PEPCO
Group

H1 FY23
Interim Results

6 June 2023

PEPCO Group

Highlights

Trevor Masters - CEO

Highlights

- ✓ Strong financial performance despite challenging macro-economic conditions
- ✓ H1 revenue of €2.8 billion or +22.8% and H1 EBITDA of €377 million or +11.0% on a constant currency basis
- ✓ Gross margin at H1 represents expected low point in margin performance, with recovery from H2 anticipated
- ✓ Store network expansion continues into 20th country - on track to open at least 550 net new stores this financial year
- ✓ Accelerating focus on leveraging the scale benefits from our formats to unlock the full potential of the Group
- ✓ Confident on meeting FY23 EBITDA guidance of mid-teens growth despite a softening sales environment

PEPCO Group

Financial Review

Neil Galloway - CFO

Profit & loss summary

Pepco Group (EUR m)	**H1 FY23**	H1 FY22	**Change % (constant currency)**	Change % (actual currency)
Revenue	**2,839**	2,372	**22.8%**	19.7%
Like-for-like revenue (%)	**11.1%**	5.3%	N/A	N/A
Gross profit	**1,137**	973	**20.1%**	16.9%
Gross profit margin (%)	**40.1%**	41.0%	**(0.9pp)**	(0.9pp)
Underlying EBITDA	**377**	347	**11.0%**	8.6%
Underlying EBITDA margin (%)	**13.3%**	14.6%	**(1.3pp)**	(1.3pp)
Depreciation and amortisation	**(215)**	(184)	**19.8%**	16.8%
Net financial expense	**(28)**	(19)	**53.3%**	47.4%
Underlying PBT	**134**	144	**(5.7%)**	(6.9%)
Non-underlying items	**(23)**	(21)	**13.0%**	9.5%
Reported PBT	**111**	123	**(9.0%)**	(9.8%)
Tax	**(30)**	(28)	**8.0%**	7.1%
Profit after tax	**81**	95	**(14.0%)**	(14.7%)
Adjusted EPS (cents)	**18.0**	20.0	**(9.1%)**	(10.0%)

- ✓ Revenue growth driven primarily by Pepco
- ✓ H1 gross margin represents an expected low point, with recovery visible in H2
- ✓ Increase in operating costs reflects impact of inflation, store expansion and related supporting costs
- ✓ Non-underlying items reflect ERP Software-as-a-Service (SaaS) costs and restructuring costs relating to Dealz conversion to Pepco in Spain

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

Strong sales growth continues

LFL revenue growth

LFL growth	Q1 FY23	Q2 FY23	H1 FY23	H1 FY22
Pepco	19.7%	10.7%	15.8%	7.2%
Poundland & Dealz	4.4%	5.7%	4.9%	3.3%
Group	**13.0%**	**8.5%**	**11.1%**	**5.3%**

Revenue growth at constant currency

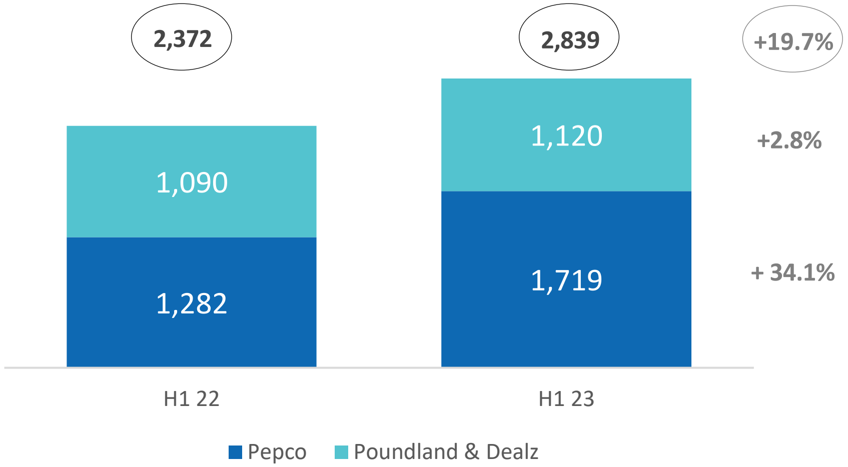
Revenue growth	Q1 FY23	Q2 FY23	H1 FY23	H1 FY22
Pepco	41.7%	30.7%	36.9%	28.9%
Poundland & Dealz	6.1%	6.7%	6.3%	6.1%
Group	**25.1%**	**19.7%**	**22.8%**	**17.5%**

- ✓ LFL revenue growth of 15.8% for Pepco and 4.9% for Poundland in H1 FY23 - demonstrates strength of proposition
- ✓ Total revenue grew by 22.8% year-on-year at constant currency underpinned by LFL growth and the opening of 166 net new stores in period

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.

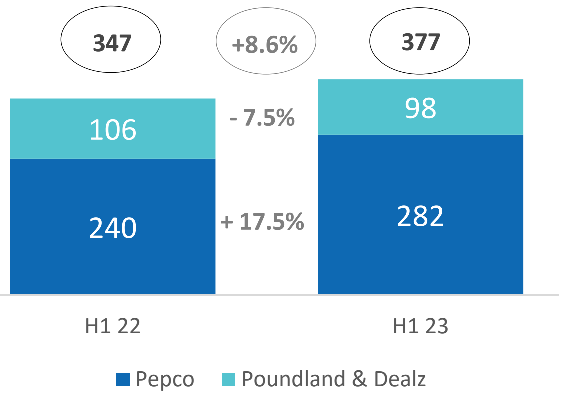
Segmental performance: Pepco driving growth

Revenue (EUR m)

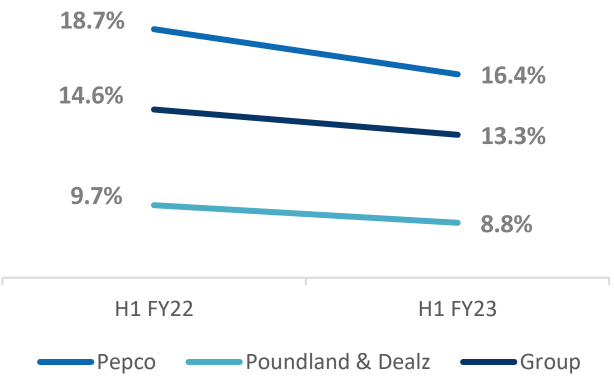


Underlying EBITDA

Underlying EBITDA (EUR m)



Underlying EBITDA margin (%)



Total Group:

Revenue

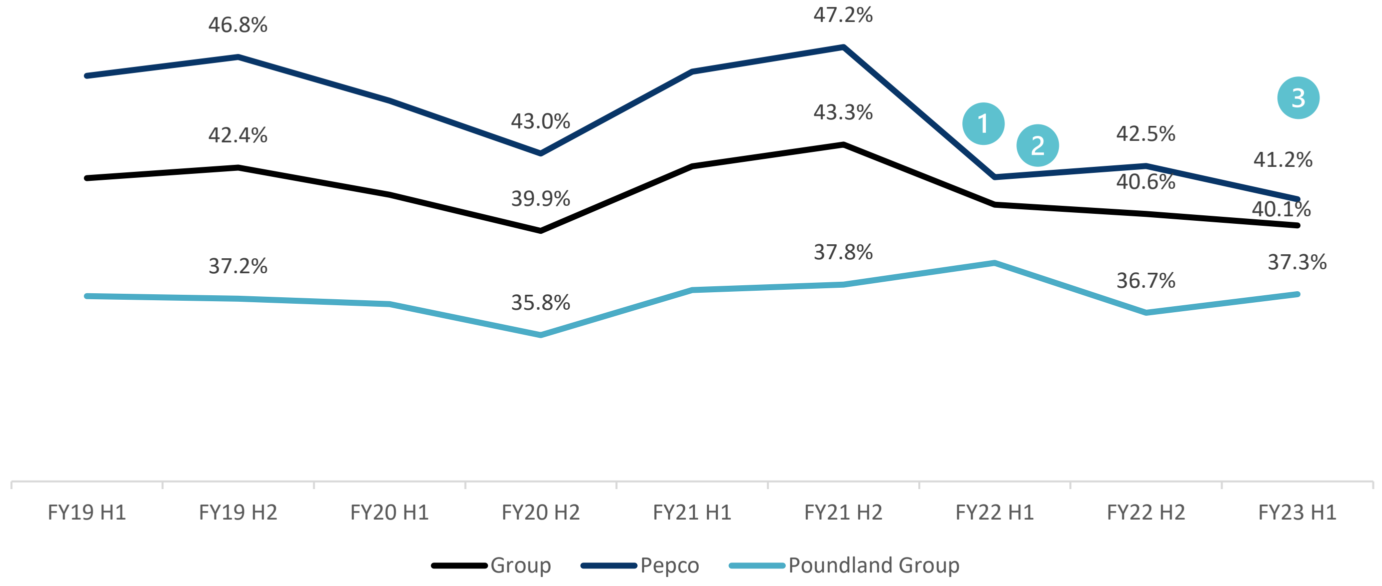
- ✓ Strong top-line revenue driven primarily by Pepco growth of +34.1%
- ✓ Poundland & Dealz grew revenue by 2.8% in period

Underlying EBITDA

- ✓ Group underlying EBITDA of €377m up by 8.6%
- ✓ Inflationary headwinds peaked in H1, with recovery expected in H2

H1 an expected trough in gross margin performance

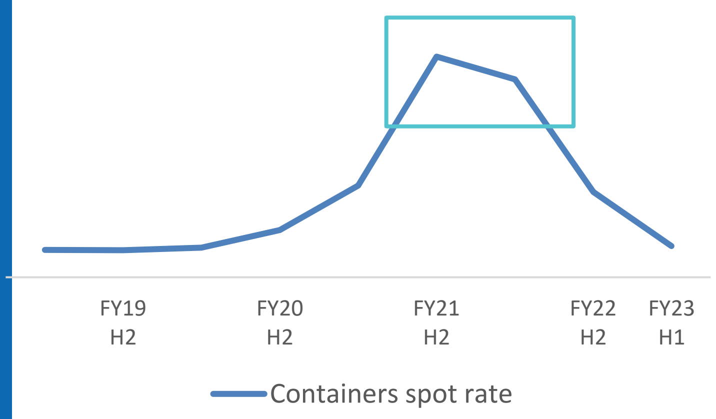
Gross margin evolution %



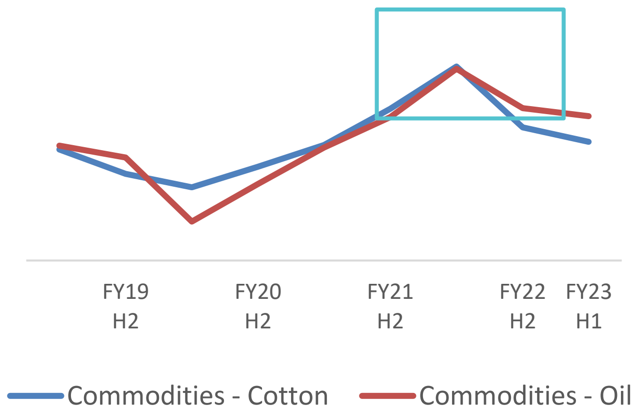
- Gross margin expected to recover from H2 FY23
- Buying cycle reflected in financial performance 9-12 months later
- GM will continue to improve towards pre-pandemic levels from FY24

Revenue contribution

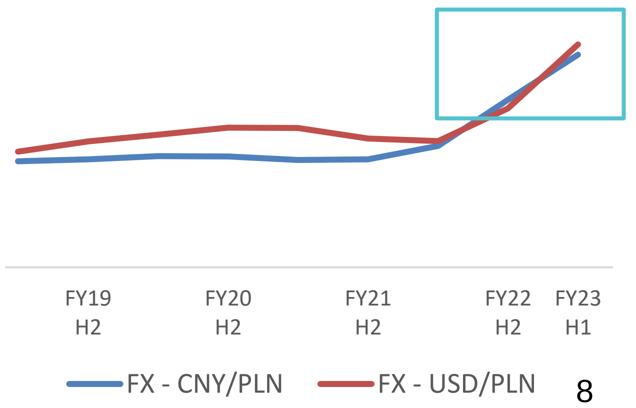
1 Container Costs – spot rate



2 Commodity – spot rate

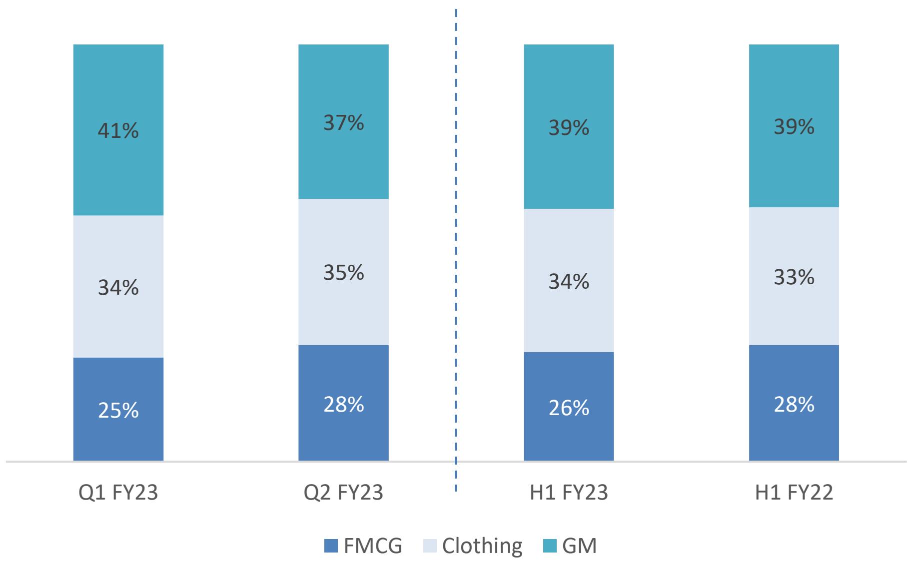


3 Foreign Exchange

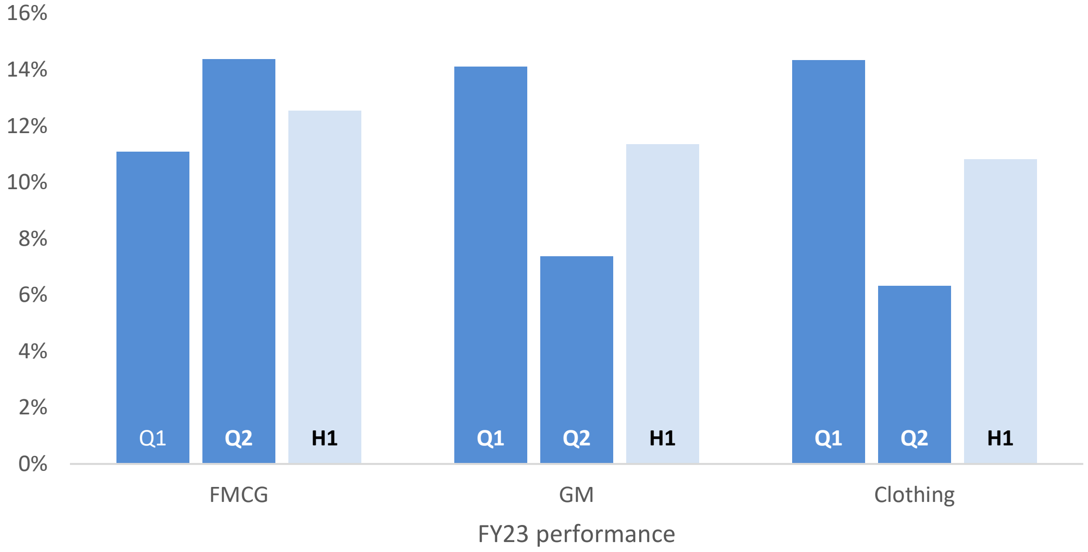


Category mix: Clothing and FMCG increasing share

Category sales mix

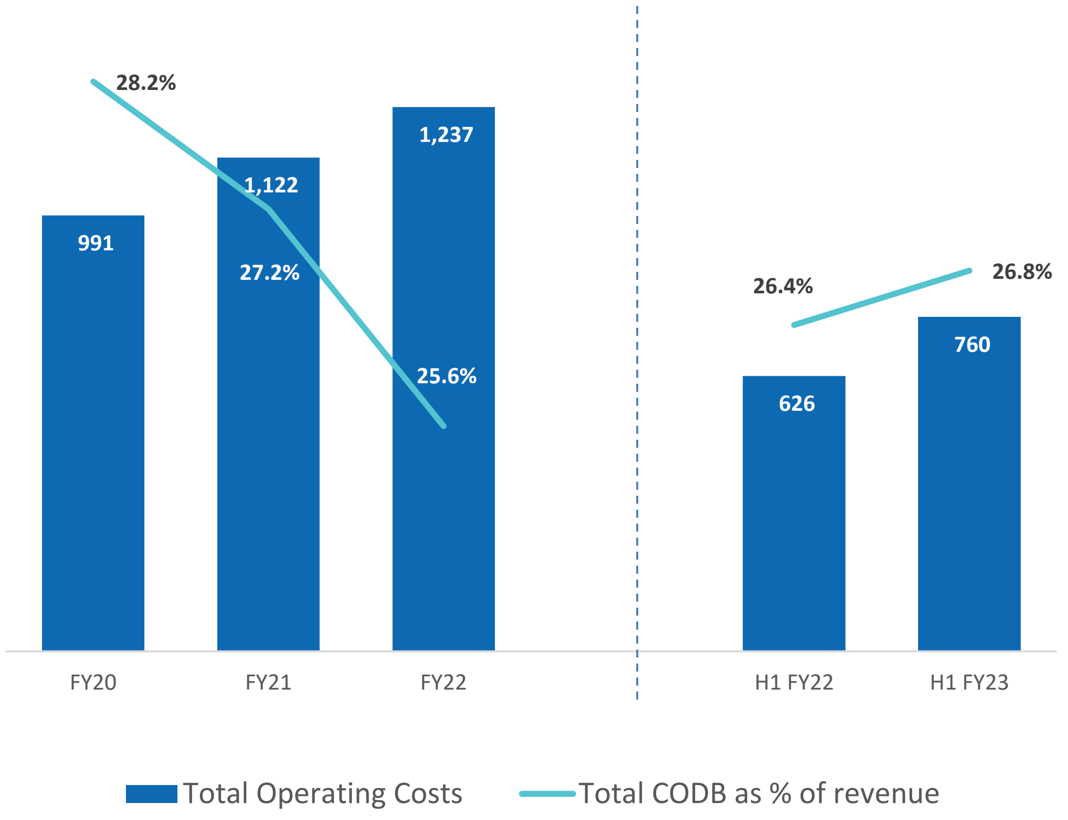


Category LFL sales performance YoY



- ✓ Clothing has increased its share of overall mix, driven by the Pepco store roll out
- ✓ FMCG has delivered strongest category LFL revenue performance in Q2, which has continued into Q3 to date

Cost of doing business improved since FY20



Cost of doing business (CODB) as a percentage of revenue has improved since FY20 reflecting tight cost control and higher revenues

CODB increased in H1 FY23 YoY due to fuel and labour inflation and higher supply chain costs to support our store rollout

<u>Note:</u> Cost of doing business (CODB) includes store costs (e.g., labour, occupancy), distribution, warehouse and Central costs. CODB excludes depreciation and amortisation.

Cash flow summary

€m	H1 FY23	H1 FY22	Change
EBITDA (IAS 17, including non-underlying items)	188	183	5
Working capital movements	(94)	(244)	150
Tax paid	(19)	(37)	18
Net cash from operating activities	**75**	**(98)**	**173**
Investing activities	(148)	(112)	(36)
Financing activities	(16)	(10)	(6)
Net cash flow movement	**(89)**	**(220)**	**131**
Cash and cash equivalents at the beginning of the period	344	508	(164)
FX impact on cash held	6	6	-
Cash and cash equivalents at the end of the period	261	294	(33)
Net debt (pre-IFRS 16)	**383**	**325**	**58**
Net debt/underlying EBITDA (pre-IFRS 16) multiple (leverage)	0.9x	0.8x	0.1x

- ✓ Net cash from operations of €75m in H1
- ✓ Investing activity reflects higher capex as we continue to deliver the store expansion and new look refit programme
- ✓ Net debt (IAS 17) increased by €58m versus the prior year, largely reflecting additional leases from the store expansion programme

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

Balance sheet summary

Balance Sheet EUR m	31/03/2023	31/03/2022	30/09/2022
Assets			
Property, plant and equipment	606	499	525
Right of Use Asset	1,061	981	1,018
Goodwill and other intangible assets	830	850	814
Trade and other receivables	98	34	78
Derivative financial instruments	31	82	170
Deferred tax asset	118	71	91
Inventories	955	736	959
Cash and cash equivalents	261	294	344
Total assets	**3,959**	**3,547**	**3,999**
Liabilities			
Trade and other payables	926	676	1,014
Lease liabilities	1,155	1,122	1,134
Borrowings	636	614	615
Derivative financial instruments	138	3	45
Provisions	54	53	48
Total liabilities	**2,907**	**2,467**	**2,855**
Net assets	**1,051**	**1,080**	**1,145**

- ✓ Increases in PPE, ROU assets and inventory largely driven by additional store openings across the business
- ✓ Increase in working capital is due to increased business activity and working capital improvements such as improved supplier payment terms
- ✓ Derivative financial instruments' movement is due to increased size of stock purchases and fluctuations in FX rates in comparison to hedged positions. Specifically, PLN has appreciated in comparison to USD and CNY

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

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Group

Strategic Update

Trevor Masters - CEO

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

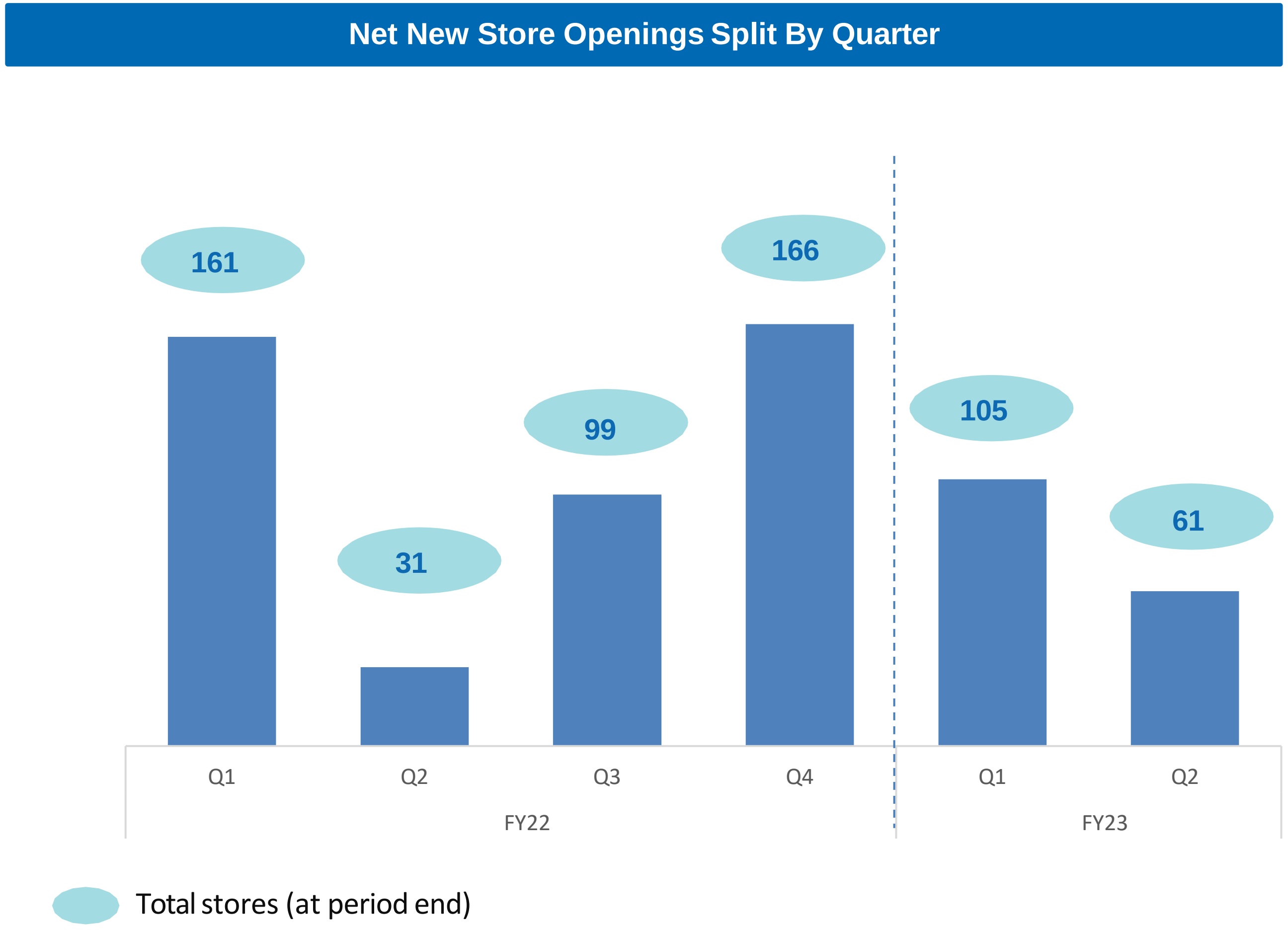
3 Drive cost efficiency

SIMPLER

4 Simplify customer offering and drive operational simplicity

BIGGER BETTER CHEAPER SIMPLER

On track to open at least 550 new stores this year

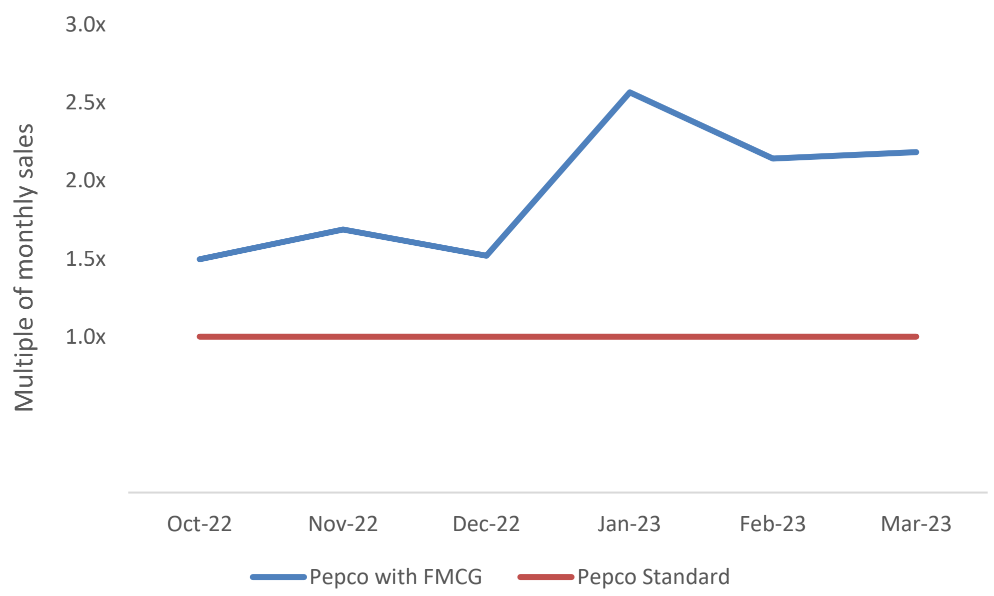


- ✓ 166 net new stores opened in H1 FY23
- ✓ On track to open at least 550 net new stores during year – balance of openings Q4 weighted
- ✓ Pepco store openings in Western Europe outnumber Central Europe for first time
- ✓ First Pepco stores opened in Greece and Portugal

BIGGER BETTER CHEAPER SIMPLER

Pepco 'Plus' stores are blueprint for WE rollout

Pepco 'Plus' driving higher average monthly sales per store in Spain



- ✓ Pepco Plus stores generate on average more than twice the sales of the standard store and significantly higher store profit

LFL sales in Spain in H1

+29.9%

Pepco with FMCG

+8.2%

Pepco standard

- ✓ Pepco stores with FMCG recorded higher LFL increases on sales than the standard store

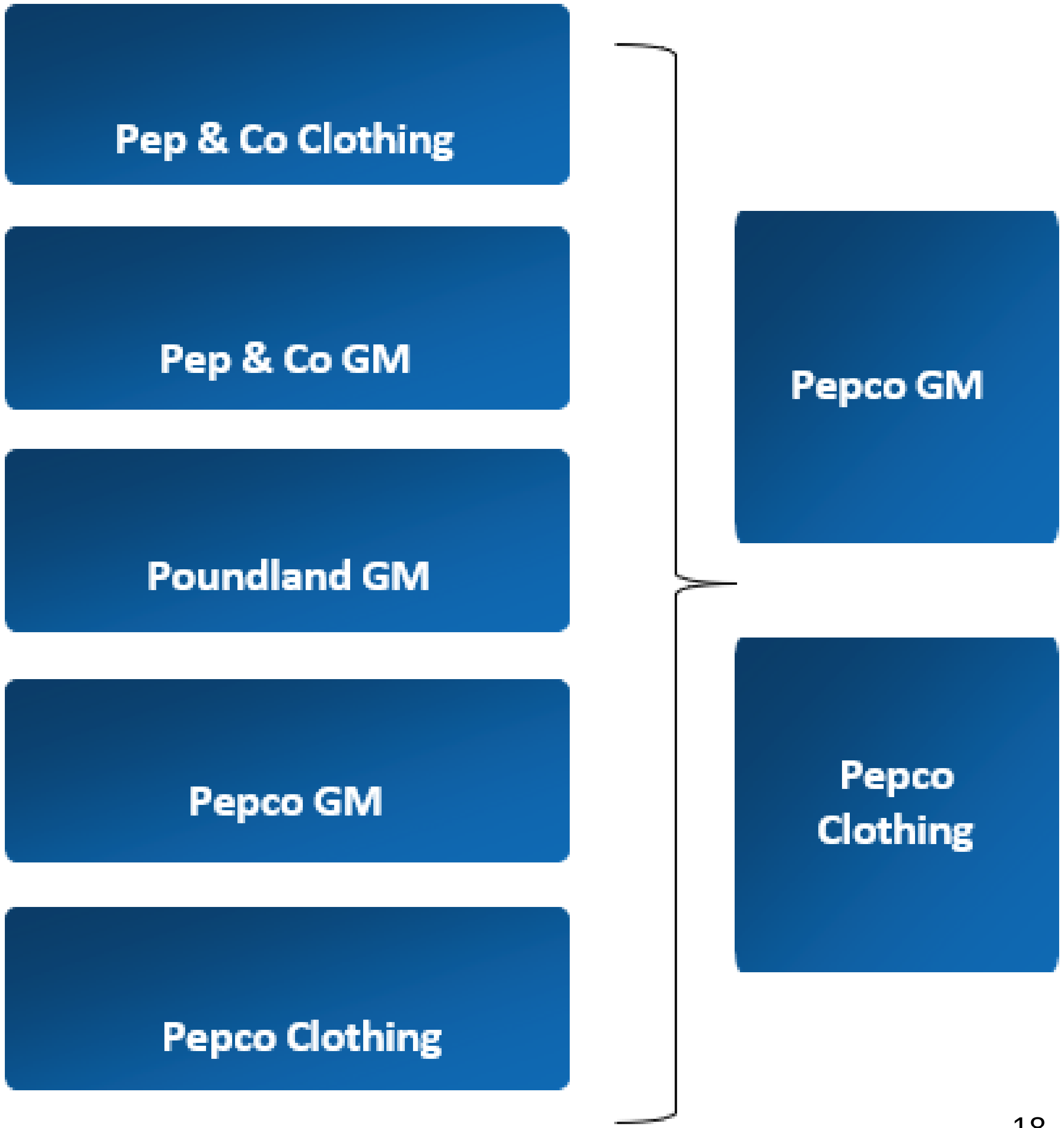
Pepco 'new look' refit programme on plan

- ✓ Refurbishment programme kicked off in January 2023
- ✓ Targeting a refit of all 2,500 Pepco stores in CEE in next two and half years
- ✓ 191 conversions completed in H1 across Poland, Slovakia and the Czech Republic. Conversions to accelerate in H2
- ✓ Results remain encouraging with LFL of converted stores up 10% over control group

New look store refit

Driving cost efficiency

- ✓ Focus on cost efficiency redoubled as inflationary pressures intensify
- ✓ Labour and end-to-end supply chain efficiencies targeted
- ✓ PGS incorporated into Pepco to optimise and align the buying cycle
- ✓ Near-shoring facility for PGS opened in Europe to increase sourcing flexibility
- ✓ Supply chain technology efficiencies with WMS blueprinting across all Pepco distribution centres



Simplifying customer offer and driving operational simplicity

- ✓ Spain: Consolidation of Dealz and Pepco businesses into one business (Pepco) complete – creates simpler operating model, with one brand, one range and one team

- ✓ Rollout of a new scalable Oracle ERP platform across the Group with Poundland going live this Summer. Benefit to gross margin through optimised markdown management

- ✓ Investment in new stores and refits through introduction of self-scan tills and implementation of Oracle XStore retail POS. Drives higher levels of customer satisfaction and simplifies work for colleagues

BIGGER BETTER CHEAPER SIMPLER

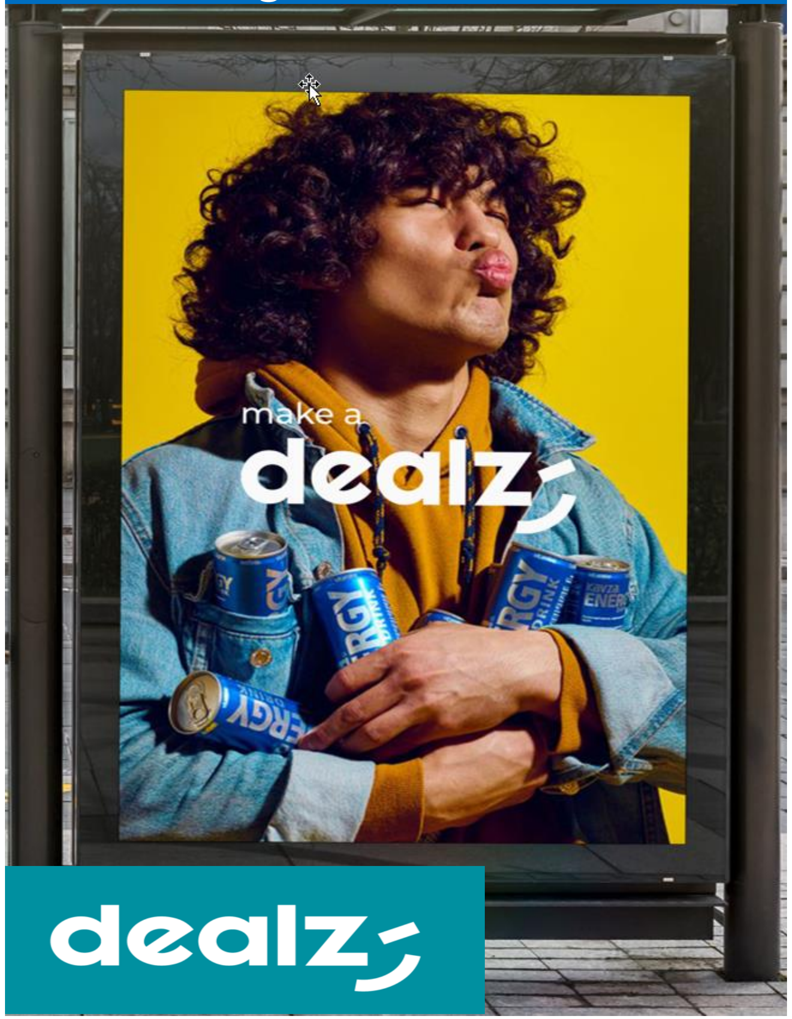
Dealz strategic review

- ✓ Focus on developing Dealz brand in CEE where there is significant growth opportunity
- ✓ Will adopt Pepco infrastructure to run business as one entity
- ✓ Revitalise brand with new look and feel with a modern, simpler store layout
- ✓ Optimise supply chain
- ✓ 300 Dealz stores in total planned by the end of 2023

Dealz modern store re-fit

New DC in Łyszkowice

New logo and brand refresh



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Current trading and outlook

Trevor Masters - CEO

Current trading and outlook

- ✓ Challenging consumer environment in some markets due to high inflation, impacting discretionary spend
- ✓ Ongoing commitment to price leadership to provide compelling value to our customers
- ✓ Active management of costs of doing business to help mitigate inflationary pressures
- ✓ Gross margins to trend upwards in the second half of FY23
- ✓ New store targets and new look refit programme on track
- ✓ Confirmation of mid-teens EBITDA growth for the full year

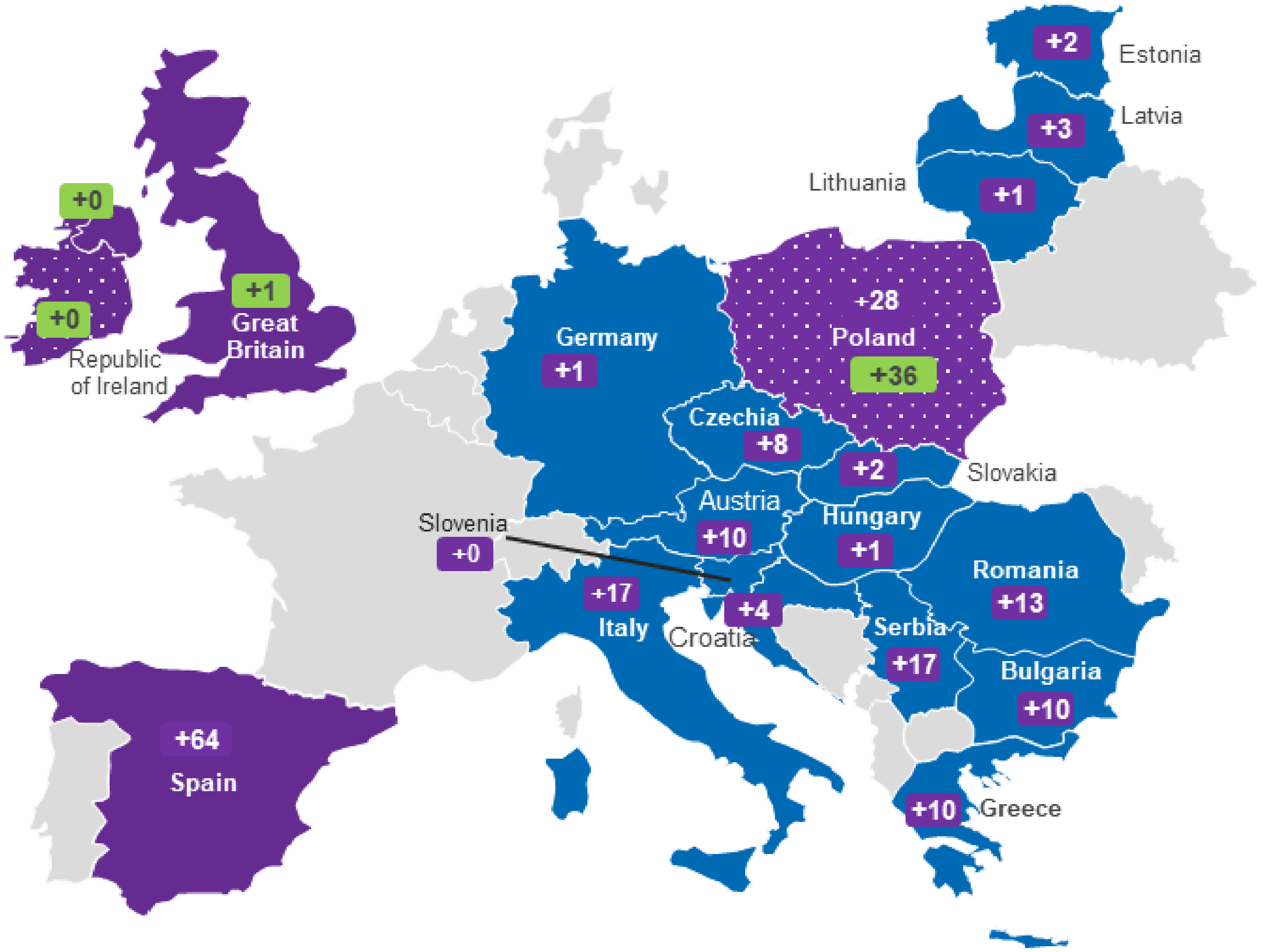
PEPCO Group

Q&A

APPENDIX

Store coverage

Pepco Group continues successful expansion across Europe



Net New Store Openings in H1 FY23

Net Store Openings

+191 | +37

pepco Stores

Poundland Dealz Stores

pepco	3,101
Poundland Dealz	1,026

4,127 Total Stores