16 January 2025

Pepco Group N.V.
First Quarter FY25 Trading Update

Pepco Group, the growth-focused variety discount retailer, which owns the Pepco and Dealz brands in Europe and Poundland in the UK, today reports a trading update for its first financial quarter of FY25 ending 31 December 2024.[1]

SUMMARY

- Q1 Group revenues of €1.9 billion with constant currency revenue growth of 3% versus last year
- Group like-for-like (LFL) revenues declined 1.1% in Q1, with positive Pepco and Dealz LFL offset by continued challenging trading at Poundland
  - Pepco LFL revenue up 1.4%, with volume-led growth, driven by improved availability and a strengthened pricing position
  - Poundland LFL decline of 7.3%, largely driven by continued weak clothing and general merchandise ("GM") performance, alongside previously flagged challenging market conditions
  - Dealz LFL up 6.6%, with strong demand across both FMCG and GM categories
- Group gross margin improved by over 140 basis points year-on-year in Q1 FY25, with continued strong progress in Pepco, offsetting significantly lower margins in Poundland
- Pepco Group celebrated its 5,000th store milestone with net new openings of 63 stores across the Group in Q1 FY25, largely representing openings of Pepco in our core CEE region

Q1 FY25 Summary

	Pepco	Poundland	Dealz	Total Group
Revenue €m[2]	1,265	563	106	1,934
Revenue Growth YoY Constant Currency[3]	8.4%	(9.3%)	16.2%	3.1%
Like-for-like Revenue Growth[4]	1.4%	(7.3%)	6.6%	(1.1%)
Store numbers				
Total stores at start of period	3,781	836	331	4,948
New openings	80	2	13	95
Closures	(16)	(13)	(3)	(32)
Total stores at end of period	3,845	825	341	5,011
Net new stores in period	64	(11)	10	63
Total trading store space growth (m^2)	8.3%	(4.6%)	11.3%	5.2%

Commenting on the results, Stephan Borchert, Chief Executive Officer of Pepco Group, said:

"The Group delivered a mixed performance in its first quarter, with a strong performance from both the Pepco and Dealz brands, partially offset by Poundland's ongoing challenges. It was pleasing to see Pepco – the key engine for the Group's future strategic and financial growth – deliver its first quarter of like-for-like sales growth in more than a year. This reflects how we have enhanced our core offer, sharpened pricing, and increased availability, alongside continued improvements in gross margin. Dealz also grew LFL sales by an encouraging 6.6%, as the investments we have made drove demand for its food and general merchandise ranges.

"However, Poundland saw LFLs fall, largely driven by continued underperformance in clothing and general merchandise following the transition to Pepco-sourced product, and a decline in gross margin. Getting Poundland back on track is a key priority – we are undertaking a comprehensive assessment of the business and taking immediate measures on improving our cash performance and strengthening the customer proposition.

"The opening of our 5,000th store is a landmark moment for Pepco Group, highlighting the potential we have to further leverage our estate by enhancing our product offer with a compelling price proposition to delight customers and drive a stronger performance. In addition, we will further focus on driving higher capital returns through targeted store expansion to deliver future success across our core European markets."

HIGHLIGHTS

Group LFL revenues declined 1.1% during the first quarter, with a positive performance from both Pepco and Dealz offset by continued challenges in our Poundland business.

- Pepco had a good quarter with LFL rising by 1.4%, benefiting from an improvement in availability and driven by a renewed pricing focus on our best-selling items, helping to drive volume growth in the period. Gross margins also saw a significant improvement y-o-y in the quarter. The impact from the widespread Blue Yonder technical issues that impacted Pepco during the second half of our Q1 FY25 trading period was largely mitigated, with all DCs now back in operation.
- Poundland experienced challenging trading conditions in Q1 FY25, with LFL sales down 7.3%, largely due to continued underperformance in clothing and GM, with double-digit LFL declines across both categories. LFL in Poundland's core FMCG category was also negative, albeit against a highly competitive environment in the UK. This topline underperformance came alongside a contraction in gross margin, impacting Poundland's profitability in the period versus the Company's expectations, as well as against the prior year.
- Dealz reported a strong quarter, with LFL sales up by 6.6%, with positive demand in food and GM.

The Group crossed the landmark of operating over 5,000 stores during the first quarter, having opened 63 net new stores. The Group expects to open around 300 net new stores across FY25.

- Pepco: 64 net new store openings during the first quarter, with the majority opened across the CEE region, including 22 net new store openings in Poland.
- Poundland: Net closures of 11 stores, primarily reflecting lease expirations on larger stores.
- Dealz Poland: 10 new stores opened in the period, with Dealz now operating 341 stores in total across Poland.

OUTLOOK

We continue to see a divergence of performance across our brands. We are pleased with the momentum we are seeing in our Pepco and Dealz businesses, with a return to LFL sales growth in the first quarter. We remain confident that Pepco will deliver profitable growth during the year, driven by further operational improvements and enhancement of the core customer proposition, supported by a continuing strong gross margin position.

This compares with challenging trading conditions for Poundland, as previously described, amid a more difficult sales environment and consumer backdrop in the UK, alongside margin pressure and an increasingly higher operating cost environment. We expect that the toughest comparative quarter for Poundland is now behind us – the same quarter last year represented a period prior to the changes made within our clothing and GM ranges – and therefore, we expect the negative sales performance for Poundland to moderate as we move through the year. Poundland will also not open any net new stores during the year.

We are continuing a comprehensive assessment of Poundland to recover trading and get the business back to its core strengths, including undertaking a thorough assessment of all costs across the business, as well as evaluating its overall competitive positioning.

We will update on the Group's strategic plans at a Capital Markets Day that will be held on 6 March 2025.

FORTHCOMING DATES

- Capital Markets Day: 6 March 2025
- Annual General Meeting (AGM): 12 March 2025

ENQUIRIES

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EXPLANATORY NOTES

1. The Group financials are prepared on an unaudited basis for the three-month period ending 31 December 2024. Within this the Pepco segment operates on a calendar month basis with the three-month period ending on 31 December 2024, and the Poundland Group segment primarily operates on a trading week basis with the 13-week period ending on 29 December 2024.

2. Revenues are unaudited with foreign currency revenues translated at the average rate for the month in which they are made.

3. Revenue growth is reported on a constant currency basis using the prior year actual rate applied to both current and prior years.

4. LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary and is reported on a constant currency basis.

TRUE AND FAIR STATEMENT

The management of Pepco Group N.V. are responsible for preparing this update and state that, to the best of their knowledge, the information contained herein regarding Pepco Group N.V. is correct as of the date of publication of this document and that it fairly reflects the Group’s financial situation and business activities.