Full year results for the y/e 30 Sep 2022

Trevor Masters, CEO
Mat Ankers, Interim CFO

Tuesday 13th December 2022

PEPCO Group

Highlights

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Highlights

- ✓ Strong financial performance in line with guidance and pre-close range, despite challenging macro-economic conditions
- ✓ Building for long term, sustained growth through our four key strategic pillars: Bigger, Better, Simpler and Cheaper
- ✓ Increasingly focused on leveraging the scale and diversity of our business to unlock the potential of the Group as a whole
- ✓ Accelerating our strategy for growth with 516 net new stores opened in the year
- ✓ Maintain price leadership by managing headwinds well through operational agility and management capability
- ✓ On track to meet our guidance for underlying EBITDA growth in the mid-teens for FY23

Financial highlights on FY22

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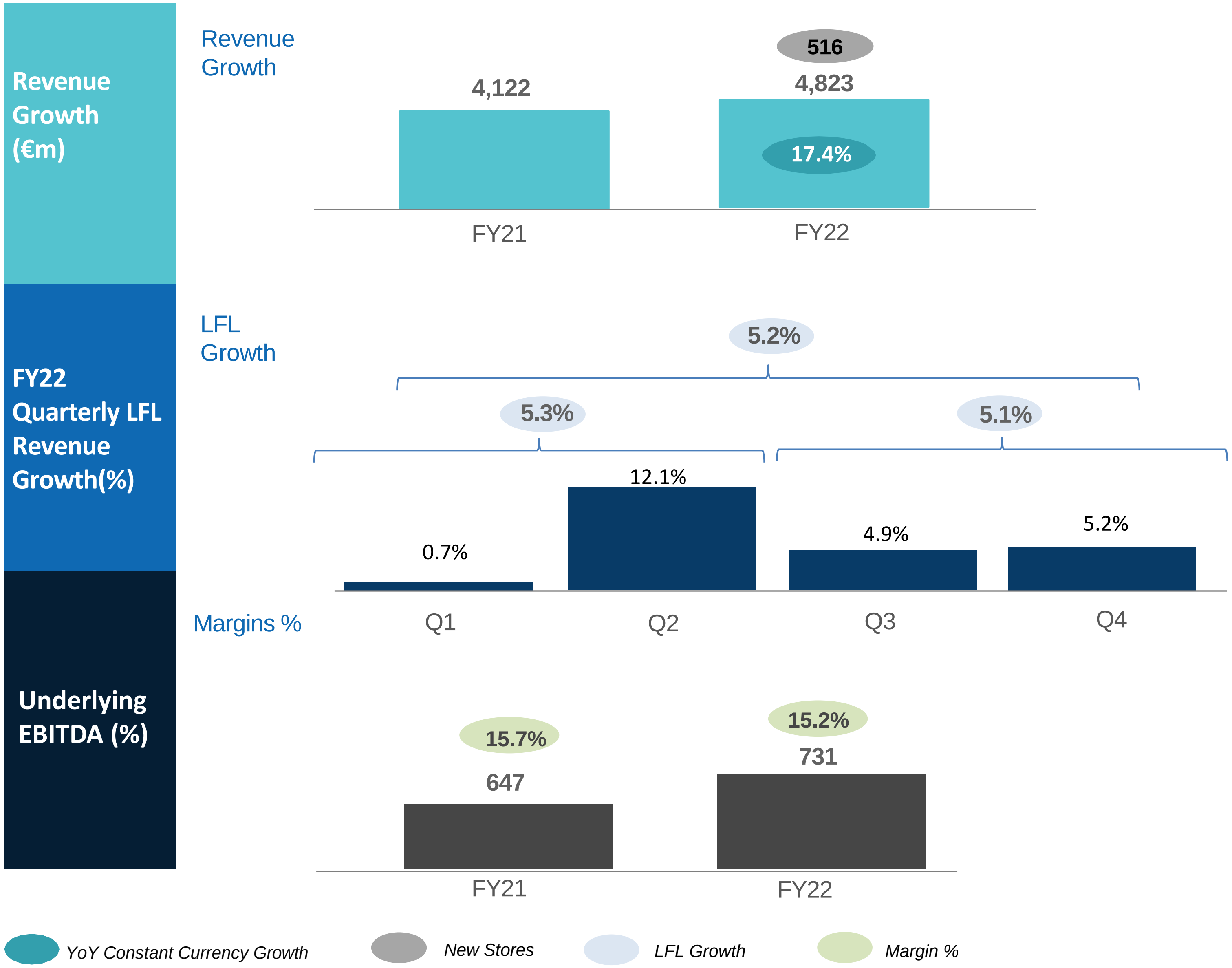

- ✓ Strong revenue growth, +17% on an actual basis
- ✓ Record new store openings of 516 including 163 Pepco openings in strategically important Western European markets
- ✓ 727 store renewals across the year in addition to the Dealz to Pepco store conversion in Spain and trialling the New Look stores in Wroclaw and Warsaw
- ✓ LFL sales growth returned closer to historical norms, although Q1 faced a continued Covid-19 related drag.
- ✓ Underlying EBITDA margin of 15.2%

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.

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Financial Review

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Key financial highlights

- ✓ Revenue growth of +17% underpinned by new store roll-out and improving customer proposition
- ✓ Gross margin of 40.8% (FY21: 42.9%) driven by commitment to price leadership, freight costs and inflationary pressures on input prices
- ✓ Underlying EBITDA margin broadly stable at 15.2% as 1.6pps improvement in Cost Of Doing Business (CODB) ratio substantially offsets gross margin pressure
- ✓ Operating cashflow reduced by €298m year on year due to planned inventory increase partially offset by the benefits of our supply chain financing programme
- ✓ Net debt of €1,404m, with net debt / underlying EBITDA remaining stable at 1.9x
- ✓ Re-iterating guidance of EBITDA growth in the mid-teens

Summary Profit & Loss

Pepco Group	FY22	FY21 (restated)	YoY
Revenue (€m)[1]	**4,823**	**4,122**	**17.0%**
Like-for-like revenue (%)	*5.2%*	*6.5%*	*(1.3pps)*
Gross profit (€m)	**1,968**	**1,769**	**11.2%**
Gross profit margin (%)	*40.8%*	*42.9%*	*(2.1pps)*
Underlying EBITDA (€m)	**731**	**647**	**13.0%**
Underlying EBITDA margin (%)	*15.2%*	*15.7%*	*(0.5pps)*
Depreciation and amortisation (€m)	(378)	(324)	(16.9%)
Interest and other (€m)	(52)	(77)	32.2%
Underlying PBT (€m)	**300**	**244**	**23.2%**
Non-underlying items (€m) [1]	(75)	(77)	2.8%
Reported PBT (€m)	**226**	**167**	**35.1%**
Tax (€m)	(52)	(36)	45.0%
Net Income (€m)	**174**	**131**	**32.4%**
Adjusted EPS (c)	42.0	35.2	19.3%

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

[1] Non-underlying adjustments constitute material, exceptional, unusual and other items. and include costs associated with SaaS (Software as a Service), restructuring, Value Creation Plan (VCP) Scheme and a fees associated with the IPO.

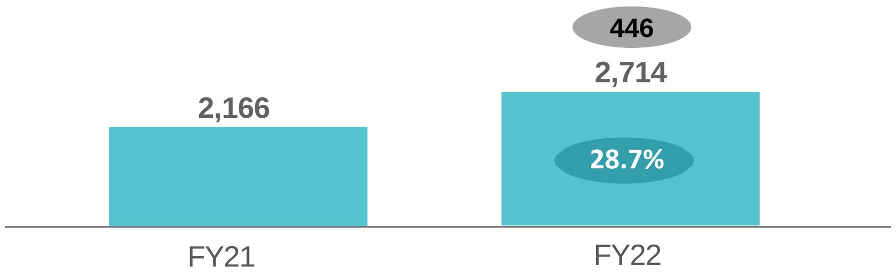
- ✓ Strong top-line revenue growth increasing by 17.0%, driven primarily by Pepco
- ✓ Our commitment to price leadership and inflationary pressures driving gross margin to 40.8%
- ✓ Improvement in CODB by 1.6 pps driven by ongoing labour efficiency programmes in both Poundland and Pepco and system and process enhancements at Pepco DCs
- ✓ Underlying PBT increased by 23.2% and adjusted EPS grew by 19.3%
- ✓ Non-underlying items of €75m primarily reflect SaaS costs and re-structuring costs

Focus on Pepco

pepco

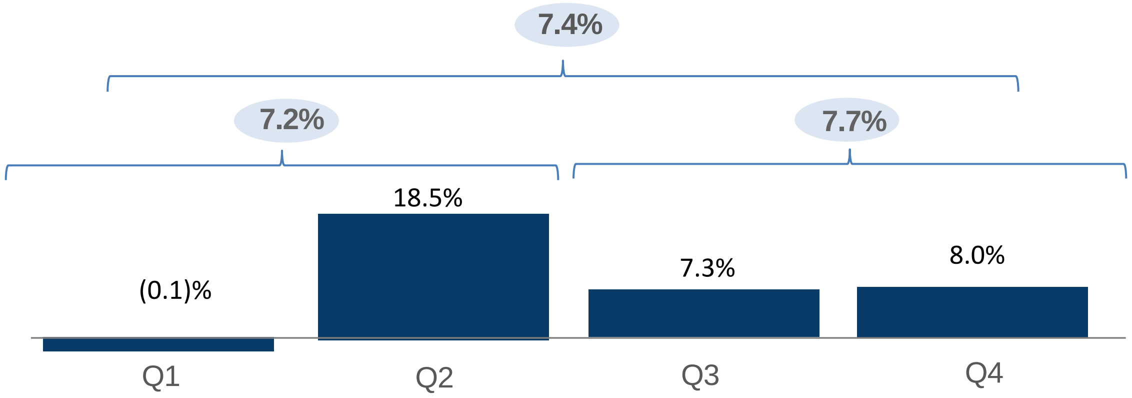
Revenue Growth (€m)

Revenue Growth



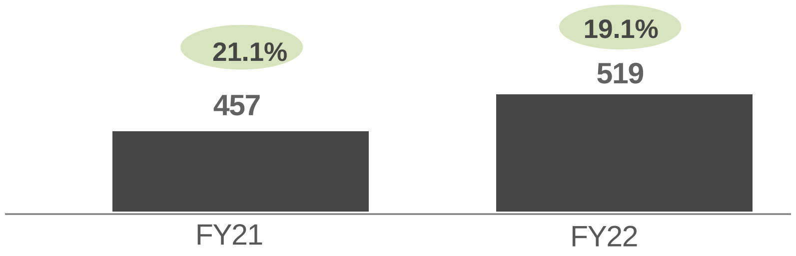
FY22 Quarterly LFL Revenue Growth(%)

LFL Growth



Underlying EBITDA (%)

Margins %



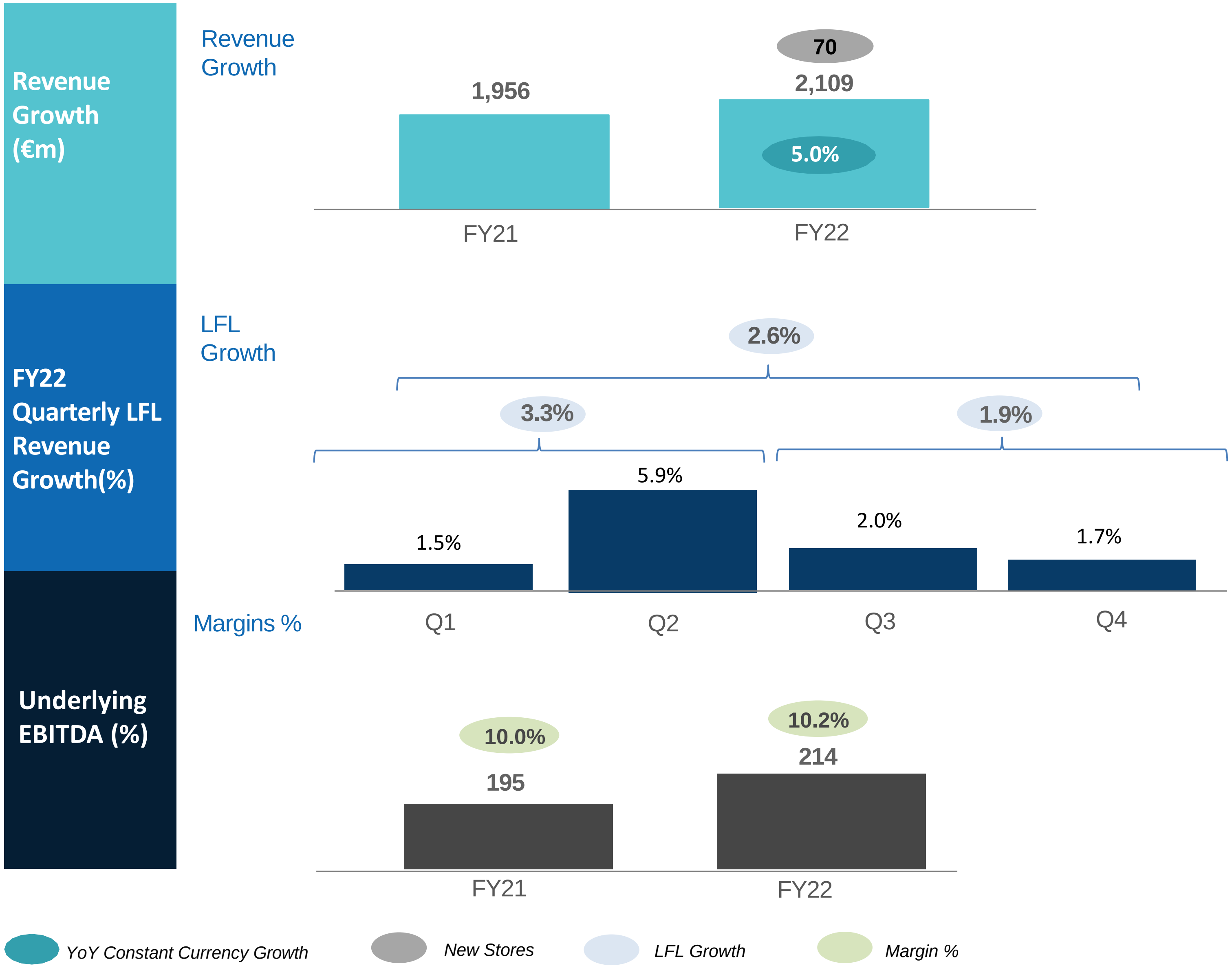
YoY Constant Currency Growth *New Stores* *LFL Growth* *Margin %*

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.

- ✓ LFL revenue growth of +7.4% demonstrating the strength of our proposition and in spite of a Covid-impacted Q1
- ✓ Revenue growth of +25.3% actual and +28.7% at constant currency, underpinned by the opening of 446 new stores
- ✓ Operating cost improvement of 2.5pps substantially offset the gross margin decline of 4.4pps
- ✓ Gross margin driven by commitment to price leadership and input price inflation, mitigated to some extent by strong and more focused markdown management

Focus on Poundland

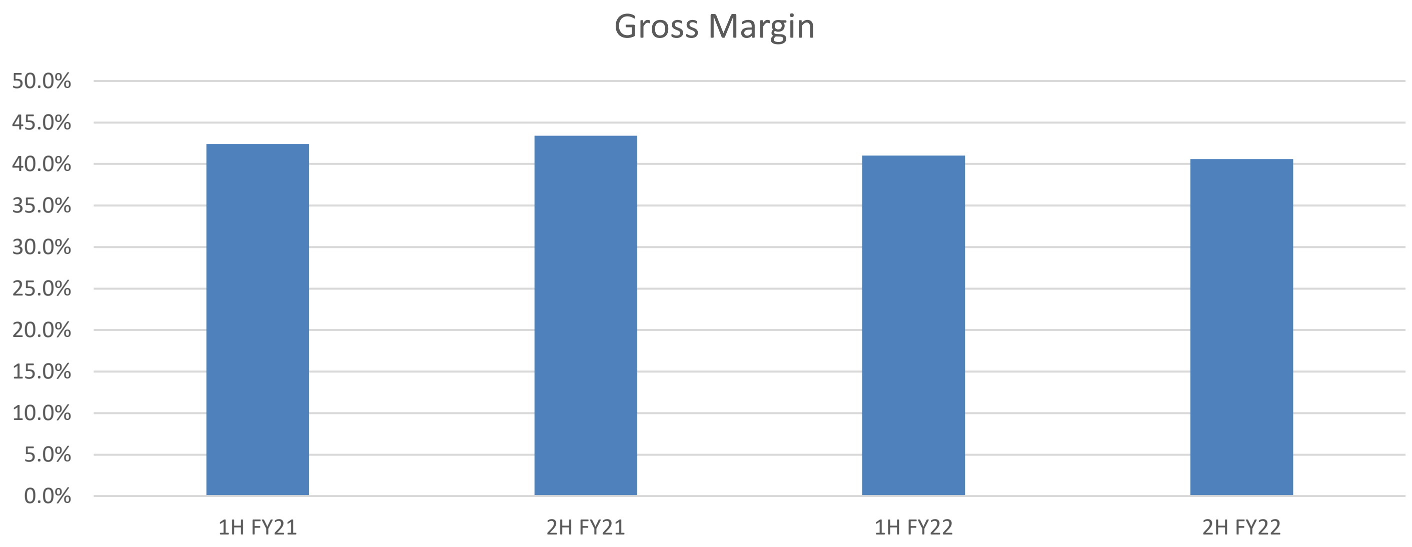
Poundland Dealz

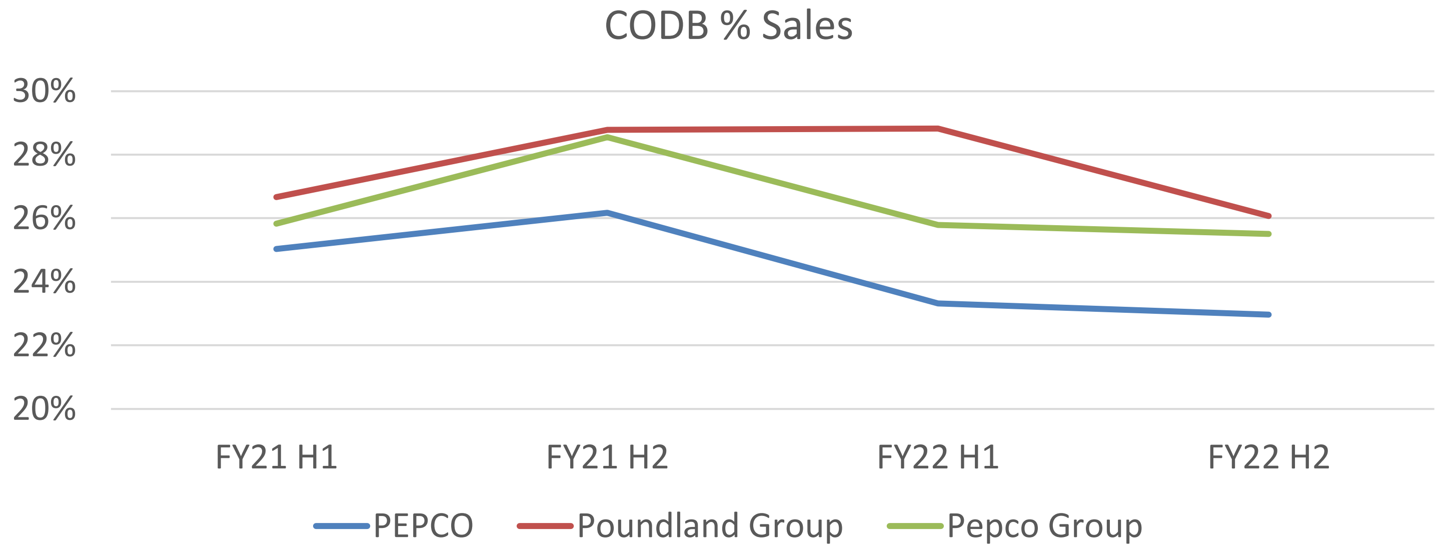


Source: Company filings and documentation. Note: LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store.
New Stores numbers exclude the impact of 59 loss-making Fultons stores closed following the acquisition of Fultons by Poundland.

- ✓ LFL revenue growth of +2.6% demonstrating the strengthening of the customer proposition including the Diamond re-fit programme (now at 342 stores)
- ✓ +5.0% revenue growth at constant currency, supported by the opening of 70 new stores, the majority of which were Dealz in Poland
- ✓ Gross margins remained broadly stable at 37.6% benefiting from a close focus on stock and lower write-offs vs the prior year
- ✓ Operating costs have remained broadly level resulting in stable EBITDA margins

Gross Margin and CODB trends





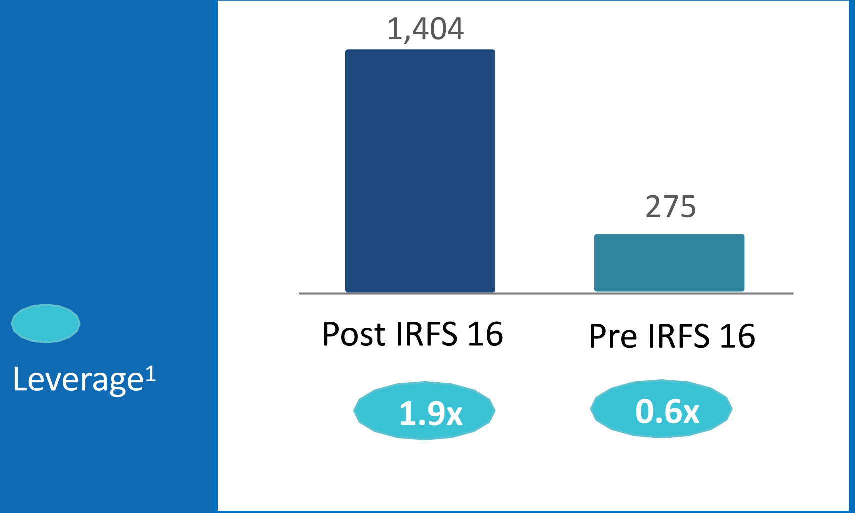
- ✓ Continued commitment to price leadership
- ✓ Gross margins impacted in FY22 by increased freight prices and input price inflation
- ✓ Cotton prices and container costs now falling from their peak prices
- ✓ Cost of Doing Business ("CODB") improved by 3pps YoY in H2 FY22 through management action

Cash Flow

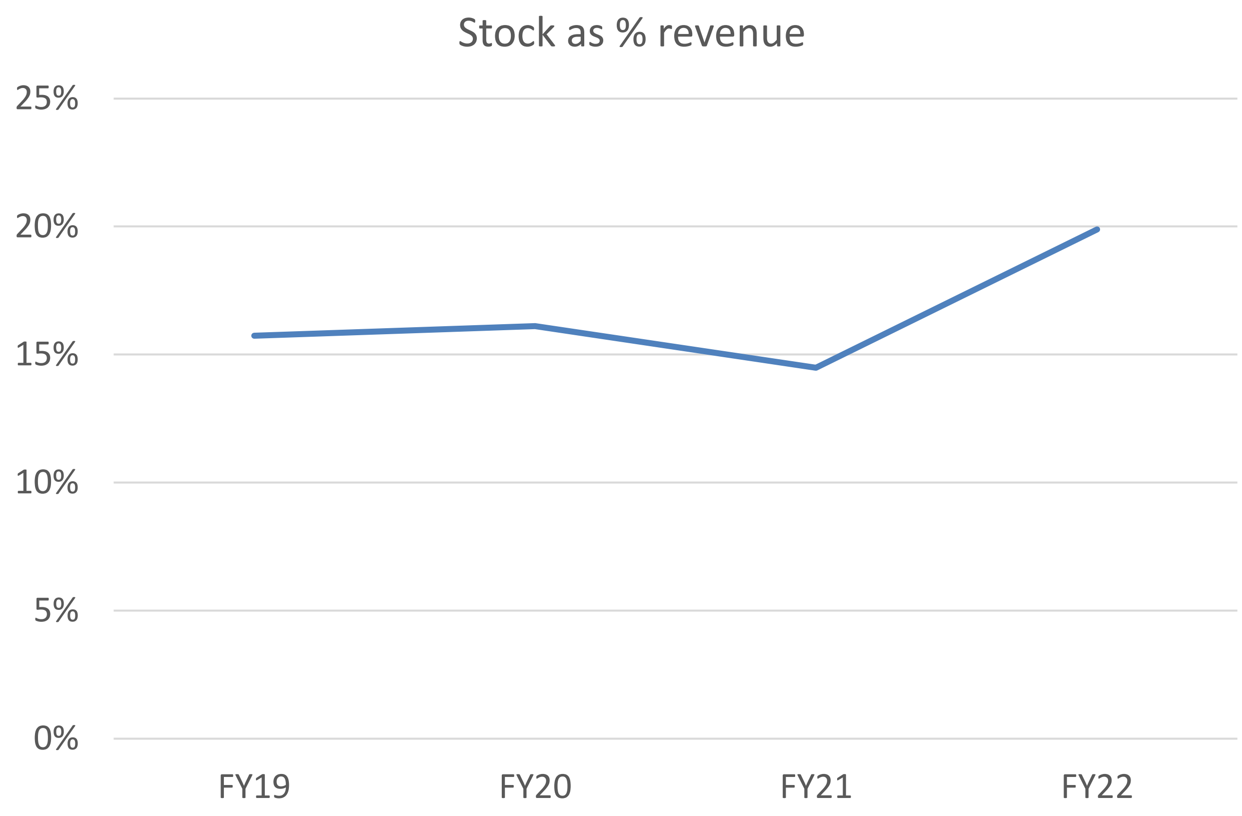
	FY22	FY21	YoY
Cash generated by operations (reported)	**425**	**723**	**(298)**
Capex	(225)	(152)	(73)
Tax paid	(61)	(50)	(11)
Lease payments	(292)	(256)	(36)
Funding and investment activities	(7)	(161)	154
Net cash flow	**(161)**	**104**	**(264)**
Effect of exchange rate fluctuations	(3)	4	(7)
Cash and cash equivalents at the beginning of the period	508	400	108
Cash and cash equivalents at the end of the period	**344**	**508**	**(164)**
Net debt	1,404	1,202	202
Net debt/underlying EBITDA multiple (leverage)	1.9x	1.9x	-
Net debt (pre-IFRS 16)	275	108	167
Net debt/underlying EBITDA (pre-IFRS 16) multiple (leverage)	0.6x	0.3x	0.3x
Impact of IFRS 16 on leverage	1.3x	1.6x	(0.3x)
Current ratio	1.1x	1.1x	-

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

- ✓ More cash absorbed at the operating level as a result of a planned increase in inventory
- ✓ Continued investment in stores
- ✓ Partially offset by the supply chain finance programme
- ✓ Net debt of €1,404m with net debt / underlying EBITDA remaining stable at 1.9x



Stock



- ✓ Planned increase in inventory as we return to a higher stock position following supply chain disruption in FY21
- ✓ FY21 stock fell to below 15% of sales as supply disruptions impacted intake (whilst benefitting cash)
- ✓ Q4 FY22 saw a build-up in stock to capitalise on the Q1 FY23 “peak” trading period
- ✓ Q1 FY23 will also include sell-through of some FY21 Christmas stock that was held in DCs having been delivered too late for Christmas 2021

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Strategic update

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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

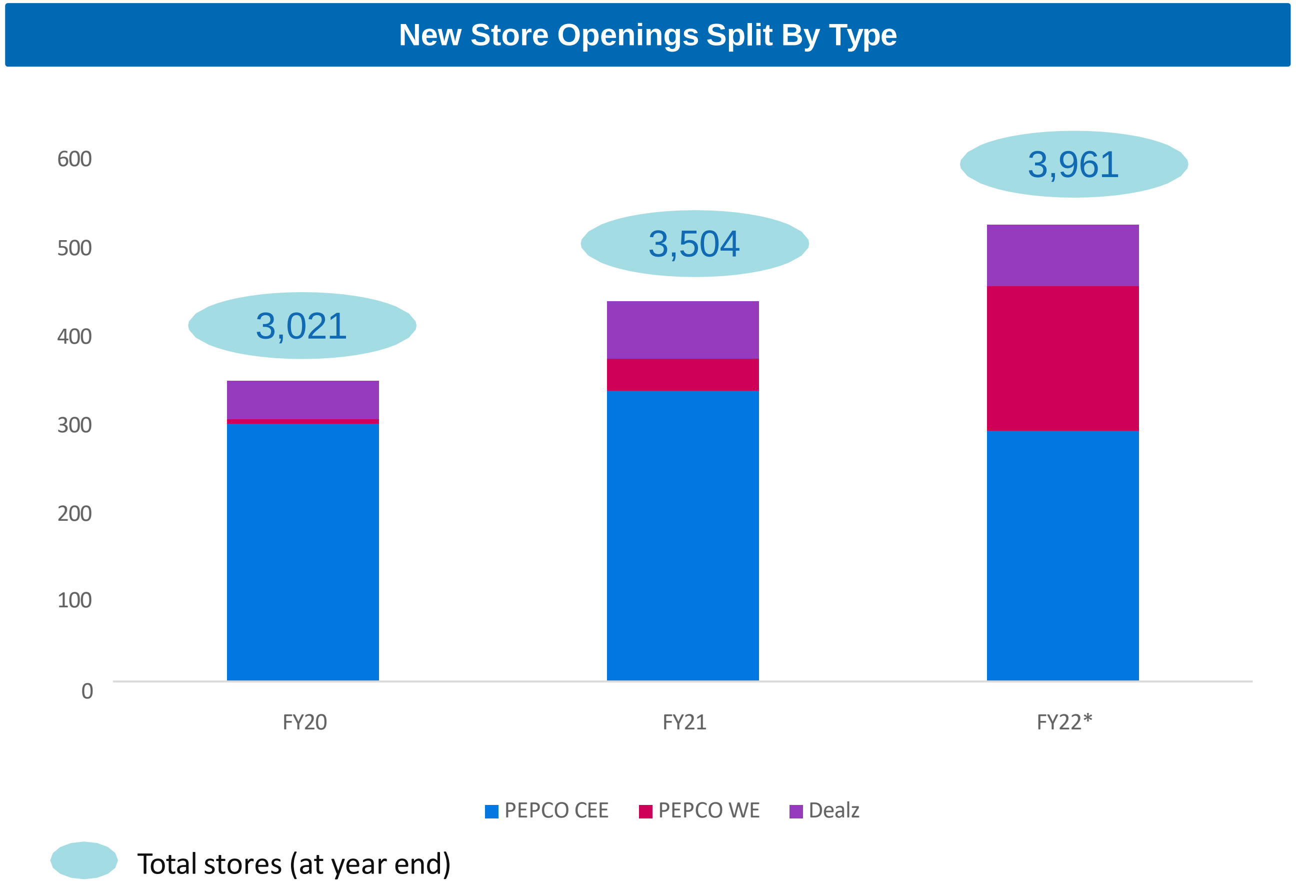
SIMPLER

4

Simplify customer offering and drive operational simplicity

BIGGER

Acceleration in store openings underpinned by credible store opening programme



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

- ✓ 516 net new stores opened in FY22 ahead of our upgraded target of 450 stores
- ✓ Comprises 446 new Pepco stores and 70 new stores within the Poundland Group, almost all in Dealz Poland
- ✓ New Pepco stores included 163 in the strategically important Western European markets
- ✓ Upgraded target for 550 new stores in FY23

BETTER

Development of the Customer Proposition

Continued testing of proposition options to renew estate and add further growth opportunities

New Look (Wroclaw & Warsaw)

Diamond Refurbishment Program

Pepco Plus (Spain & Ireland)

CHEAPER

- ✓ Increasingly focused on maximising synergies across the Group leveraging our scale

  One clothing and one GM
  - makes us a cheaper, simpler business
  - allows us to broaden our offer to customers

- ✓ Poundland sourcing its clothing offerings from Pepco in autumn 2023 and its GM offering from Pepco in spring 2024

- ✓ Leveraging PGS further and aiming to source 95% of our non-branded goods through PGS by FY27

- ✓ Re-negotiated 82 Poundland leases in FY22 saving on average 45% vs the previous lease agreement

Pep & Co Clothing

Pep & Co GM

Poundland GM

Pepco GM

Pepco Clothing

Pepco GM

Pepco Clothing

SIMPLER

Optimised Supply Chain

- ✓ Lean and efficient company inventory strategy which is driving cost efficiencies
  - ✓ Reduction in 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
- ✓ Scalable supply chain network:
  - ✓ Reduction in overall dwell time
  - ✓ Lead time reduced to 3-4 days
- ✓ Poundland Group now undertaking its own end-to-end supply chain programme leveraging best practice from Pepco

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Outlook and current trading

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Outlook and current trading

- ✓ Ongoing commitment to price leadership
- ✓ Strong start to the year
- ✓ Accelerating our store roll-out programme with our upgraded target of 550 new stores per year
- ✓ New Look renewal programme being rolled out across the CEE Estate being c. 2,000 stores over the next 2 – 2.5 years supporting LFL growth
- ✓ Increasingly focused on leveraging the scale and diversity of the Pepco Group: bringing the best of Pepco and Dealz together in Spain and testing Pepco Plus in Ireland
- ✓ Whilst macro-economic conditions remain challenging with inflation rates continuing to rise, albeit there are early signs of them peaking in some markets, and FX headwinds; we maintain our guidance of EBITDA growth in the mid-teens

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Q&A

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Appendix

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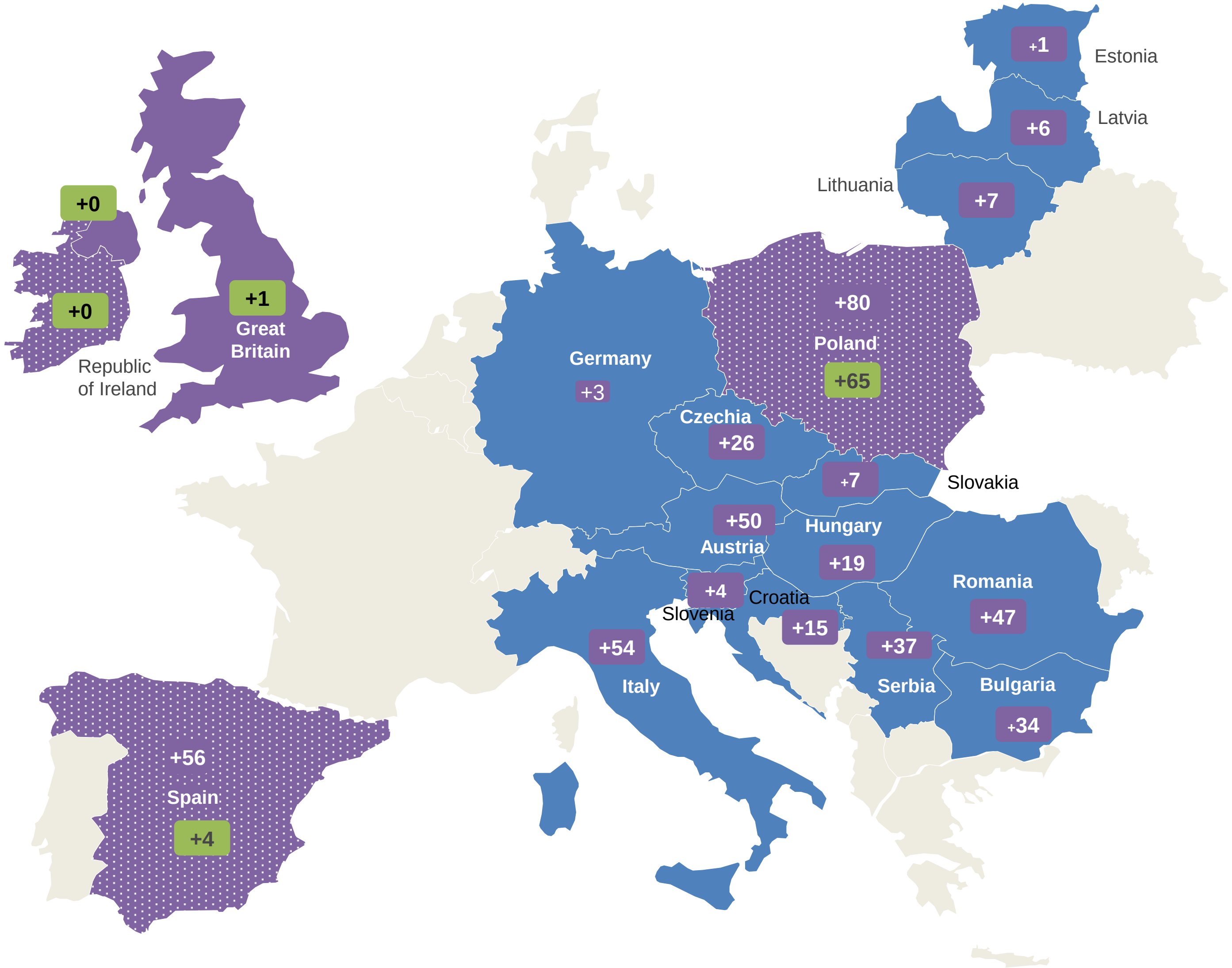
Store coverage

Pepco Group continues successful expansion across Europe



Net New Store Openings in FY22

Net Store Openings

+446 +70

pepco Stores

Poundland Dealz Stores

3,961 Total Stores

pepco	2,910
Poundland Dealz	1,051

Supporting Guidance

Effective Interest Rate	• The Group's interest charges are linked to EURIBOR which until recently was below zero but is now rising
Effective Tax Rate	• The effective tax rate for the Group is expected to be c.21% FY23.
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.

Non Underlying Expenses in FY22	€m
Software-as-a-Service (SaaS) costs that, following the IFRS Interpretations Committee (IFRIC) pronouncement in April 2021, will be recognised as operating expenditure	33
Restructure costs relating to mainly to the retirement of the Dealz brand in Spain and conversion to Pepco Plus stores, and closure of Fultons branded stores	27
Charges relating to a one-off Value Creation Plan (VCP) scheme, not part of the ongoing Remuneration Policy	14
Residual fees associated with the IPO, which concluded in May 2021, including legal, accounting and advisory fees	1
Total PBT impact	**75**

Note: Non-underlying impact on EBITDA is €65m.

Supporting Guidance (2)

FX hedging strategy

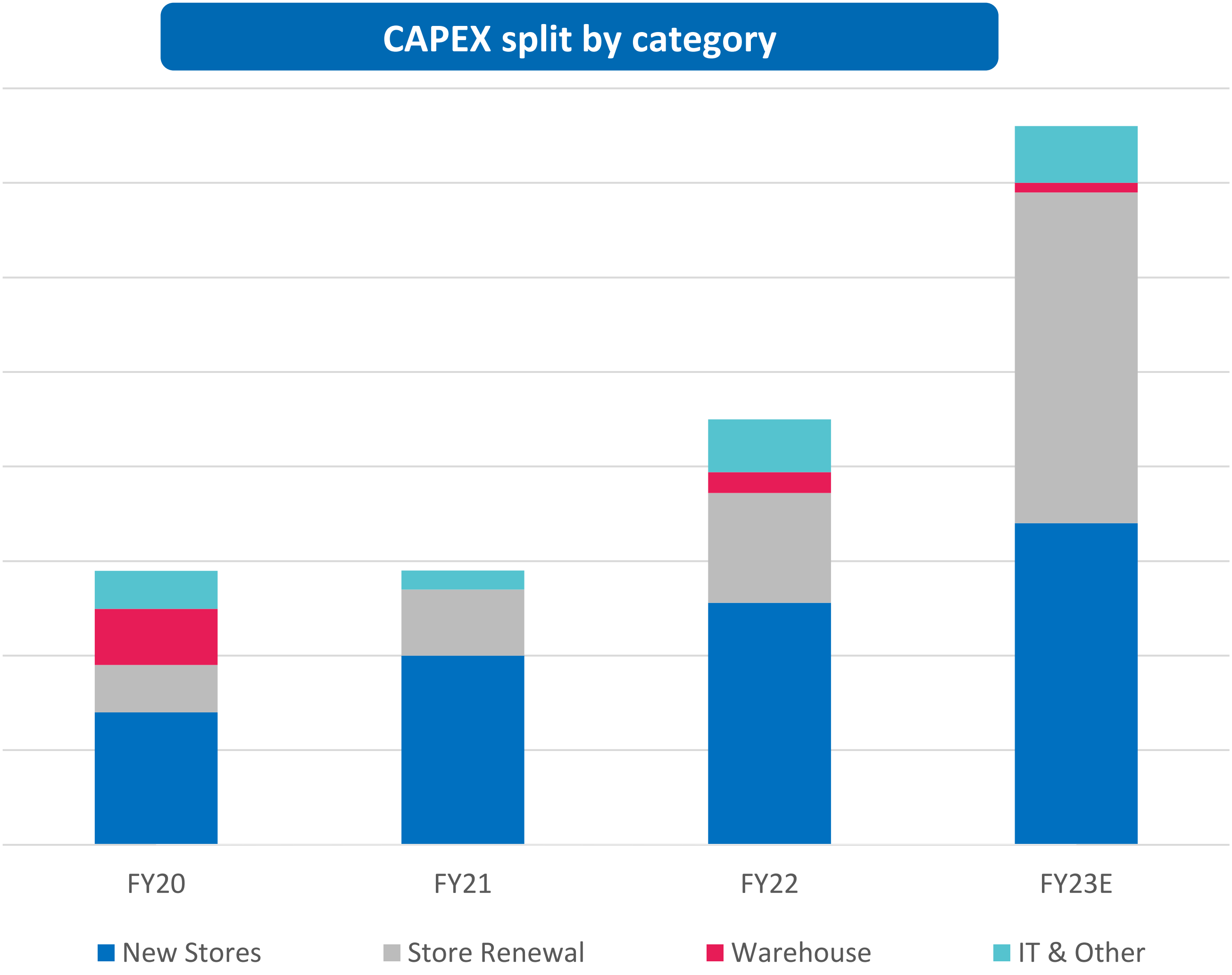
- Significant transaction exposure to directly sourced purchases from its suppliers in the Far East, with most of the trade being in US$ and Chinese Yuan.
- The Group hedges these exposures for up to 18 months forward in order to fix the cost in Polish Zloty and Sterling.
- The Group does not hedge its translation exposure

IFRS 16 to IAS 17 EBITDA

- Average rent per store has increased from €70k to €74k as the Group expands into Western Europe
- Increase in number of stores means overall rent expense has increased by 18% YoY

€m	FY22	FY21	YoY%
IFRS16 Underlying EBITDA	731	647	13%
IAS17 Underlying EBITDA	439	400	10%
Rent Expense	(292)	(247)	(18%)
Stores @ y/e	3,961	3,504	13%
Average rent per store (€k/store)	(74)	(70)	(6%)

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



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

1. **Average capex spend on a new store**:
   - Pepco WE & Poundland ~ €340k to €380k
   - Pepco & Dealz CEE ~ €155k to €180k

✓ Growth in new stores driving increase

2. **Store Renewal** Focused on investment in the existing estate to drive returns – FY21/22 driven by GM Extension and Poundland. Increases into FY23 driven by 'New Look', Poundland "Diamond" and Pepco Plus

3. **Reduced Warehouse** Capex due to change in approach (smaller/closer DC)

4. Continued investment in **key central systems** to drive a simpler operating model.