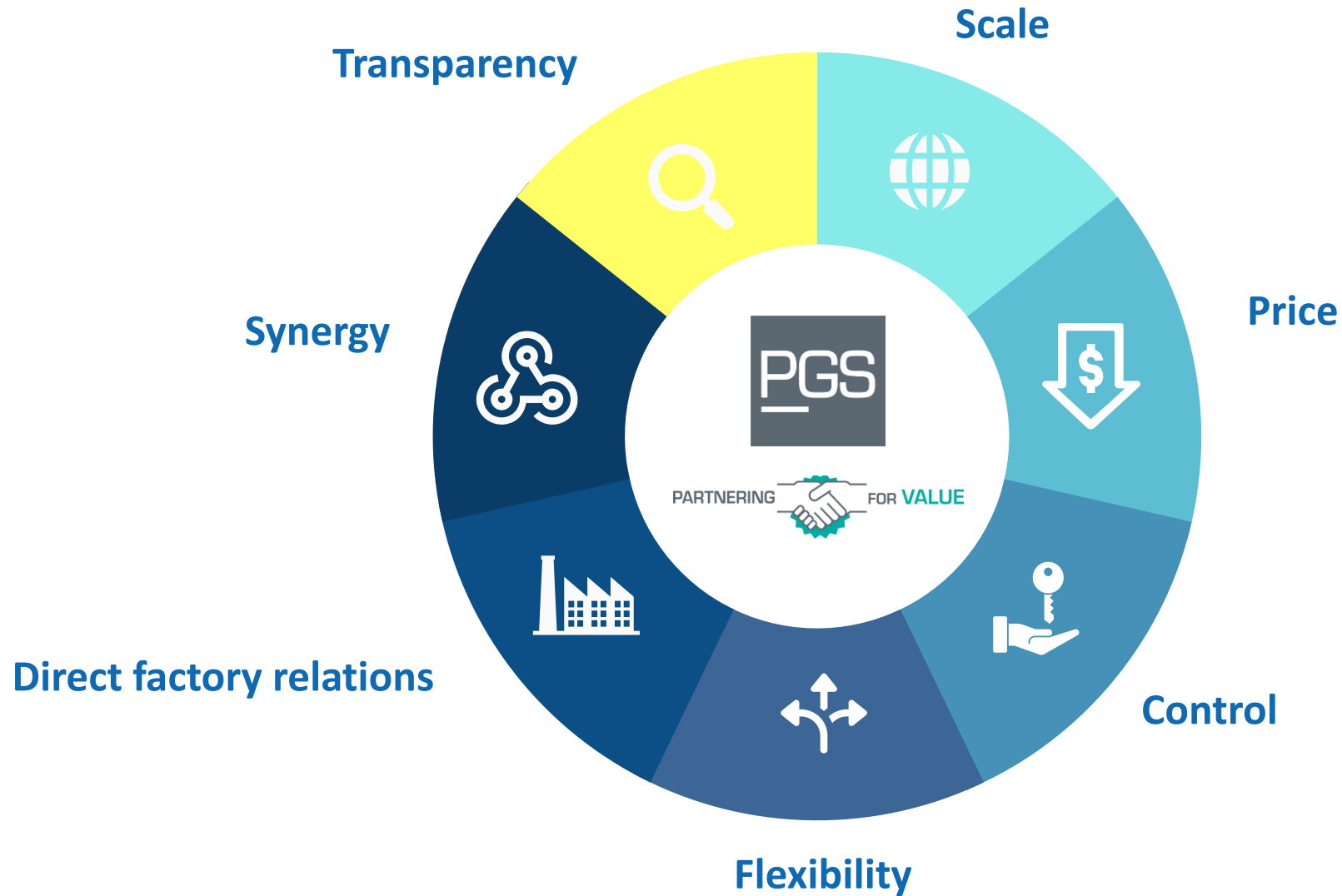
PGS

- ✓ Working directly with vendors and factories, to secure best pricing
- ✓ No agents used, removing middle-man service fees
- ✓ Full transparency to PEPCO Group on commercial and ethical activities

Competitors

- × No In-house design, sourcing product that is copied across the High Street
- × Work through agents, paying additional fees and reducing gross margin
- × Have little visibility & control over their sourcing production chain

Key benefits of in-house sourcing operation



Scale: PGS has grown to become one of Asia's largest sourcing entities



364

Suppliers



700+

Factories



1.4Bn

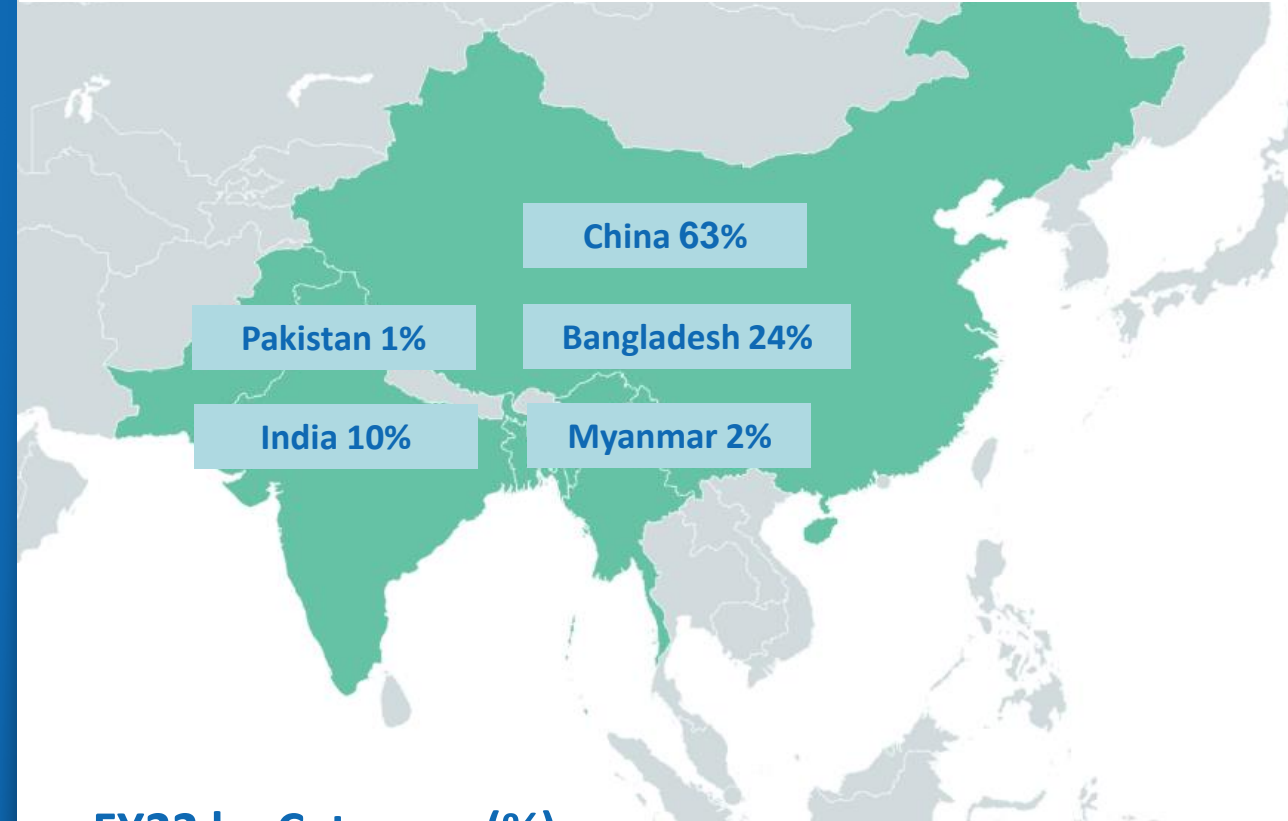
Units



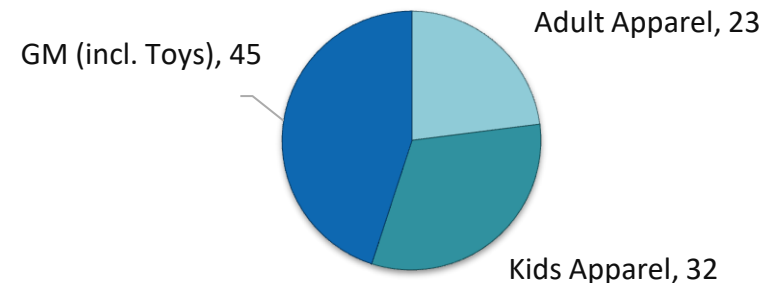
€1.1

Average Unit Price

EUR 1.55 billion of shipment value in 5 territories (+40% yoy)

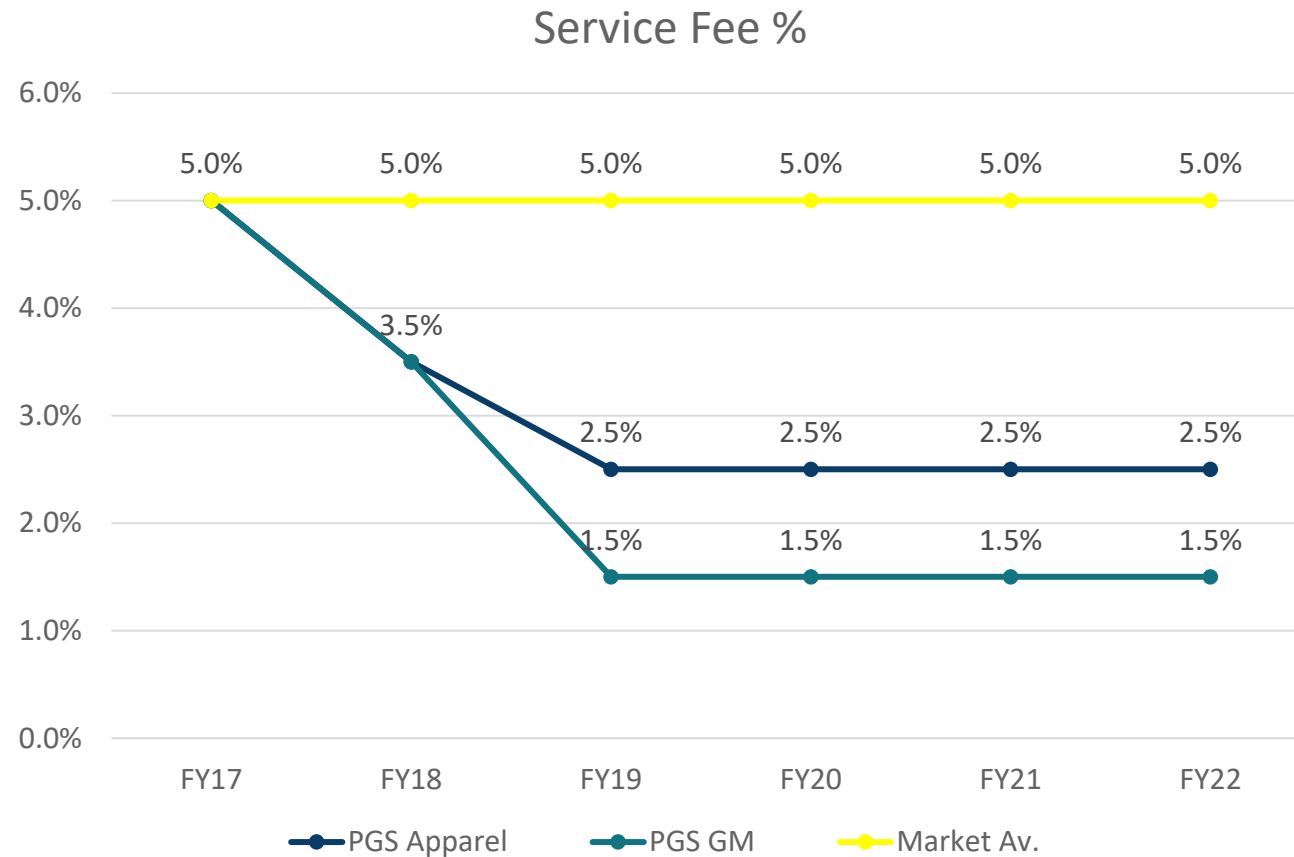


FY22 by Category (%)





Price: PGS service fee below market average



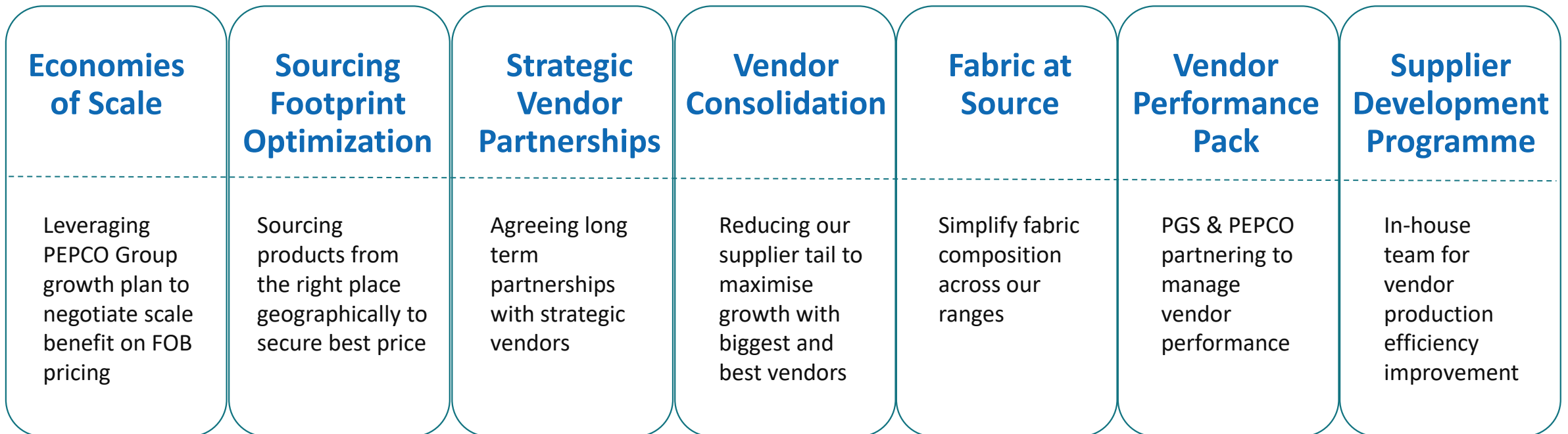
PGS charges a favourable service fee versus the market average charged by alternative sourcing companies

This competitive advantage increases the margin on all goods sourced through PGS vs non-PGS sourced goods



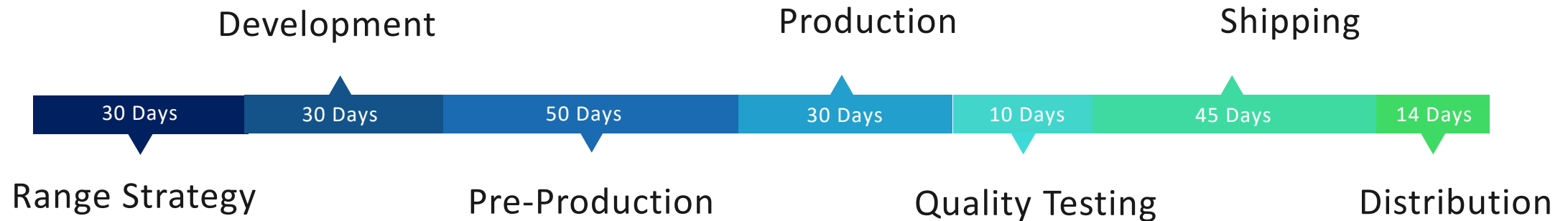
Control: PEPCO & PGS developed a seven-point plan to maximise sourcing margin

✓ PGS & PEPCO teams working shoulder to shoulder to develop sourcing strategy





Control: End to End Sourcing Model provides significant competitive advantage through supply chain optimization



We repeat this process four times a year



Flexibility: Sourcing footprint expansion to de-risk China & grow flexibility



Near Shore Sourcing

- ✓ Launch in FY23
- ✓ EU based Sourcing office in Poznan, Poland
- ✓ Regions such as Poland, Romania, Bulgaria, Turkey
- ✓ GM focus with additional Apparel
- ✓ Focus on existing Pepco goods not sourced by PGS



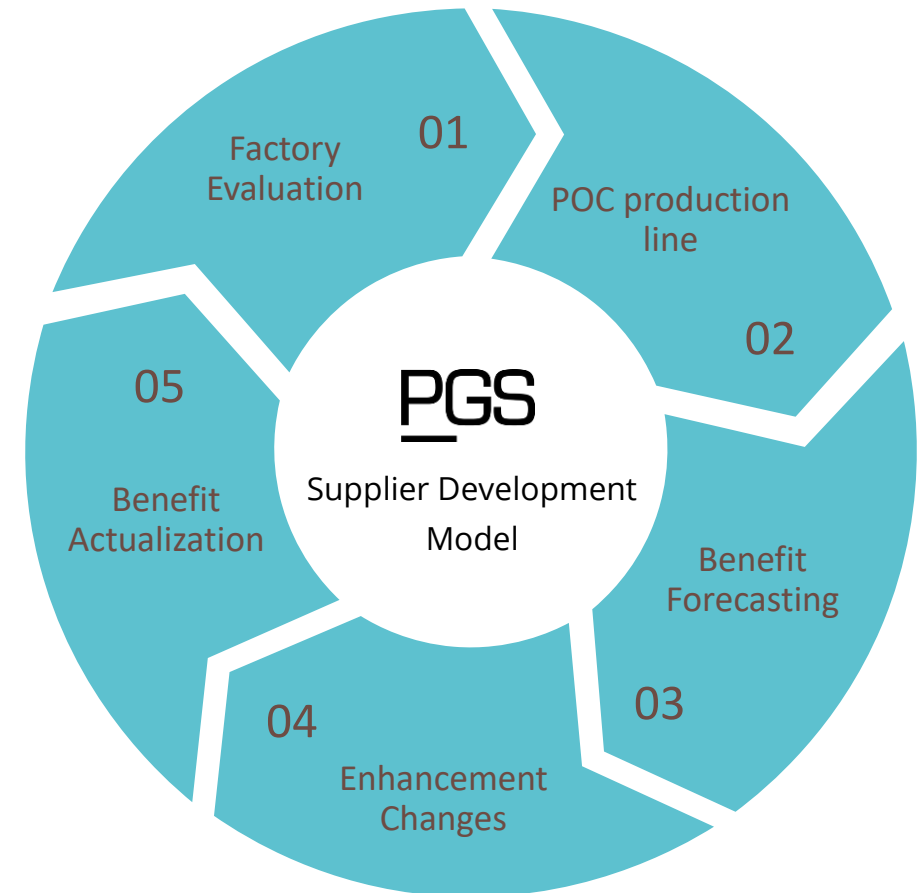
Far East Expansion

- ✓ Grow emerging markets: Myanmar, Cambodia, Vietnam, Pakistan, Indonesia
- ✓ Live & will continue to scale



Direct Factory Relations: In-house team for vendor production efficiency improvement

- ✓ We use lean 6 sigma manufacturing standards to maximise operational efficiency
- ✓ Long-term partnership with strategic factories over a 3 - 5 year period to embed best sourcing practices in several improvement cycles
- ✓ Factory improvements:
 - ✓ Increase production output
 - ✓ Secure more capacity
 - ✓ Enable delivery of growth plans
 - ✓ Decreases overheads – savings are passed on in the form of lower FOB prices





Synergy: PGS conduct several audit checks with new vendors to ensure sites are fit to produce for PEPCO Group

- ✓ The PGS onboarding process ensures all vendors are rigorously checked ahead of starting any production
- ✓ This framework protects Group integrity, ensuring new vendors are Ethically, Financially and Technically compliant



- ✓ This a key part of our ESG engagement in relation to ethical sourcing which comprises:
 - ✓ Onboarding
 - ✓ Quality Control
 - ✓ Adherence to our Group Supplier Code of Conduct



Transparency: PGS Quality Control teams work with full transparency to ensure product is fit for purchase

- ✓ PGS implements strict [Quality Control measures](#) to bring low prices and value to our customers while protecting our Brand integrity
- ✓ We operate a [Global Quality Assurance and Quality Control policy](#), checking all goods throughout the production chain. We test for:
 - ✓ Customer quality, ensuring consistency in production
 - ✓ Product safety, checking goods meet legal requirements and pass hazardous chemical tests
 - ✓ Factory safety, ensuring production control is in place to prevent contamination of goods
- ✓ The [PGS Quality control team](#) operates with c.50 employees globally who work daily in factories to oversee Quality standards
- ✓ We maintain [ethical sourcing standards](#) while leveraging our global scale to keep prices competitive

All PEPCO Group 'own-label' factories follow the PEPCO Group Compliance Code of Conduct



Child labour shall not be used



Employment is freely chosen



Freedom of association and the right to collective bargaining are respected



No harsh or inhumane treatment is allowed



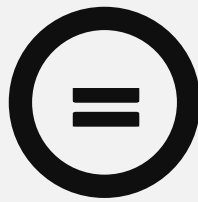
Regular employment is provided



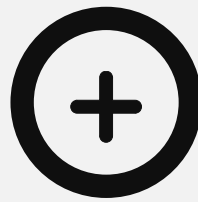
Working hours are not excessive



Minimum wages are paid



No discrimination is practiced



Working conditions are safe and hygienic

- ✓ Aligned to the Ethical Trading Initiative (ETI) Base Code; an internationally recognized set of labour standards based on International Labour Organization conventions
- ✓ All declared factories, who produce Pepco Group "own label" merchandise, are audited by the Group Compliance team
- ✓ Each factory actively producing goods is audited at least once every 365 days by either Group Compliance or an authorized third party. No factory completes self-auditing
- ✓ Tertiary brands such as Coca-Cola, Walkers, Tefal declare their own compliance
- ✓ In FY22 Group compliance (including 3rd parties) completed **1,660 audits** including re-audits of non-compliant factories. If a factory fails an audit, it is prioritized for re-audit within 30-60 days depending on agreed corrective action plan
- ✓ Poundland and Pepco are members of SEDEX, the world's largest collaborative platform for sharing responsible sourcing data on supply chains across its members

Q&A

Grow our business: Better

Sustainability

Agnieszka Olejniczak, Marketing Director

Valencia, Friday 14th October 2022

ESG

- Our approach to ESG is embedded within our Bigger / Better / Simpler / Cheaper strategy
- Price is not a barrier to affordable, sustainable and ethically produced products
- We continue to develop our Group-wide ESG strategic framework in 2022, within which the operating companies have freedom to develop local strategies and decision-making processes

Key areas of ESG engagement



Product



Packaging



Energy efficiency and emissions reduction



People



Charity support



Ethical sourcing





Our target

By 2025, 30% of Pepco product range will be better for the planet

- ✓ Joining Better Cotton initiative in FY23 and reaching 25% of our cotton consumption in textile with BCI in 2025
- ✓ Growing the number of certified products: OEKO-TEX, organic cotton (GOTS, OCS), FSC, recycled (RSC & GRS), Pepco is Green line
- ✓ Create efficient system of attributes to monitor our progress & implement KPIs for initiatives which are in motion
- ✓ Environmental supply chain guideline & audit implementation



Product



Our current status

- ✓ Building a “more sustainable product” definition
- ✓ Introduction of Pepco is Green line
- ✓ Signing FSC (Forest Stewardship Council) promotional license and including FSC-certified products into our range



Packaging



Our target

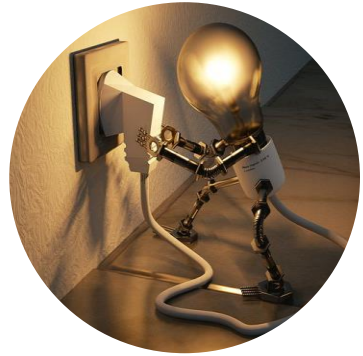
More recyclable and/or recycled packaging in Pepco

- ✓ Up to 30% content of recycled raw materials in individual packaging by FY25*
- ✓ Up to 70% of in-store cardboard packaging made of FSC-certified paper & expanding the certificate to other paper-based products by FY25
- ✓ 100% of care labels in clothes are from recycling processes
- ✓ 100% of swing tags with FSC certificate



Our current status

- ✓ Eliminating more than 200 tons of plastic thanks to in-store packaging solutions
- ✓ New packaging policy - promoting more environmentally friendly market practices (FSC, 100% cardboard)
- ✓ 5% of recycled materials content in primary packaging
- ✓ 99% of primary packaging is recyclable



Energy efficiency and emissions reduction



Our target

Reduction of Scope 1 & 2 emissions

- ✓ Introduction of green energy to the organisation through activities such as solar panel investments
- ✓ Introduction of environmental guidelines for new investments
- ✓ Including guarantees of origin for energy contracts & procurement of green energy solutions

Work on wider decarbonisation strategy that includes Scope 3 emissions and long-term goals.



Our current status

- ✓ 100% of Pepco stores uses LED lighting & all new stores are equipped with LED lighting



People



Our target

Diversity & wellbeing programs in ALL markets

✓ Diversity

- ✓ Delivering diversity & inclusion activities through trainings, promotional activities, introduction of new policies and monitoring of our progress in D&I.

✓ Wellbeing:

- ✓ Continuation of Better Move programme in all markets
- ✓ Implementation of Welcome packs for employees' new-borns in all markets



Our current status

- ✓ Introduction of new values in the organisation
- ✓ Better Move programme
- ✓ Welcome packs for new-borns in Poland



Charity support



Our target

Significant charitable contributions in all markets

- ✓ Expanding charity products (bears toys) to all markets with more than 100 stores
- ✓ Garment collection schemes: expansion of the program in Italy and markets & shoes collection & refurbishment program at Head Office in Poznan



Our current status

- ✓ Wider external communication of our social and environmental engagements
- ✓ Variety of initiatives aimed at children in each of the countries in which we operate (each market has separate CSR budget) such as Pepcolandia in Poland and Romania
- ✓ International partnership with SOS Children Villages
- ✓ The scale of our impact in FY21:
 - More than 60,000 beneficiaries
 - Over 40 local partnerships
 - Over €2m donations during the year

Q&A

Grow our business: Simpler

Optimised Supply Chain

Alex Kennedy, Supply Chain Director

Valencia, Friday 14th October 2022

Alex Kennedy Supply Chain Director

Joined Pepco in 2018 with responsibility for the supply chain

20+ years experience in planning and supply chain across EMEA

Have worked with Blue chip/listed companies e.g. Nike

Focus largely on wholesale change programmes





Key messages

- ✓ Lean and efficient company inventory strategy which is driving cost efficiencies
 - ✓ Reduction in company inventories of 14 days
 - ✓ Store staffing levels reduced by 1.5 FTE
 - ✓ Increase in selling space driving +5% increase in LFL per store
 - ✓ Optimised markdown management benefitting gross margin
- ✓ A supply chain network which is scalable and cost/service focused
- ✓ Distribution Centres based on a standard and defined blueprint design

The result of our previous Supply Chain

- Unworkable for stores
- Poor service to customers
- Bad for the brand
- Expensive and inefficient



This is largely how stockrooms look today

- ✓ Better for stores
- ✓ Better for customers
- ✓ Lower stock levels
- ✓ Simple and better



**The Pepco E2E
supply chain
re-design had a
large-scale
positive impact**

Achievements resulting from the E2E program

Four key outcomes:



“Little and often” Supply Chain strategy



Optimised markdown management



Expansion of retail selling space



Improved efficiency of Distribution Centres

“Little and often” supply chain strategy



Key drivers to “Little and often”

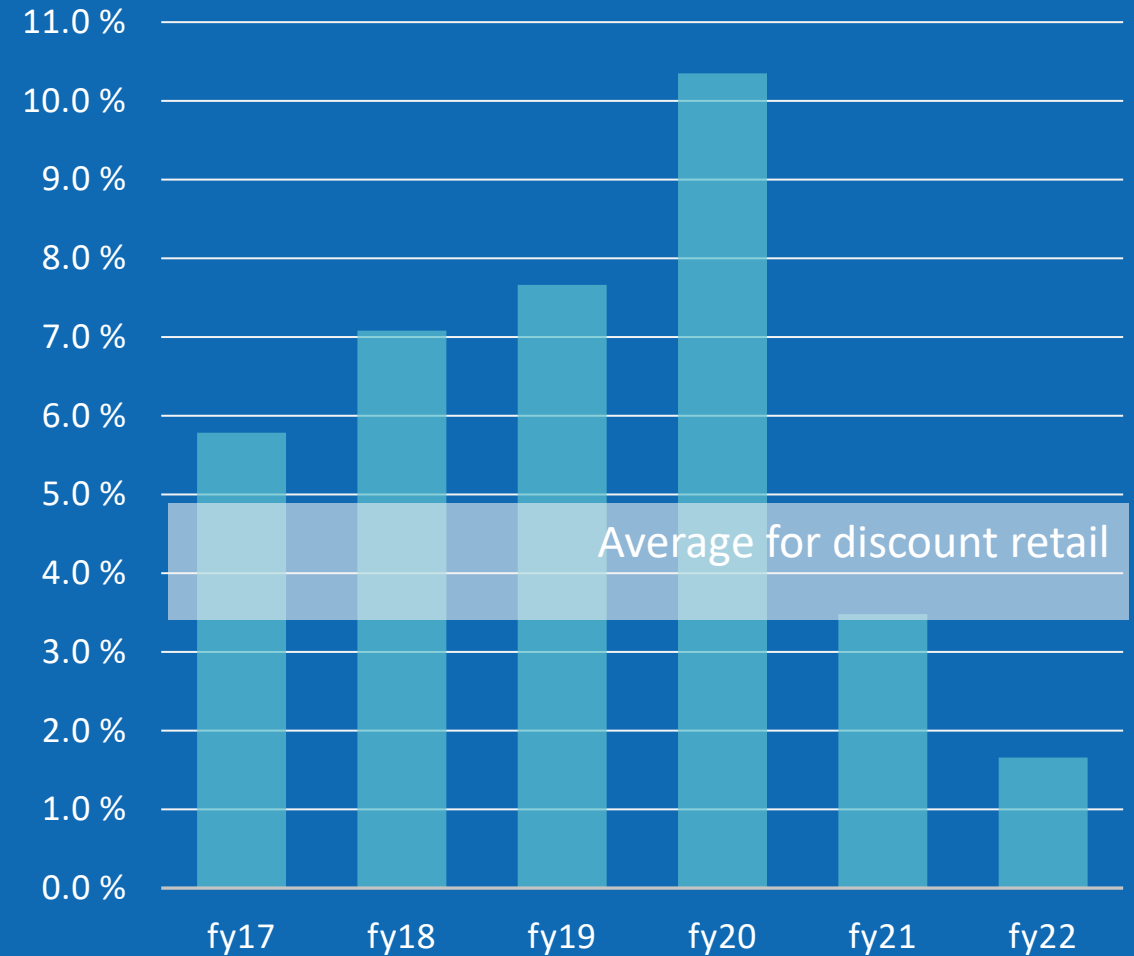
- ✓ Smaller purchase orders, raised more frequently and allocated to stores in **smaller pack quantities**
- ✓ 20% of goods allocated to stores the day they arrive at warehouses and **dispatched the following day**
- ✓ Stores receive smaller quantities in a more **frequent delivery flow**
- ✓ Stock **flows directly** from store receipt to retail floor for selling
- ✓ Stores can **focus on selling**; and less on managing stock rooms
- ✓ **Substantial reduction** in company inventories of 14 days
- ✓ Reduce store staff levels (1.5xFTE for both existing and new stores)

Optimised markdown management



Key drivers to markdown optimization

- ✓ E2E Supply chain improvements
- ✓ Lean company inventory plan
- ✓ Targeted levels of store stock levels
- ✓ Safer/more commercial assortment
- ✓ Extension of selling windows
- ✓ Sophisticated markdown software
- ✓ Centralized markdown team





Retail selling space extension

Enhancing the existing and future store portfolio, largely through various optimisations of space and format design

What did we do?

- ✓ Extension of General merchandise selling space
- ✓ Implementation of a snake (queuing/selling space)
- ✓ Use of pillars/windows
- ✓ Re-design of entire store layout

What was the impact?

- ✓ Stock moved from stockroom to selling floor
- ✓ Better display of all products
- ✓ Additional selling space and sales (1,700 stores)
- ✓ +8% space & 5% Like-for-Like per store
- ✓ Better for customers and stores
- ✓ Goods move from delivery direct to selling space
- ✓ Easier handling of goods



Improved efficiencies of Distribution Centres

Eliminate delivering everything through transportation hubs

Direct store deliveries within 200 kilometers of a Distribution Centre

Doubled picking efficiency of Gyal

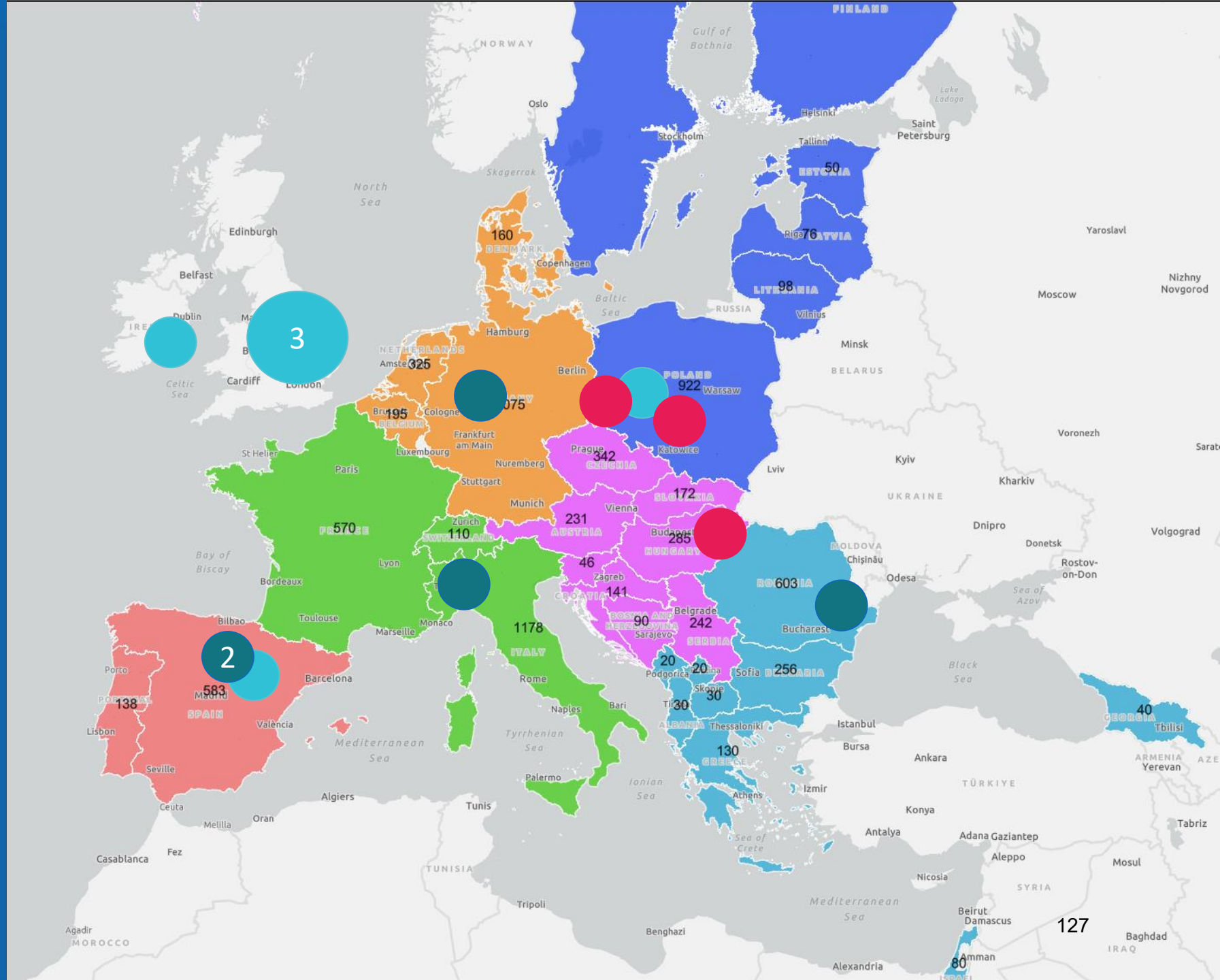
As a result of our E2E project, new DCs will be smaller and more efficient

Location of Distribution Centres

Pepco existing

Pepco future potential

Dealz/Poundland existing



Pepco supply chain is scalable and repeatable

Standard blueprint for all elements of the supply chain which is being retrofitted to existing supply chain and the future deployment model

- ✓ Warehouse network model “Tipping point” determining size, location and timing of new supply chains
- ✓ Standardised Tier 1 warehouse management technology
- ✓ Standardised warehouse operation model
- ✓ Standardised processes from purchase order creation to final store delivery
- ✓ Standardised oversight, control and management
- ✓ Provides template for Poundland’s own Supply Chain End-to-End journey



**Cookie
cutter
approach**

Q&A

Finance Update

Mat Ankers, Chief Financial Officer

Valencia, Friday 14th October 2022

Mat Ankers

Chief Financial Officer

Joined Pepco Group in 2015

Interim CFO at Pepco since March 2022,
CFO at Pepco operating business

7 years with Pepco Group in finance,
strategy and change leadership roles
across European operating businesses
and Group team

Prior finance roles with Telefonica and
French Connection PLC

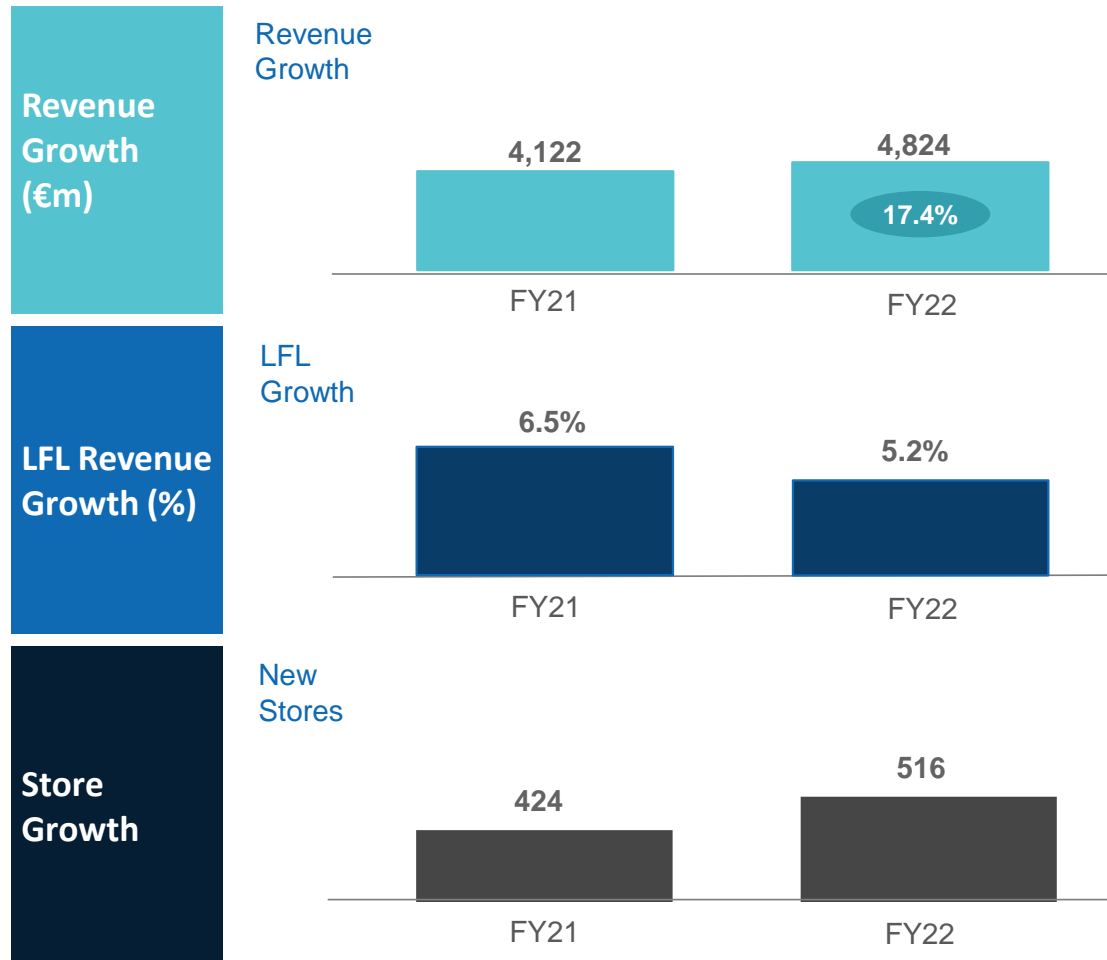




Key messages

- ✓ Delivery on strategic initiatives driving financial performance
- ✓ Operational action balancing inflation and volatility
- ✓ Increased investments to fuel more ambitious growth plans and capitalise on current opportunities
- ✓ Full year underlying EBITDA outturn in line with guidance within a range of €735-€750m on a constant basis
- ✓ Volatility and uncertainty in the macro environment remains in the short term
- ✓ Into FY23 will deliver historical EBITDA growth rate notwithstanding significant macro deterioration

Acceleration in store openings driving sales performance



YoY Constant Currency 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. New Stores numbers exclude the impact of 59 loss-making Fultons stores closed following the acquisition of Fultons by Poundland.

- ✓ Record new store openings of 516 with 163 PEPCO openings in strategically important Western European markets including Italy, Spain and Germany
- ✓ 727 store renewals across the year driving store sales
- ✓ LFL revenue growth of +5.2% impacted by Covid headwinds in H1 and weaker August performance
- ✓ Full year Underlying EBITDA (constant FX) within a range of €735m to €750m
- ✓ Strong September exit rate positions well for Q1, with continued price investment driving share

Credible results across all 4 strategic pillars

Bigger

- ✓ Store expansion acceleration: targeting 20,000+ stores in Europe, with >550 new store openings in FY23
- ✓ Greater confidence and certainty on WEU performance with >50% IRR in Italy

Better

- ✓ Pepco Plus in WE pilot with +30%pts LFL sales vs control group in Spain and strong first week sales in ROI
- ✓ Stores Renewal:
 - Project New Look with 18-37% higher LFL sales vs benchmark stores.
 - Continuation of successful Poundland renewals
- ✓ New Products:
 - 250 new products every week, 80 new collections every season
 - By 2025, 30% of Pepco product range will be better for the planet

Simpler

- ✓ Lean and efficient Supply Chain Network delivering substantial benefits
- ✓ Underlying 14-day reduction of company inventory, offset by supply chain disruption
- ✓ Continued investments into infrastructure to enable scale and efficiency

Cheaper

- ✓ End-to-end work delivering 1.5 FTE (vs 1 FTE last year)
- ✓ Goods sourced via PGS increased from 75% to 84% this year
- ✓ Markdowns optimized to 1.7%
- ✓ Store and head office cost optimisation programmes.
- ✓ Continued economies of scale as business expands driving operating synergies

External Guidance FY23

Price led sales growth delivering on profit growth ambitions

Net new stores

- ✓ Accelerated store roll out
- ✓ >550 new stores of which >500 will be under the PEPCO banner

Revenue Growth

- ✓ LFL growth tick up of existing estate, supported by store enhancement programme.
- ✓ Mid to high teens total revenue growth given accelerated store roll out & LFL uptick

EBITDA Margin

- ✓ On track to deliver historical EBITDA growth notwithstanding any significant macro deterioration
- ✓ EBITDA margin remains under pressure in the short term reflecting the price focused strategy

CAPEX

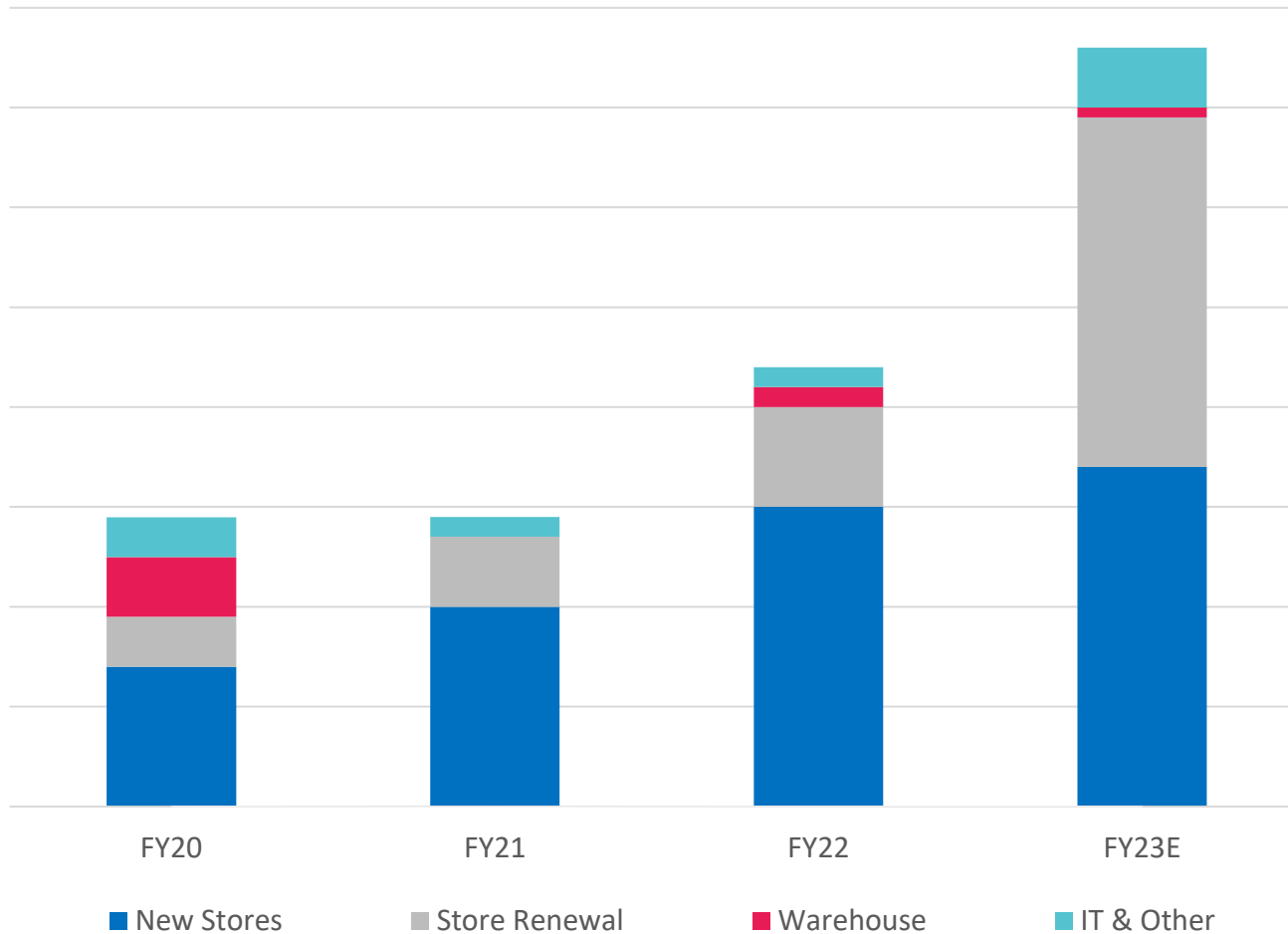
- ✓ Capex anticipated to be c.€350-€400m reflecting;
- ✓ A tick up in store roll out;
- ✓ Initiation of Pepco New Look and a tick up in the Poundland refit programme, and;
- ✓ An increased focus in Western Europe

Capital Allocation

- ✓ Maintain a prudent approach with net debt / EBITDA ratio of up to 2.5x (IFRS 16 basis)
- ✓ Management focus remains on growth opportunities at market leading returns
- ✓ The initiation of a dividend remains under review whilst investment led growth opportunities are fully explored

Increased capex to drive long term growth: store expansion and proposition renewal

CAPEX split by category

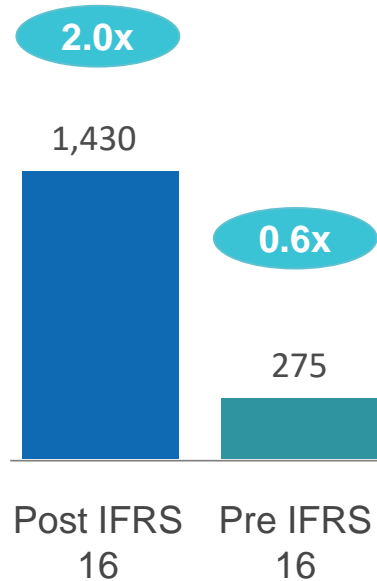


Note: Capex costs have been adjusted in accordance with IAS 38 reclassification of capex to opex.

- ✓ Capex of c. 4% of revenue historically, increases to >6% in F23.
✓ Average capex spend on a new store:
 - PEPCO WE ~ €315k to €350k
 - PEPCO & Dealz CEE ~ €155k to €180k✓ Growth in new stores driving increase
- ✓ **Store Renewal** Focused on investment in the existing estate to drive returns.
 - FY21/22 driven by GM Extension and Poundland renewals
 - Increases into FY23 driven by 'New Look', Poundland and Spain conversions
- ✓ **Reduced Warehouse** Capex due to change in approach (smaller/closer DC)
- ✓ Continued investment in key central systems to drive a simpler operating model.

Debt and Working Capital

Net debt



● Leverage¹

- ✓ The Group continues to generate strong Operating cash – enabling significant capital investment for future growth
- ✓ Significant investment in stock for Q1 FY23 to support growth and reduce supply chain risk
- ✓ Management focus remains on growth opportunities at market leading returns

Source: Company filings and documentation.

Note: ¹ Defined as Net Debt / Underlying EBITDA



Summary

- ✓ Delivering on short term financial results
- ✓ Navigating volatile environment well
- ✓ Now is the time for value retail
- ✓ Exciting, proven and incremental growth plans identified

Q&A

Appendix

Supporting Guidance

IFRS 16 to IAS 17 EBITDA

- The FY21 rent and rent like items attributable to a store is €70k. This average is expected to increase as the Group expands more into Western Europe

Effective Interest Rate

- The short term interest rate for the Group is expected to be c3%

Effective Tax Rate

- The effective tax rate for the Group is expected to be c.21%

IAS 38 IFRIC Impact

- The Group continues to invest in a new ERP system as a part of its simplification strategy
- In April 2021 IFRIC pronouncement on IAS 38 precludes the capitalisation of implementation costs on SaaS based systems
- Therefore any costs incurred between FY19 and FY22 have been recognised as a Non Underlying Expense in FY22