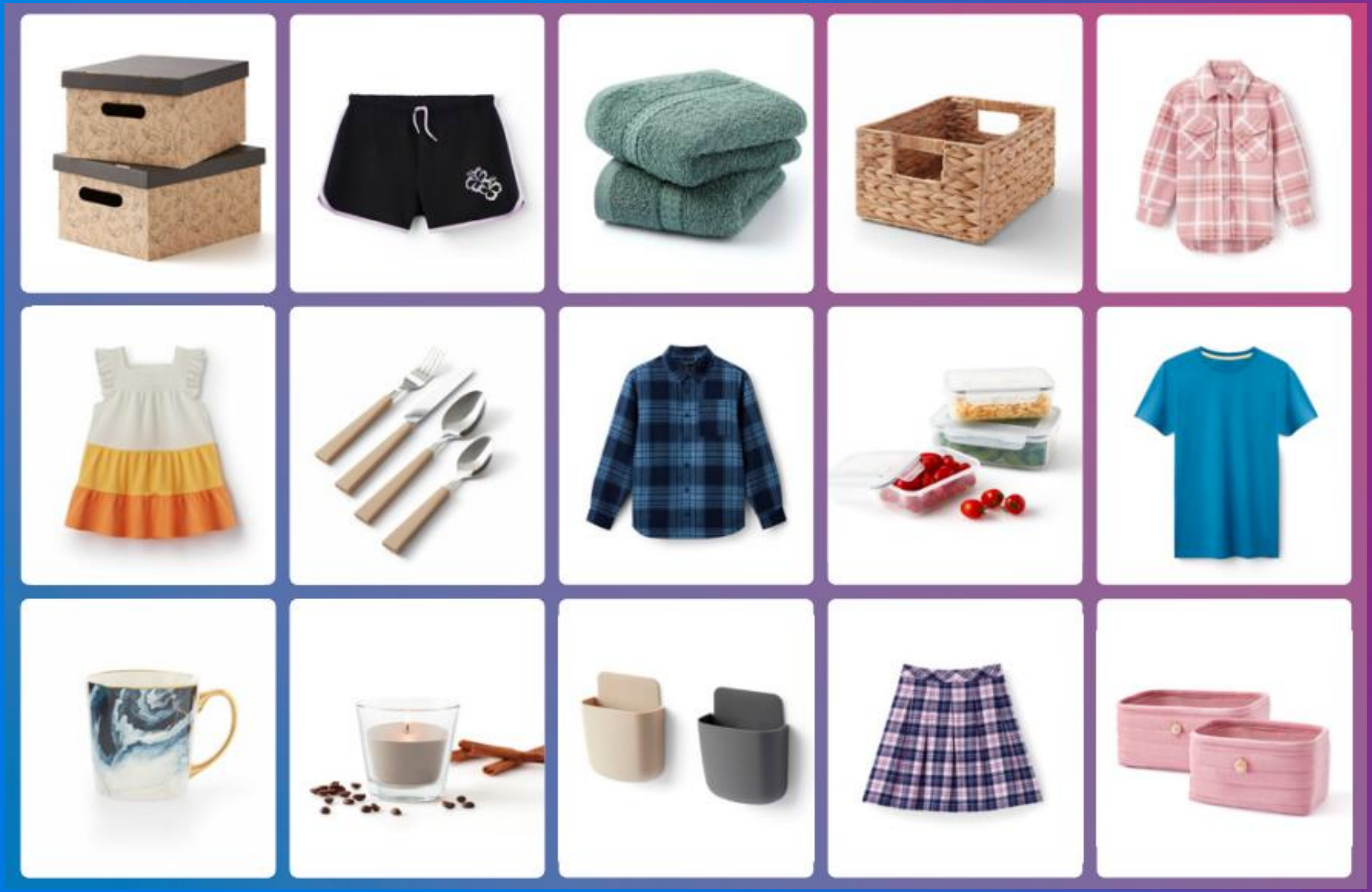
pepco group

H1 FY25 Interim Results

22 May 2025



Stephan Borchert

CEO

H1 FY25 Interim Results

Highlights

- **Pepco delivering on objectives** - H1 EBITDA growth of +11% ahead of sales growth, with trading momentum continuing into Q3
- Action plan in place to improve Poundland performance. **Board actively exploring Poundland separation options** with exit expected by end of FY25
- **Strong balance sheet** with €150m improvement in net debt (pre IFRS 16) position in LTM to €279m (0.6x leverage)
- **FY25 guidance for Pepco and Dealz maintained**, but weaker outlook for Poundland

Clear strategic framework to deliver on growth ambitions

Simplify and streamline the Group portfolio	Continue to grow our topline through measured expansion in CEE	Win in Western Europe	Refocus and digitise Pepco's customer proposition to drive LFL	Upgrade our core operating platform
• Focus on Pepco as core growth driver • Shift away from FMCG	• Grow in existing markets • Carefully explore new CEE opportunities • Entrench Poland market position	• Maximise opportunity in Iberia and Italy • Controlled store expansion • Exit Pepco Plus	• Back to basics • Defend kidswear; grow essentials • Leverage digital to drive customer engagement	• Improve end-to-end value chain • Build fit-for-future technology landscape

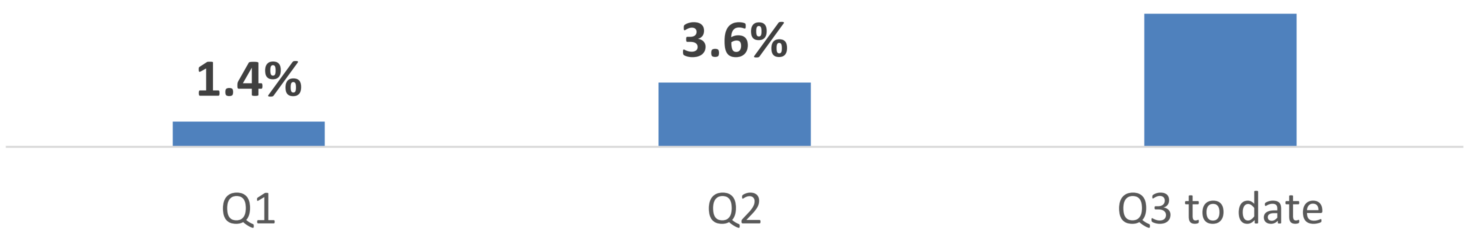
‘New Pepco’ is delivering on objectives set out at CMD

New Pepco*

	H1 FY25		FY25 guidance
Revenue growth	9%	✓	**High single-digit growth**
Gross margin %	48%	✓	**Flat y-o-y**
EBITDA growth (IFRS 16)	9%	✓	**High single-digit growth**
EBIT growth (IFRS 16)	6%	●	**High single-digit growth**

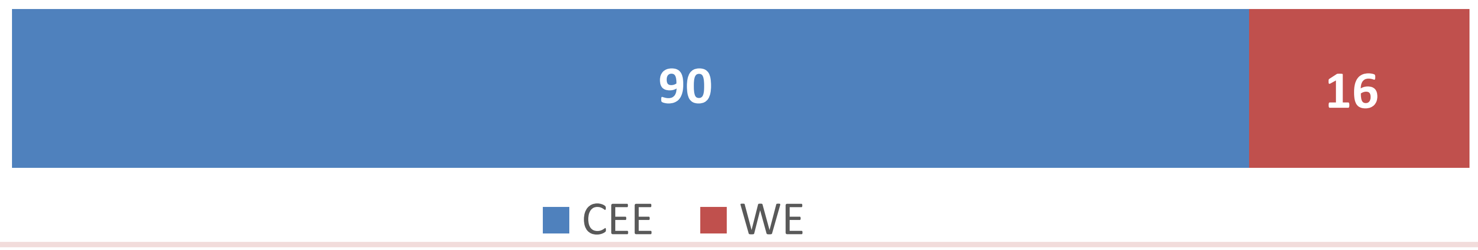
Positive LFL momentum

+2.3% in H1 FY25



Store growth in H1

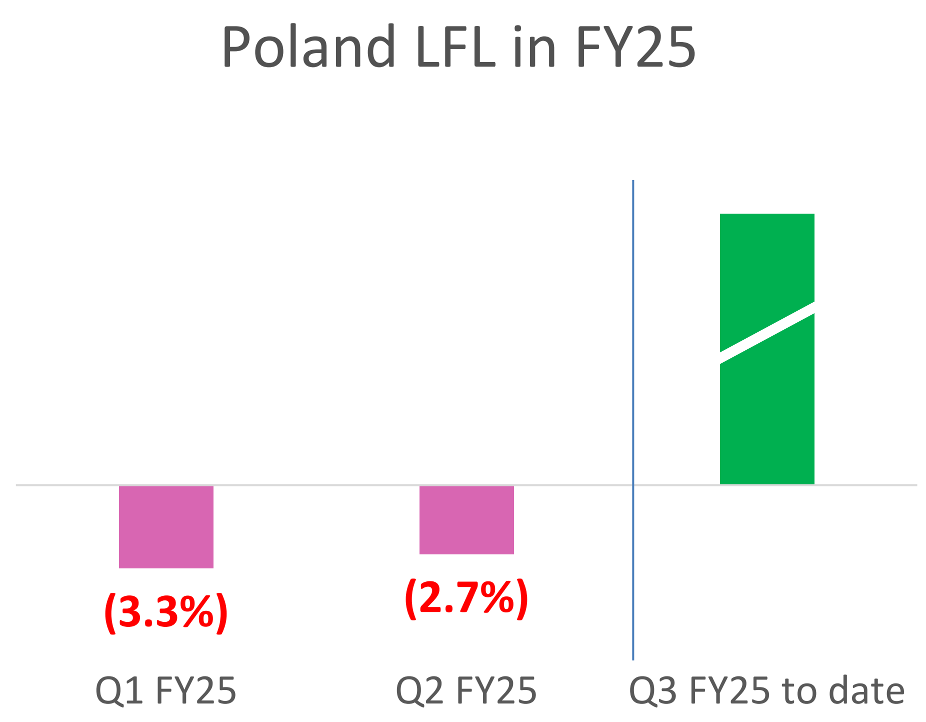
106 net openings

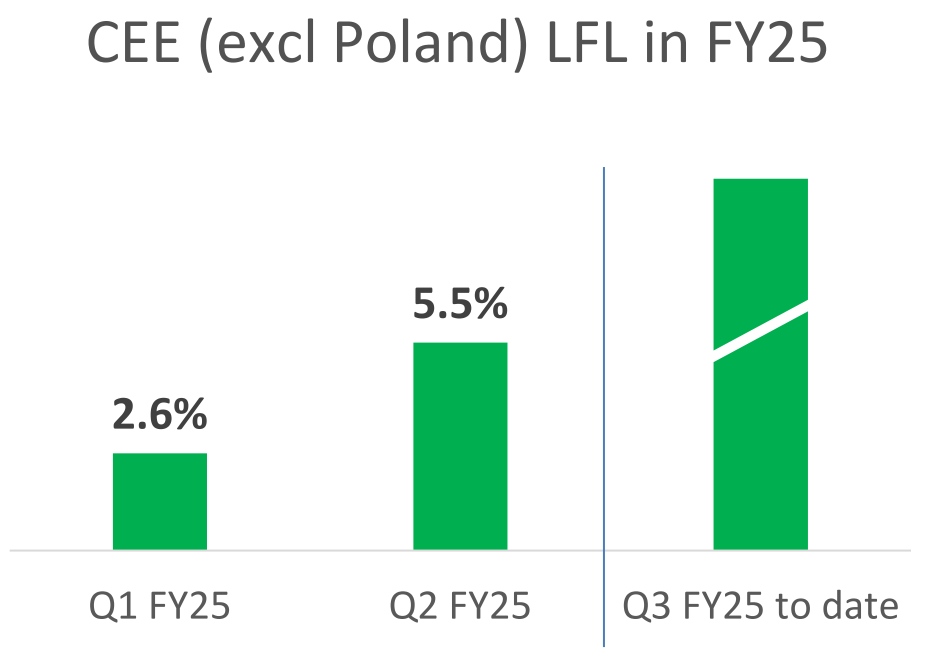


*New Pepco = Pepco + PGS + corporate costs

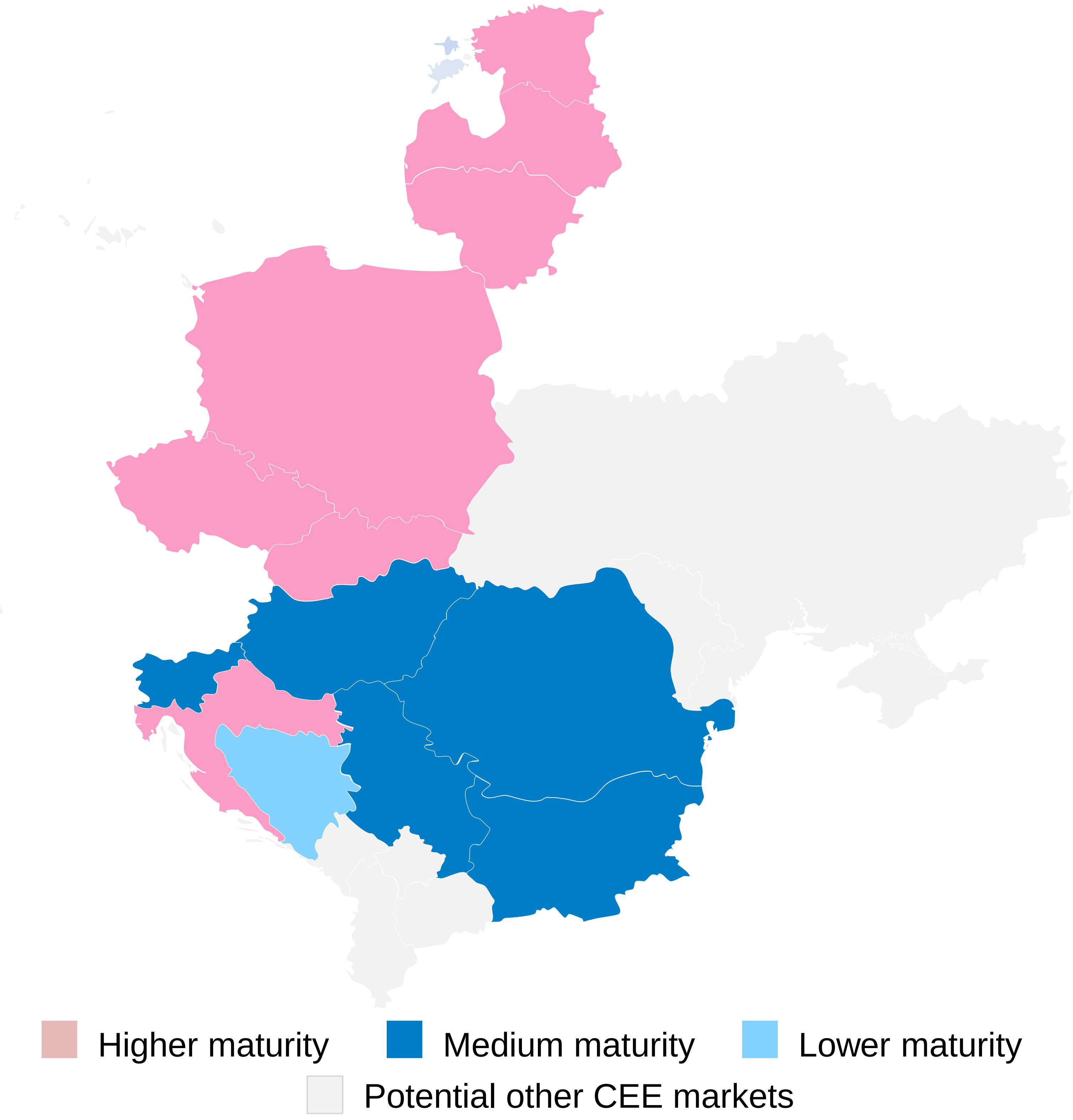
Pepco Poland acceleration a key priority for Group

Poland LFL lagging other CEE markets





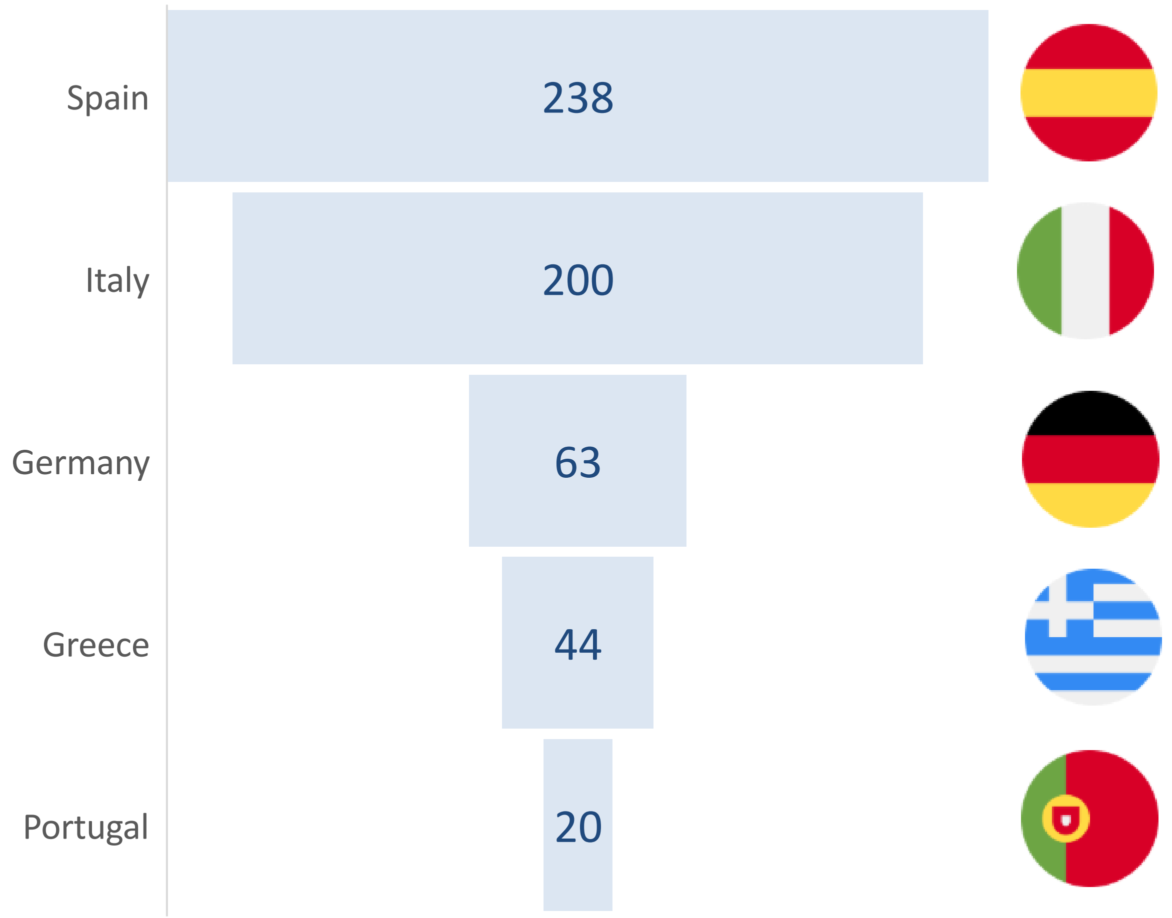
CEE market maturity levels



- Getting Poland – our largest market - back on track is a key priority
- Focus on store refits/relocations, where necessary, and operational excellence to drive LFL
- Disciplined expansion in existing CEE markets will continue, as we explore new market opportunities

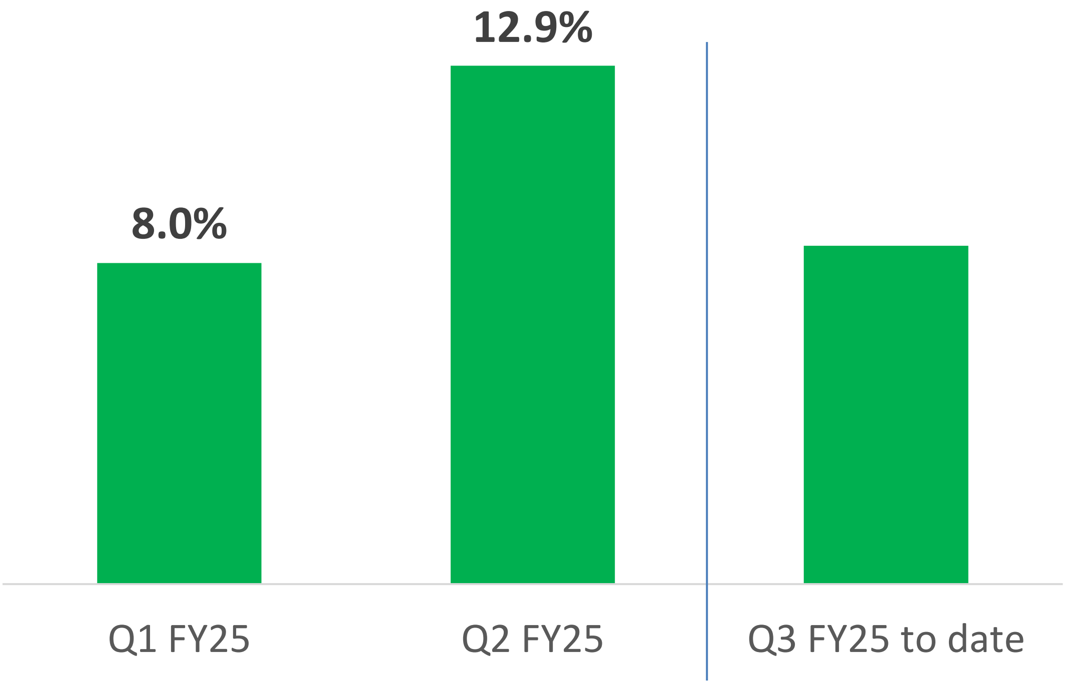
Momentum for Pepco Western Europe

Iberia and Italy are focus markets



- 16 new stores opened in Western Europe during H1 FY25
- 60-70 WE openings planned across FY25 and FY26

Positive WE LFL in FY25



- LFL driven by price focus, growing brand awareness and driving good NPS scores
- Gross profit 25% higher y-o-y in Western Europe in H1 FY25

Initial FMCG conversions encouraging

Store conversions to date	Converted stores sales growth y-o-y*
53	+45%

- Exit of Pepco 'Plus' by end of FY25, in line with plan to shift away from FMCG
- Majority of 123 'Plus' stores to be converted to standard stores
- Store EBITDA % uplift of >14ppt of converted stores

* Sales versus the prior year for stores converted from Pepco Plus to standard store (Clothing + GM sales)

Data & digital will be increasingly leveraged to drive LFL

Digital customer engagement ✓ Build digital shop window and engagement to support Pepco’s price-leading value proposition and drive digitally influenced store sales (DISS)

Loyalty & CRM ✓ Grow customer lifetime value through young families’ life stage and beyond with targeted CRM

Ecommerce ✓ Drive even greater convenience for time-poor young families through omni-channel offer

Digitally influenced store sales → Traffic to store

Loyalty & CRM → Frequency + Basket size & cross shop

→ LFL sales

Dealz: Solid progress continues in H1

- Dealz carving a strong reputation for international branded FMCG goods at the best prices in Poland
- Solid H1 results:
  - Revenues up 14% y-o-y
  - Gross margin of 33.7%, up 150bps y-o-y
  - EBITDA (IFRS 16) up 25%
  - 13 new stores opened; with 344 at end of H1
- Business increasingly self-sufficient across its management team and supply chain
- Dealz being managed to optimise value

Poundland action plan in place to improve performance

Poundland

- Poundland is well-positioned for recovery under revitalised leadership
- Business is currently working on an action plan to improve performance including:
  - Rationalising in-store customer offer
  - Simpler price points
  - Refining distribution network
- Poundland remains a key player in UK&I discount retail, serving over 20 million customers annually

Update: Poundland separation from Group

- Board continues to actively explore separation options for Poundland business with an exit expected by end of FY25
- Process is advancing
- A further update will be provided at the appropriate time

Group's ultimate ambition is to shift away from FMCG

Willem Eelman

CFO

H1 FY25 Interim Results

H1 FY25 financial highlights

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Revenue	LFL
€3,338m +4.3%	(0.7%)

Gross Margin	EBITDA IFRS 16
€1,445m +43.3%	€460m (5.5%)

Underlying PBT	Net debt
€117m (32.8%)	€279m (35%)

	pepco	dealz	Poundland
Revenue	€2,171m +9.3%	€182m +13.8%	€985m (6.5%)
Gross Margin (%)	+47.3% +180bps	+33.7% +150bps	+34.5% (430bps)
EBITDA IFRS 16	€440m +11.1%	€15m +25.0%	€22m (74.7%)

Note: All growth figures as reported

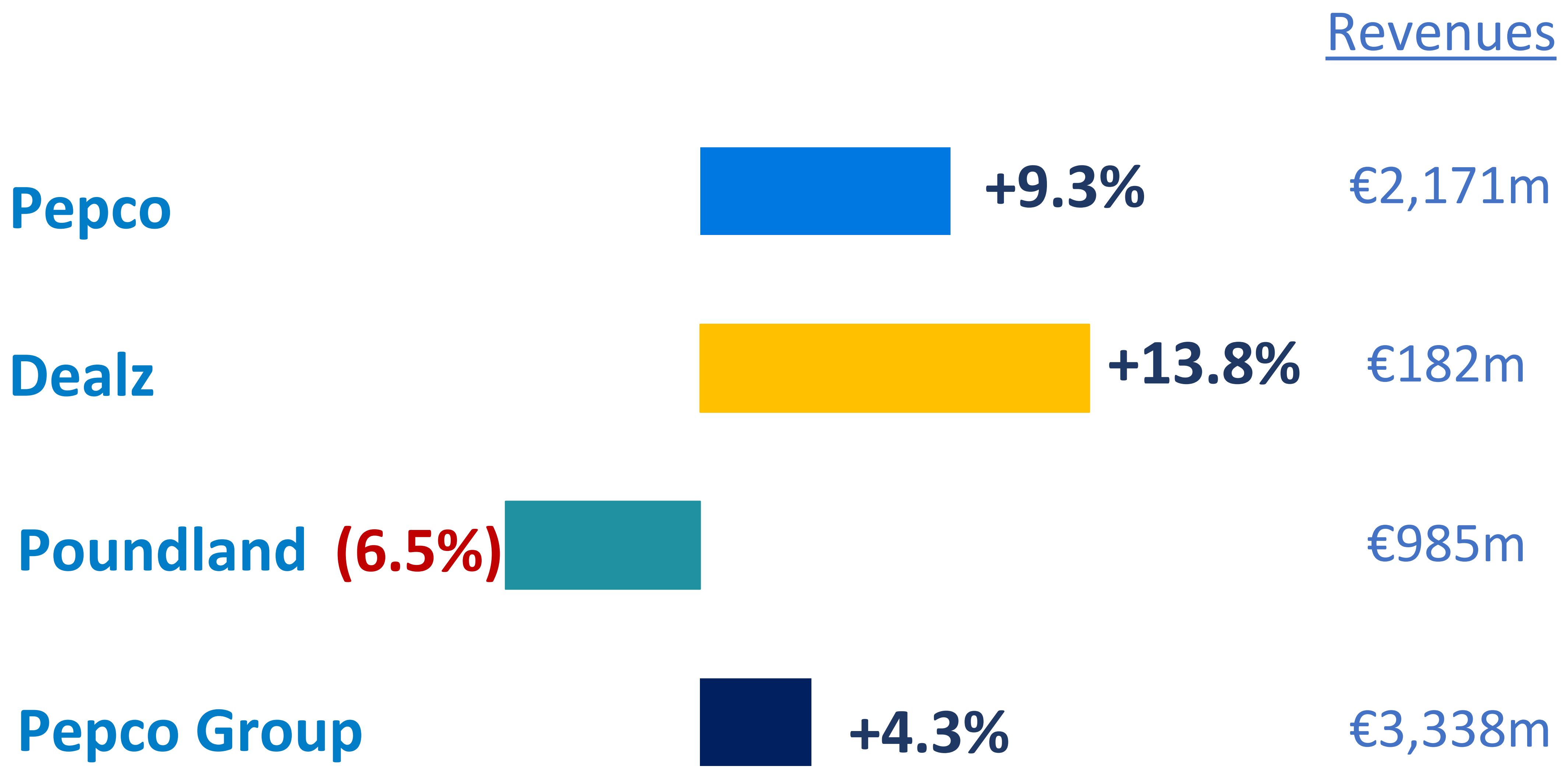
H1 FY25 Group revenue by segment

LFL revenue growth in H1 FY25

	H1 FY24	**H1 FY25**
pepco	(3.2%)	**+2.3%**
dealz	(4.6%)	**+2.9%**
Poundland	(0.7%)	**(7.3%)**
pepco group	(2.5%)	**(0.7%)**

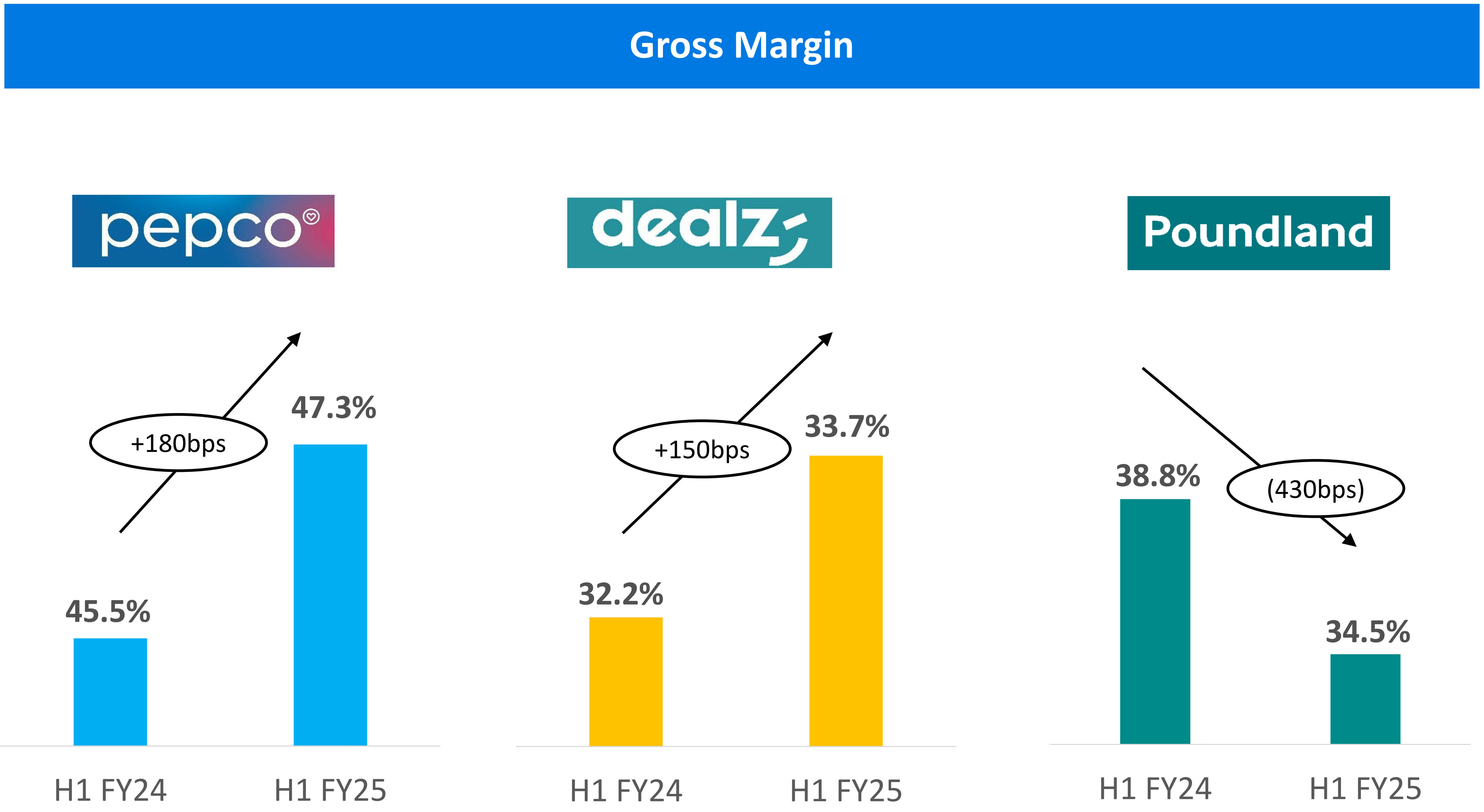
Note: LFL calculated at constant currency

H1 FY25 y-o-y revenue growth by segment



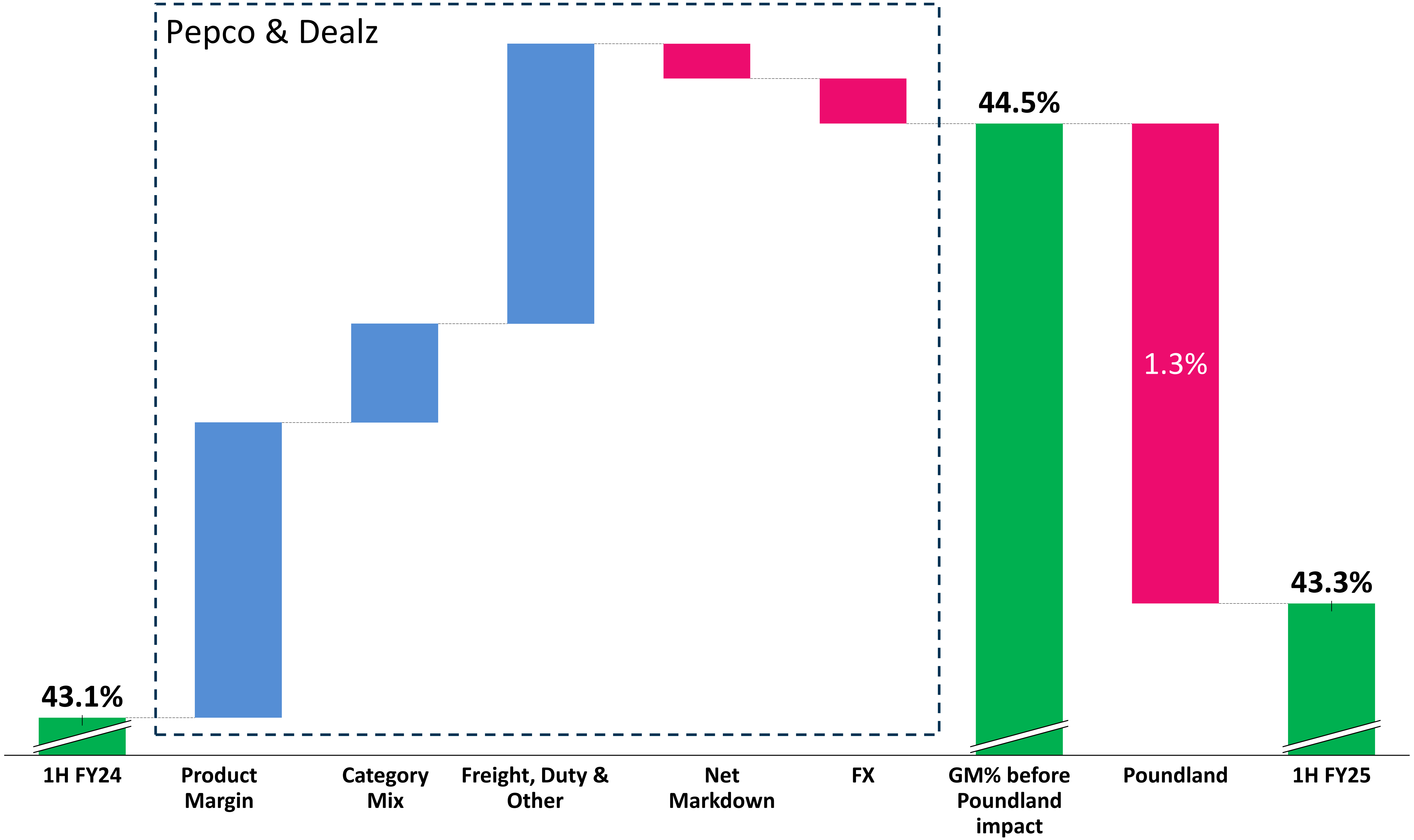
Note: Total Revenue growth figures as reported

Gross margin expansion in Pepco and Dealz



- **Group gross margin up 20bps to 43.3%**
- **Pepco and Dealz gross margin driven by normalisation of supply chain following Red Sea challenges in prior period**
- **Product margin and mix improving**
- **Poundland impacted by clearance of old stock**

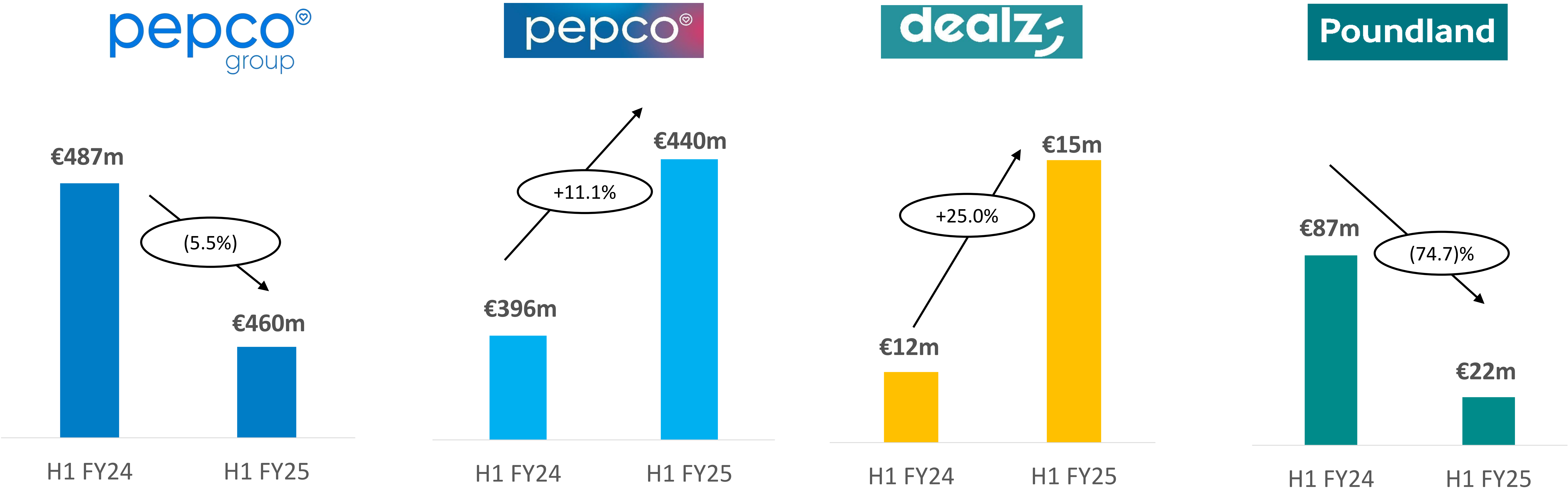
Gross margin improved by 140bps before Poundland impact



Note: H1 FY24 Gross margin of 43.1% includes Poundland. The 130bps Poundland impact is the -430bps shown on the previous slide.

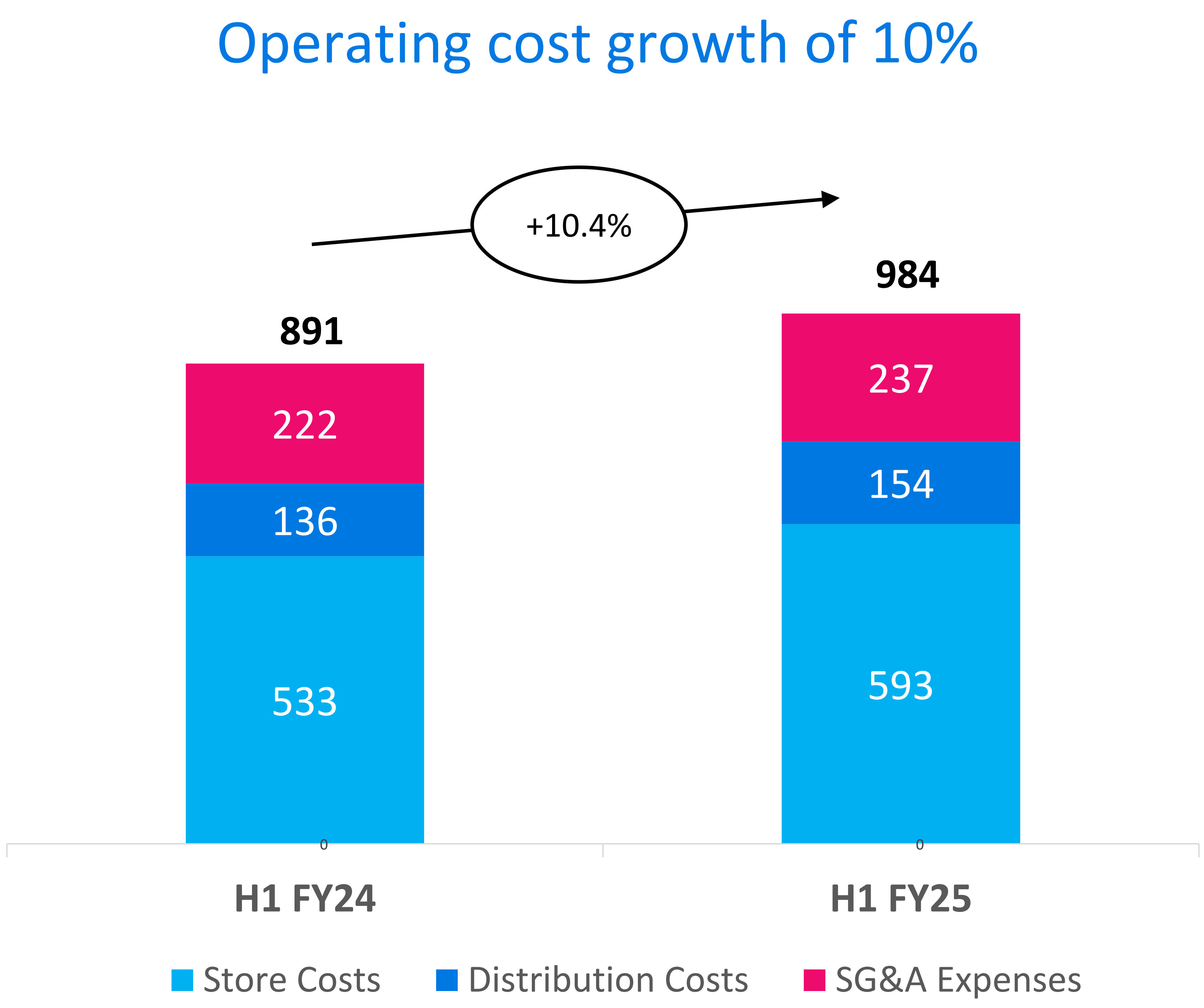
Segmental EBITDA: Strong performance of Pepco offsetting significant decline in Poundland

Underlying EBITDA IFRS 16 (EUR m)



Note: Total EBITDA figures include Group Services which is not shown as a separate segment

Operating costs driven by higher volumes, new stores and wage inflation

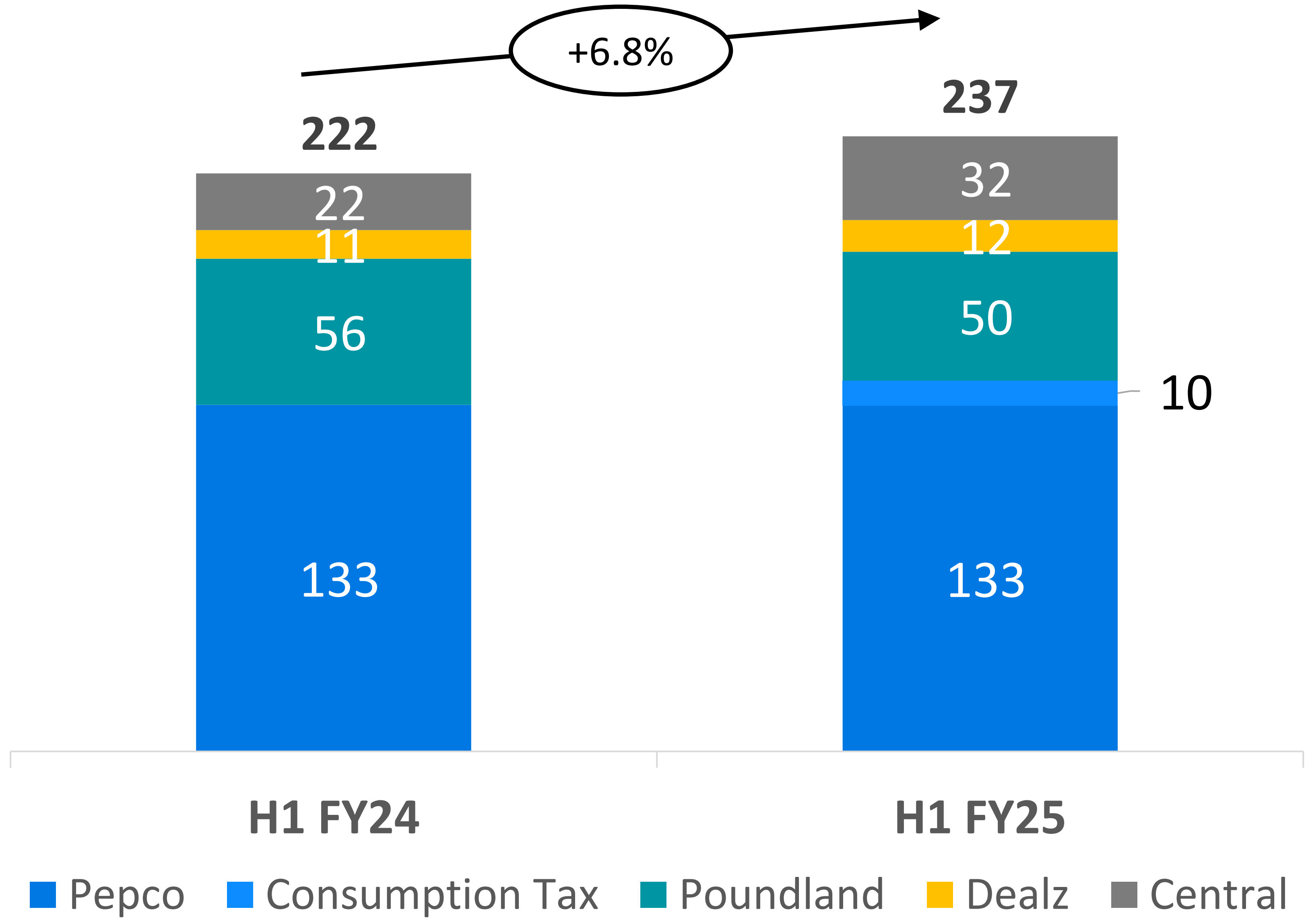


- Total store costs grew 11% driven by store labour costs and store openings
  - Double-digit volume growth at Pepco resulted in higher investment in store handling hours
  - High wage inflation, particularly in CEE
- New store openings (<12 months) represent 4% of the total 11% store cost growth
- Distribution cost increase of 13% driven by strong volume growth and increased trading space at Pepco

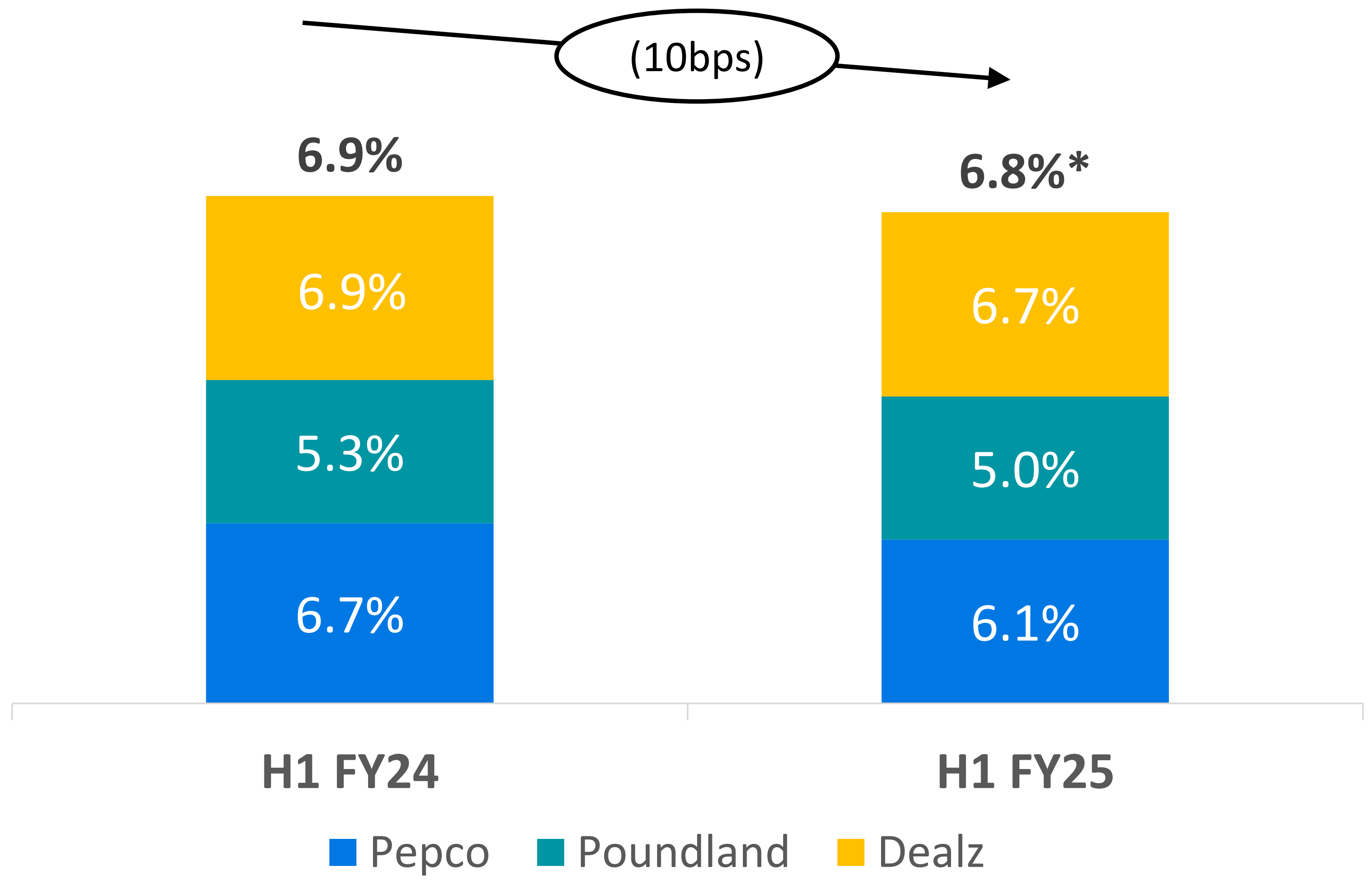
Store costs include labour, property and other store costs.
Note: Pepco SG&A costs include consumption tax reclassification of approximately €10m. Excluding this impact, Operating Costs grew by 9.3%.

Tight control on SG&A, with investments in strategic initiatives

Opco SG&A costs in line with prior year; Central costs driven by strategic projects



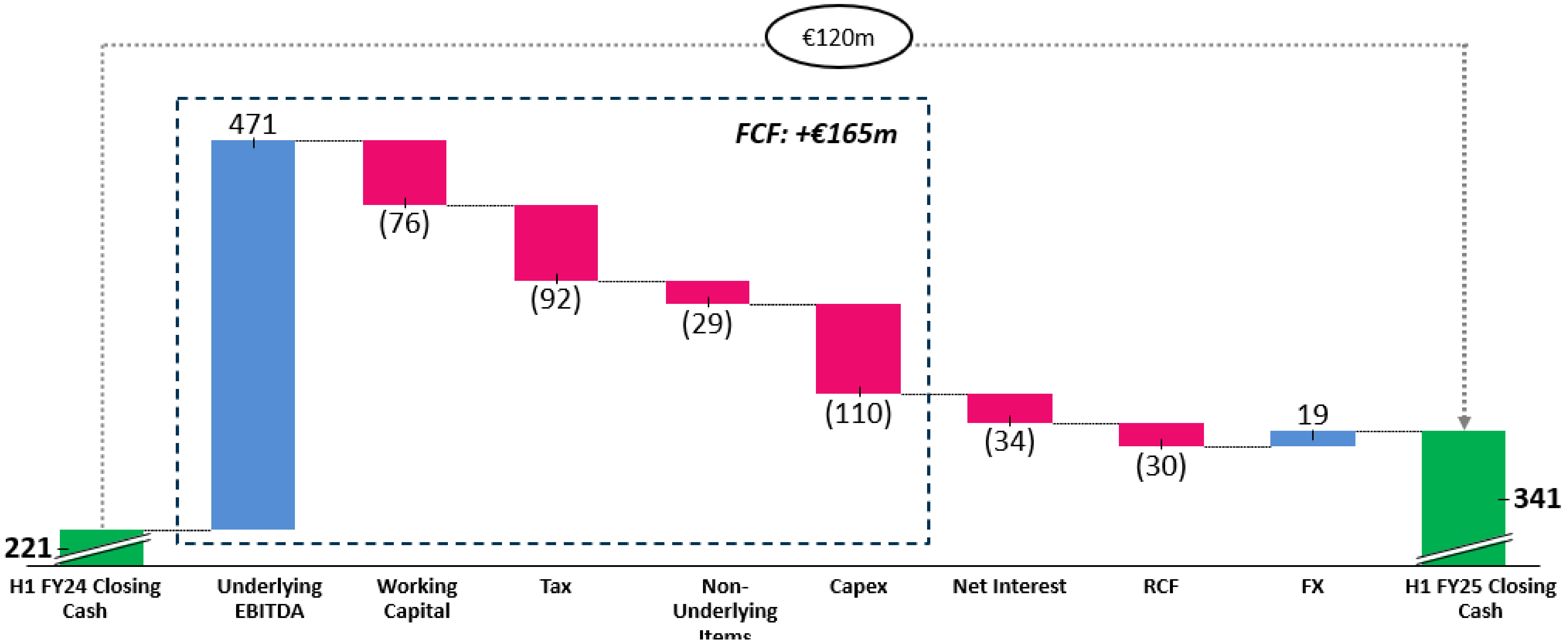
Lower SG&A as % of sales through better cost control



Note: Pepco SG&A costs include consumption tax reclassification of approximately €10m, which is shown separately in the chart on the left. Excluding the reclassification of the consumption tax, SG&A costs increased by €5m year on year (+2.1%)

*SG&A as % of Revenue excludes the consumption tax reclassification to show like-for-like versus prior year period

Closing cash up €120m over last 12 months

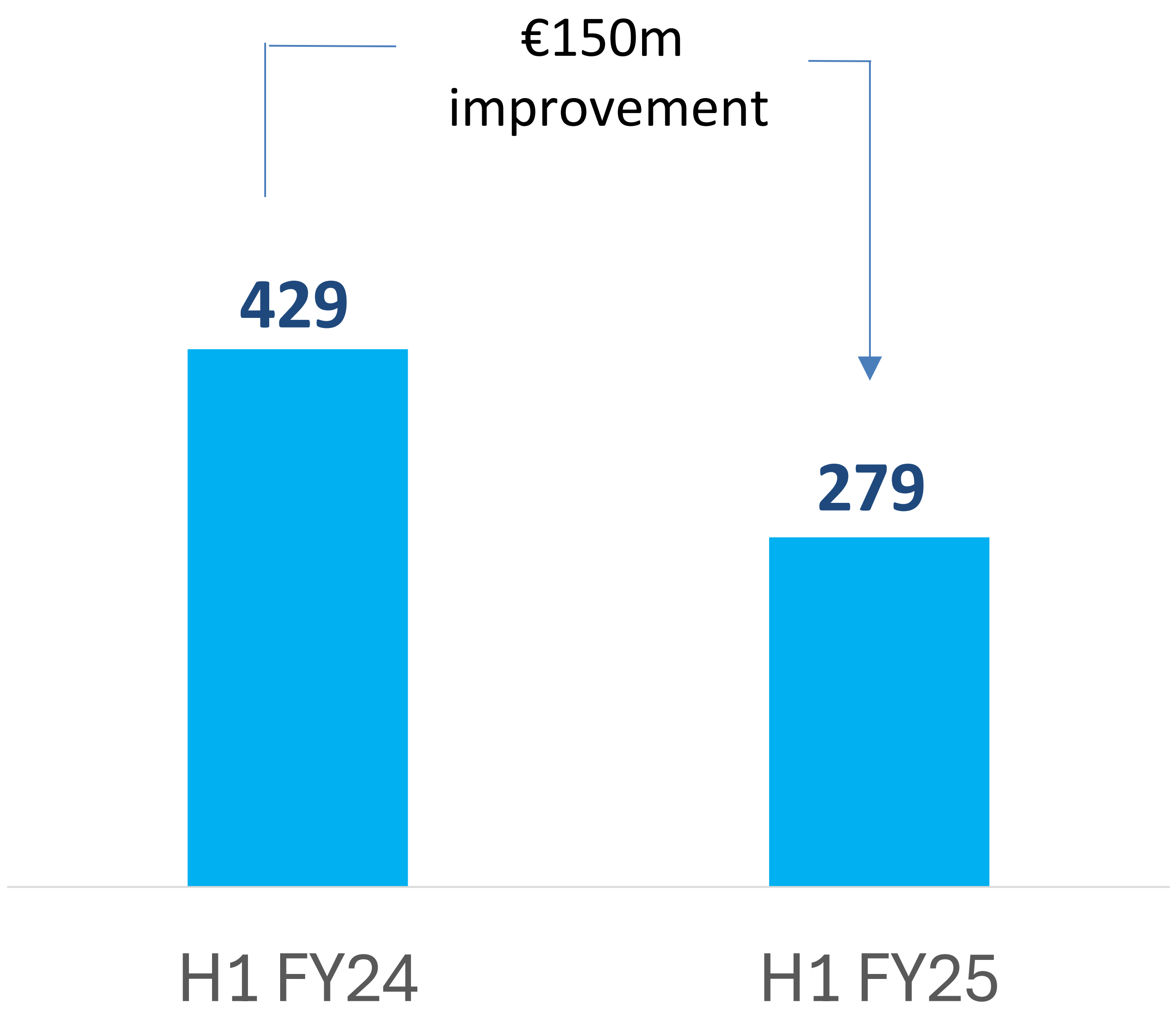


Pre-IFRS 16

Gross Debt	*€650m*	*€620m*
Net Debt	*€429m*	*€279m*
Leverage	*1.0x*	*0.6x*

Financing: Healthy balance sheet, with reduction in leverage

Net debt (pre-IFRS 16)



Leverage	1.0x	0.6x

Facility	*Amount*	*Drawn*	*Coupon*	*Expiry*
Term Loan B	€250m	€250m	6m Euribor + 1.5%	April 2026
RCF	€390m	€0m	6m Euribor + 1.15%	April 2027/8
Corporate Bond	€375m	€375m	7.25%	June 2028

Public credit ratings from all 3 rating agencies

FitchRatings	'BB' rating
Moody's	'Ba3' rating
S&P Global	'BB-' rating

Updated guidance for FY25

All numbers on an underlying basis

		FY24 pro-forma	FY25	
'New Pepco'[1]	Revenues	€3,853m[2]	High single-digit growth	
	Gross margin %	47.5%[3]	Flat y-o-y	
	EBITDA (IFRS 16)	€767m[4]	High single-digit growth	
	EBIT (IFRS 16)	€391m[5]	High single-digit growth	
Poundland	EBITDA (IFRS 16)	€153m	€0m to €20m	NEW
	EBIT (IFRS 16)	(€3m)	(€120m) to (€140m)	NEW
Dealz	EBITDA (IFRS 16)	€24m	Strong growth	
	EBIT (IFRS 16)	(€8m)	Near breakeven	

(1) New Pepco equals Pepco plus PGS plus CO.
(2) Reported revenue for Pepco as of p.30/157 AR 2024.
(3) Gross profit of Group (€2,706m) less gross profit of Poundland (€774m) less gross profit of Dealz (€102m) as of p.1, 24 and 25/38 of FY 2024 earnings release.
(4) EBITDA of Group (€944m) less EBITDA of Poundland (€153m) less EBITDA of Dealz (€24m) as of p.1, 24 and 25/38 of FY 2024 earnings release.
(5) EBIT of Group (€380m) adding back operating loss of Poundland (€3m) and operating loss of Dealz (€8m) as of p.22/38 of FY 2024 earnings release.

pepco group

Stephan Borchert

CEO

H1 FY25 Interim Results

‘New Pepco’ medium-term ambition from FY26

Revenue growth of <u>at least</u> 7% CAGR; EBITDA growth of <u>at least</u> 9% CAGR

Gross margin of c. 48%

Around 250 net new stores p.a.

Greater than €200m free cash flow; Capex of €160m to €180m p.a.

Leverage no higher than 1.5x (pre IFRS 16)

(1) *New Pepco equals Pepco plus PGS plus CO.*
(2) *Free cash flow is defined as cash generated by operations, deducted with tax paid, capex like items, and IFRS 16 cash flows.*

Summary

- Pepco and Dealz delivering on objectives
- Board actively exploring Poundland separation options - exit expected by end of FY25
- Strong balance sheet with €150m y-o-y improvement in H1 net debt
- Focus on shareholder returns with €200m share buyback capability during FY25 – FY27

Executing at pace against new strategic framework, with strong focus on sustainable value creation

Q&A

Appendix

Profit and loss summary

EUR m	H1 FY25	H1 FY24	Change % (constant currency)	Change % (actual currency)
Revenue	3,338	3,200	*+2.9%*	*+4.3%*
Like-for like revenue (%)	(0.7%)	(2.5%)	*n/a*	*n/a*
Gross profit	1,445	1,378	*3.5%*	*4.9%*
Gross profit margin (%)	43.3%	43.1%	*30bps*	*20bps*
Underlying EBITDA	460	487	*(5.9%)*	*(5.5%)*
Underlying EBITDA margin (%)	13.8%	15.2%	*(130bps)*	*(140bps)*
Depreciation and amortisation	(292)	(262)	*10.1%*	*11.5%*
Net financial expense	(50)	(51)	*(2.0%)*	*(2.0%)*
Underlying PBT	117	174	*(31.3%)*	*(32.8%)*
Non-underlying items	(247)	(30)	*710.0%*	*723.3%*
Reported PBT	(130)	144	-	-
Tax	(25)	(40)	*(32.8%)*	*(37.5%)*
Reported PAT on cont. ops	(155)	104	-	-
Basic EPS (cents) on cont. ops	(26.9)	18.1	-	-
Discontinued Operations	4	(51)	-	-

- First half P&L heavily impacted by performance in Poundland
- Group gross profit margin up 20bps driven by Pepco
- EBITDA margin down 140bps due to inflationary pressures and sales deleverage
- PBT impacted by additional depreciation from store growth and previous spend on refits
- Non-underlying items reflect Poundland impairment and FMCG exit in Spain

Cash Flow Summary

EUR m	H1 FY25	H1 FY24	*Change %*
Underlying EBITDA pre-IFRS 16	**235**	**278**	***(15.5%)***
Working capital - IFRS16	(141)	(56)	*151.8%*
Working capital – pre-IFRS 16 movements	3	(3)	*(200.0%)*
Tax paid	(43)	(36)	*19.4%*
Operating Cash Flow	**54**	**182**	***(70.3%)***
Non-underlying items	(8)	(31)	*(74.2%)*
Capex	(53)	(155)	*(65.8%)*
Free Cash Flow (unlevered)	**(7)**	**(4)**	***75.0%***
Net interest paid	(23)	(23)	*0.0%*
Financing activities	-	(90)	*(100.0%)*
Proceeds from sale of property, plant and equipment	-	2	*(100.0%)*
Discontinued items	-	(13)	*(100.0%)*
Net cash flow	**(30)**	**(128)**	***(76.6%)***
Effect of exchange rate fluctuations on cash held	8	19	*(57.9%)*
Cash and cash equivalents at beginning of period	363	330	*10.0%*
Cash and cash equivalents at end of period	**341**	**221**	***54.3%***
Net debt (pre-IFRS 16)	279	429	*(35.0%)*
Leverage (pre-IFRS 16, x EBITDA)	0.6x	1.0x	*(0.4x)*

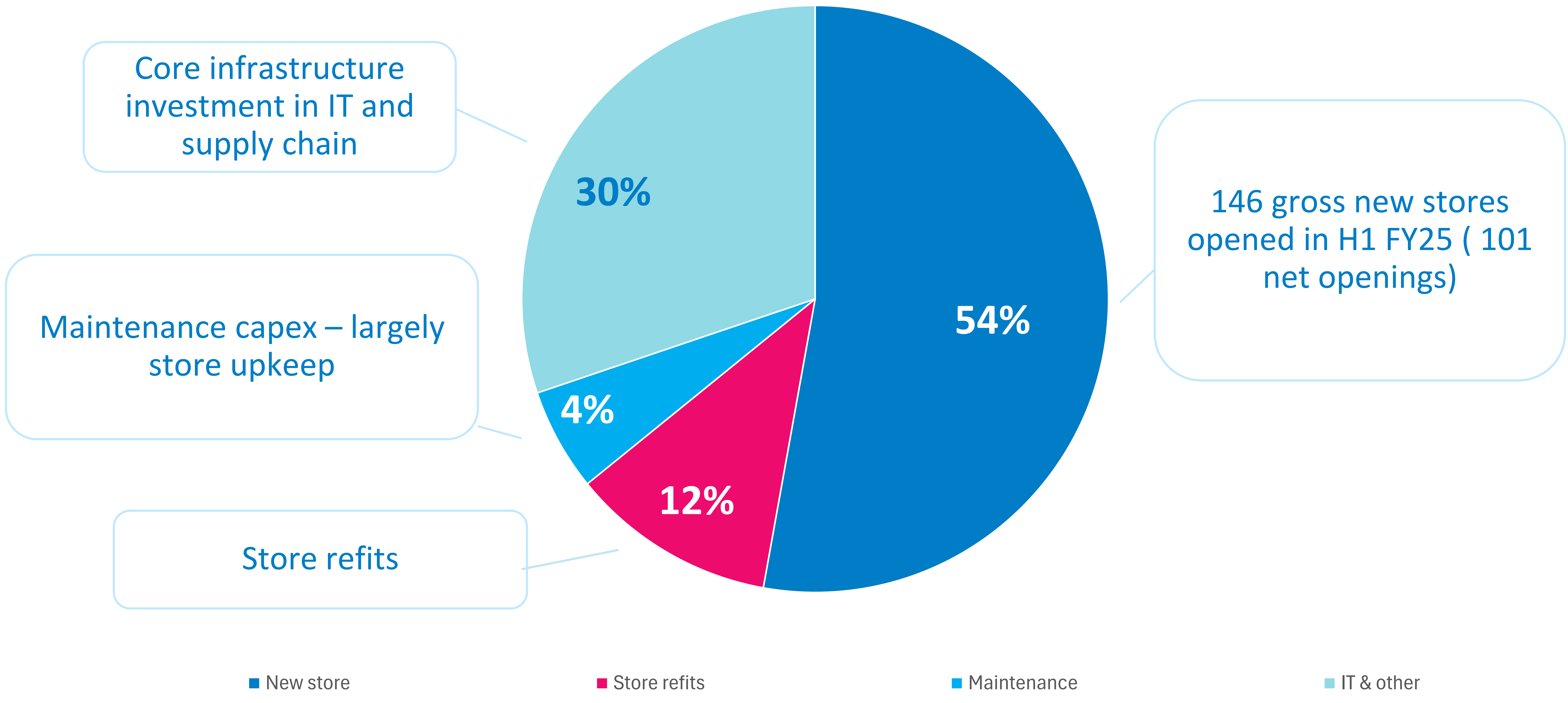
- Operating cash flow of €54m decreased by €128m year-on-year, impacted by lower EBITDA coupled with a deterioration in working capital
- Free cash flow is in line with the prior HY, primarily due to a €102m reduction in capex
- Net debt (pre-IFRS16) of €279m was €150m lower than prior HY, reflecting €30m RCF repayment in the H2 FY24 and improving cash position (+€120m)

Balance Sheet Summary

EUR m	31 Mar 2025	31 Mar 2024	*Change*
Assets			
Property, plant and equipment	634	783	*(19.0%)*
Right of Use Asset	1,163	1,244	*(6.5%)*
Goodwill and other intangible assets	36	857	*(95.8%)*
Trade and other receivables	75	98	*(23.5%)*
Derivative financial instruments	32	79	*(59.5%)*
Deferred tax asset	125	114	*9.6%*
Inventories	1,128	966	*16.8%*
Cash and cash equivalents	341	221	*54.3%*
Total assets	3,534	4,363	*(19.0%)*
Liabilities			
Trade and other payables	1,156	1,080	*6.8%*
Dividends payable	36	-	*n/a*
Lease liabilities	1,335	1,308	*2.1%*
Borrowings	615	641	*(4.1%)*
Derivative financial instruments	48	101	*(52.5%)*
Provisions	20	37	*(45.9%)*
Total liabilities	3,210	3,167	*1.3%*
Net assets	324	1,197	*(72.9%)*

- Healthy balance sheet, with a reduction in leverage year on year, and a strong financial covenant position
- Additions to Property, Plant and Equipment (“PPE”) reduced vs prior HY, highlighting focus on controlled growth
- Poundland’s performance, impairments totalling €234m recognised in the period
- Inventory increased to €1,128m in H1 FY25, representing an increase in stock days from 101 to 117

H1 FY25 capex spend of €53m driven by new stores and refits



Store coverage map

pepco	Poundland	dealz	TOTAL
3,887	818	344	5,049

Poland
- Pepco 1367
- Dealz 344

United Kingdom
- Poundland 741

Romania
- Pepco 481

Czechia
- Pepco 317

Hungary
- Pepco 262

Spain
- Pepco 238

Bulgaria
- Pepco 171

Slovakia
- Pepco 154

Serbia
- Pepco 159

Croatia
- Pepco 131

Lithuania
- Pepco 95

Ireland
- Poundland 77

Italy
- Pepco 200

Latvia
- Pepco 63

Germany
- Pepco 63

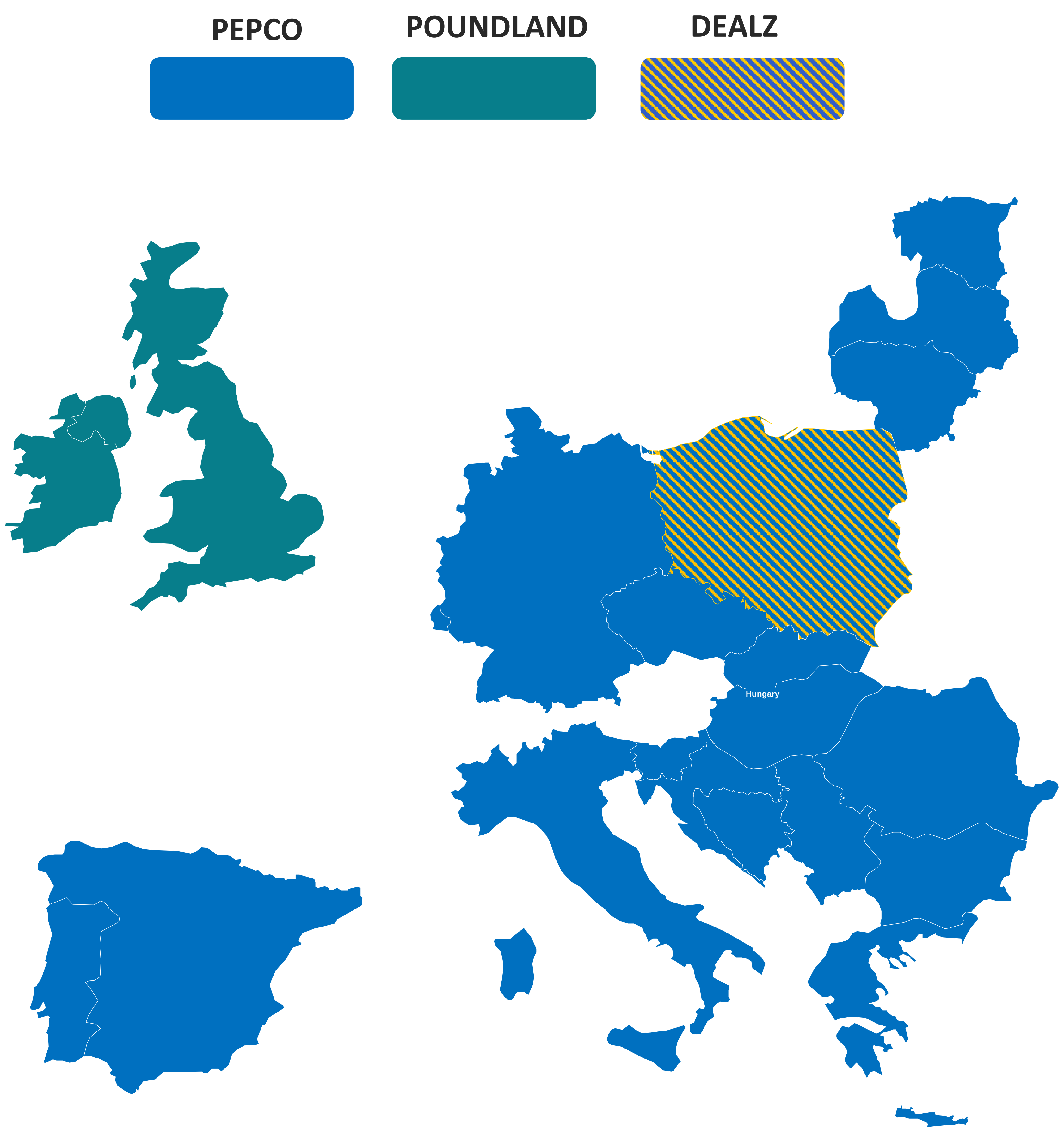
Slovenia
- Pepco 40

Estonia
- Pepco 38

Greece
- Pepco 44

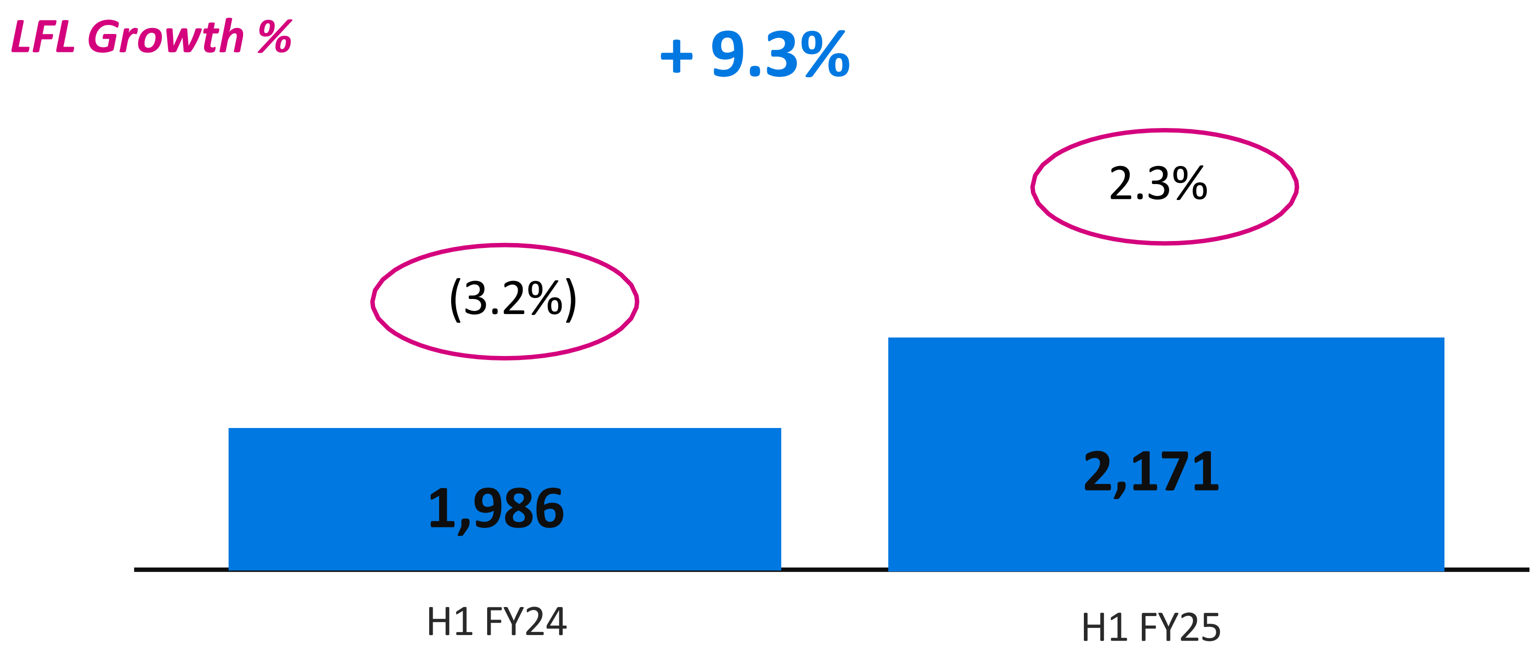
Portugal
- Pepco 20

Bosnia & Herzegovina
- Pepco 44

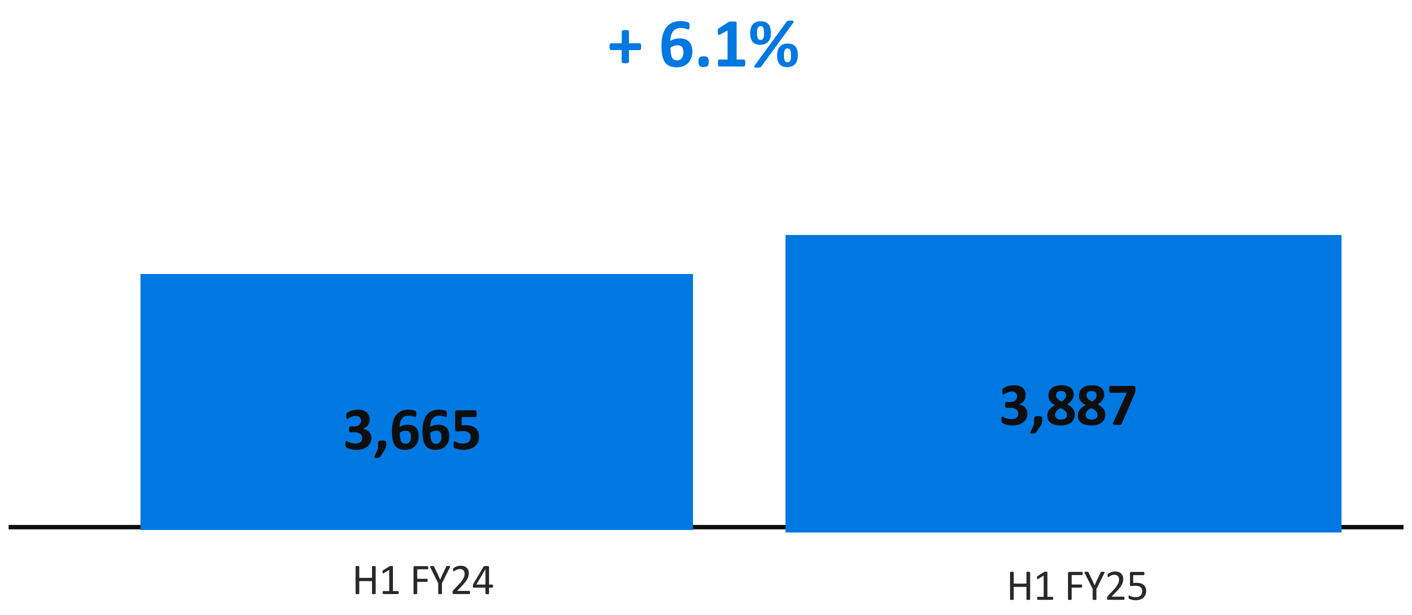


Focus on Pepco

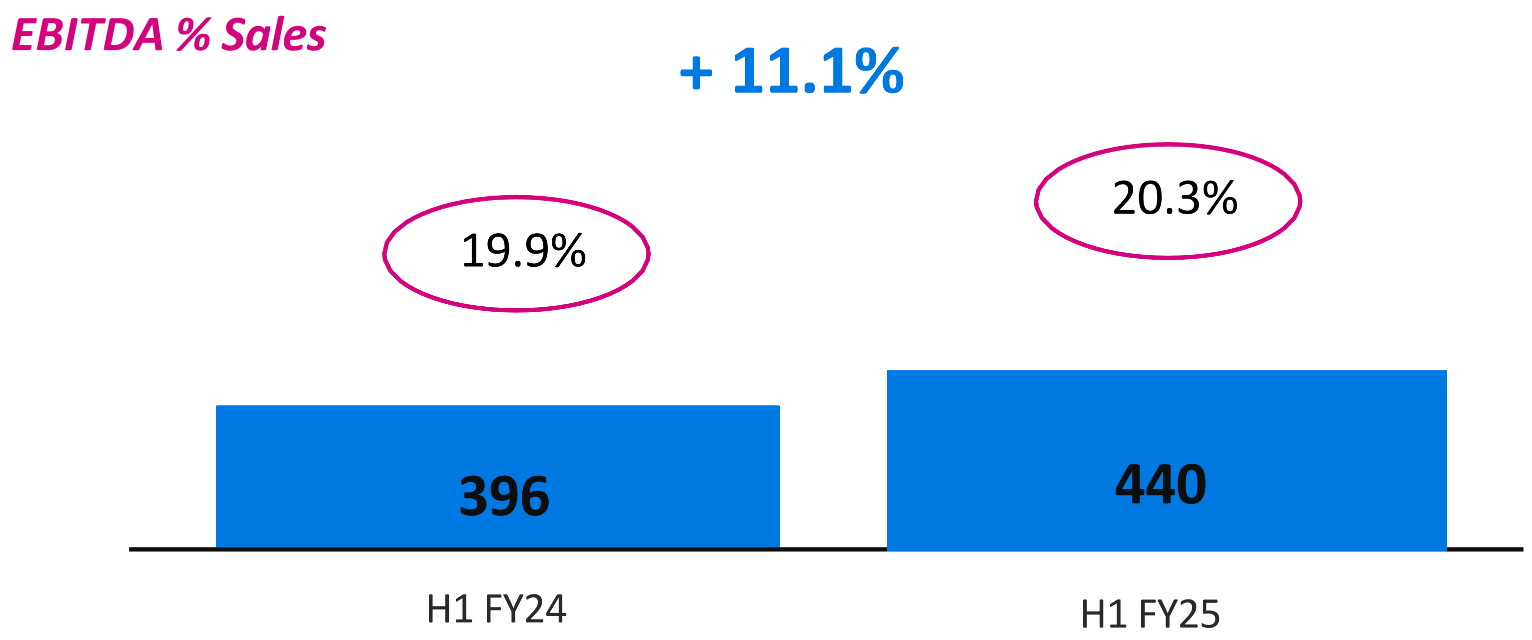
Revenue & LFL



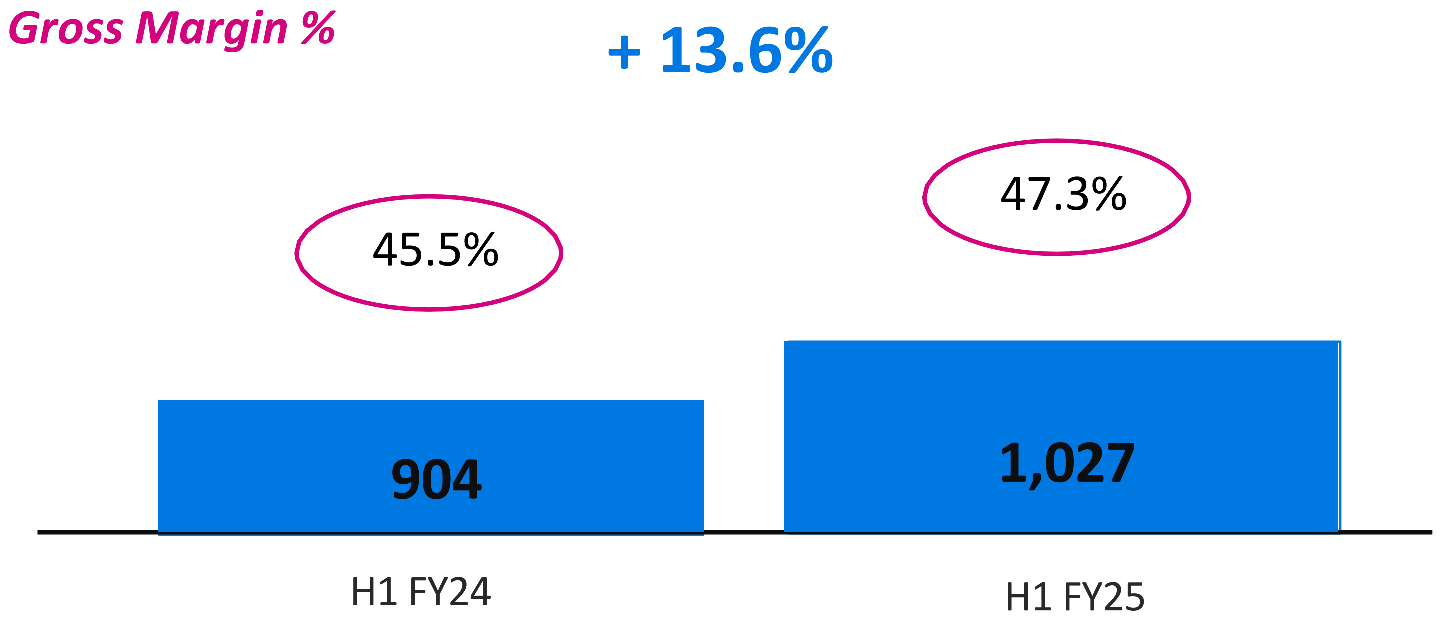
Store Numbers



EBITDA (IFRS 16)

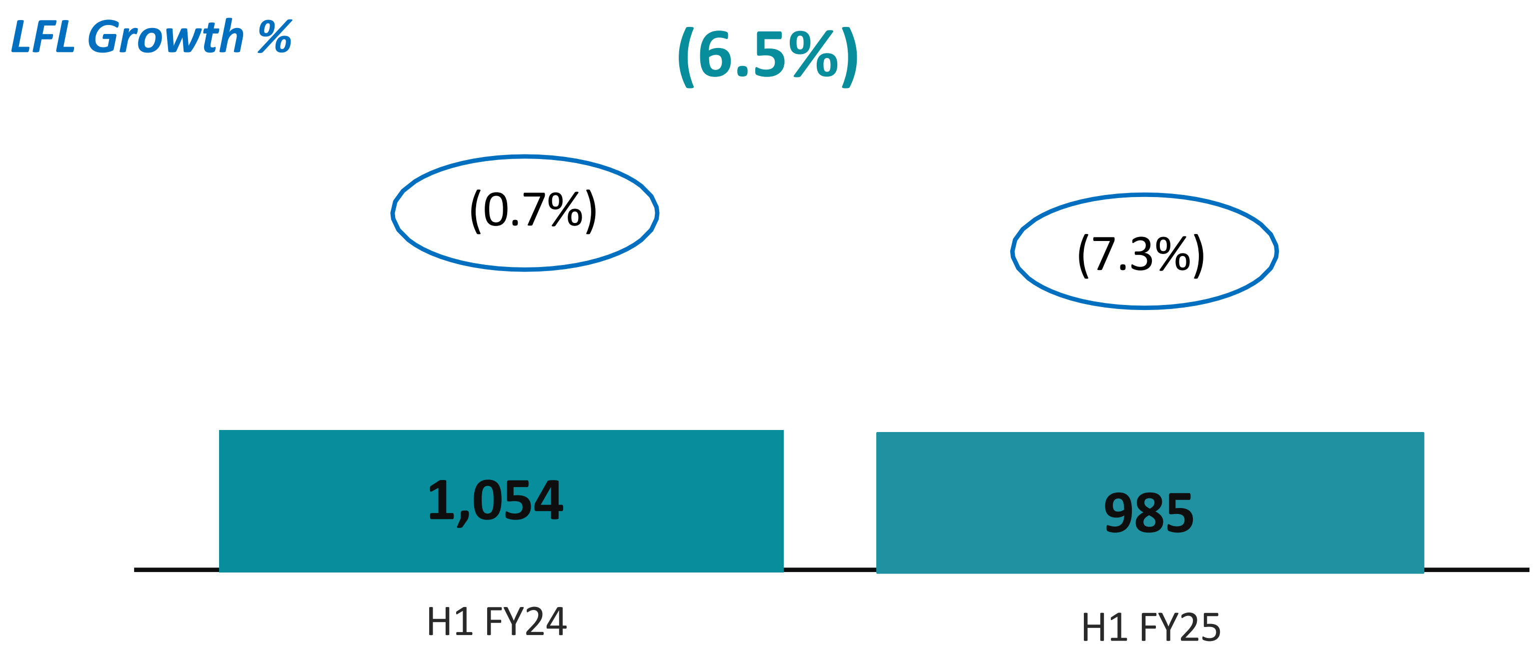


Gross Profit

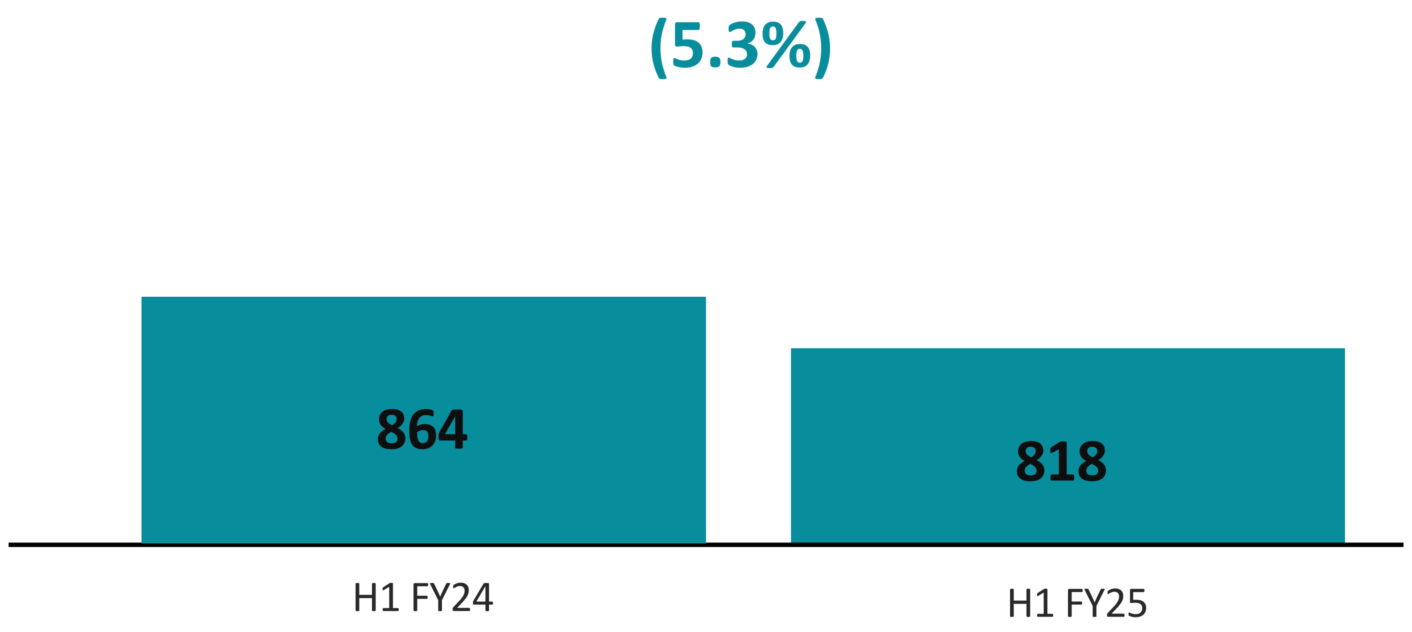


Focus on Poundland

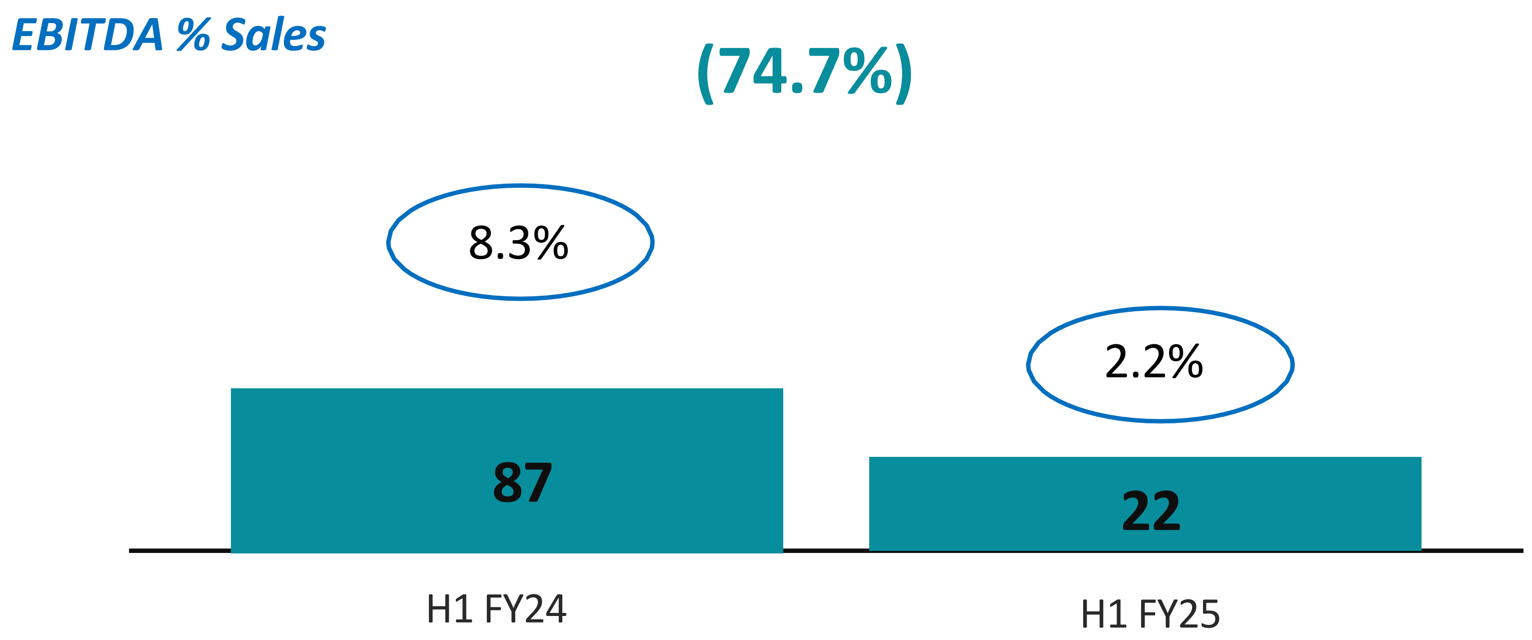
Revenue & LFL



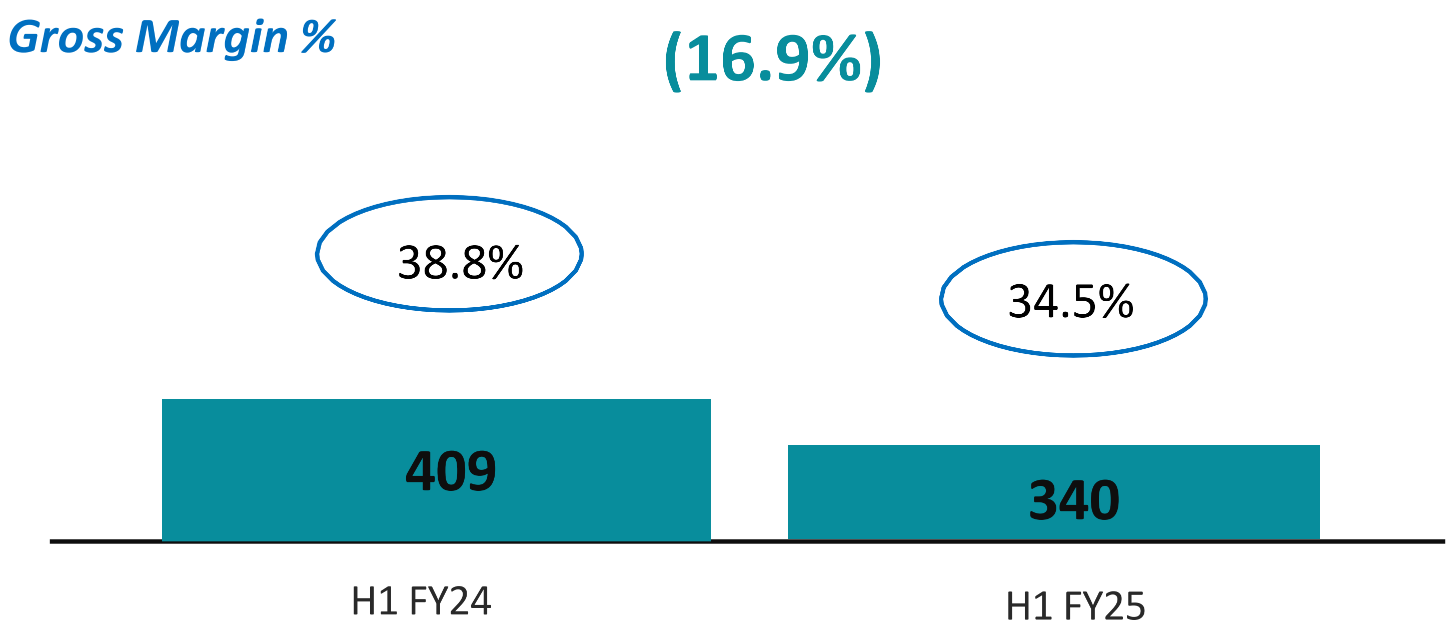
Store Numbers



EBITDA (IFRS 16)

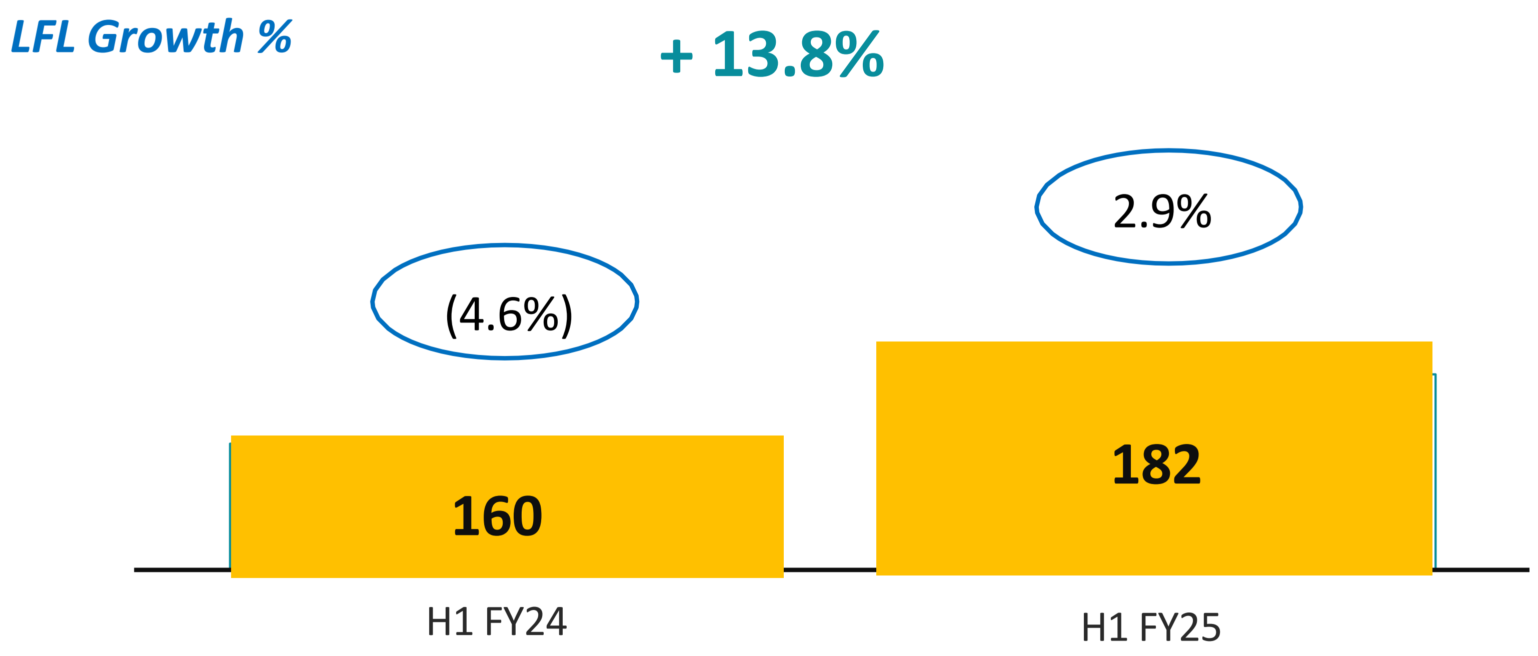


Gross Profit

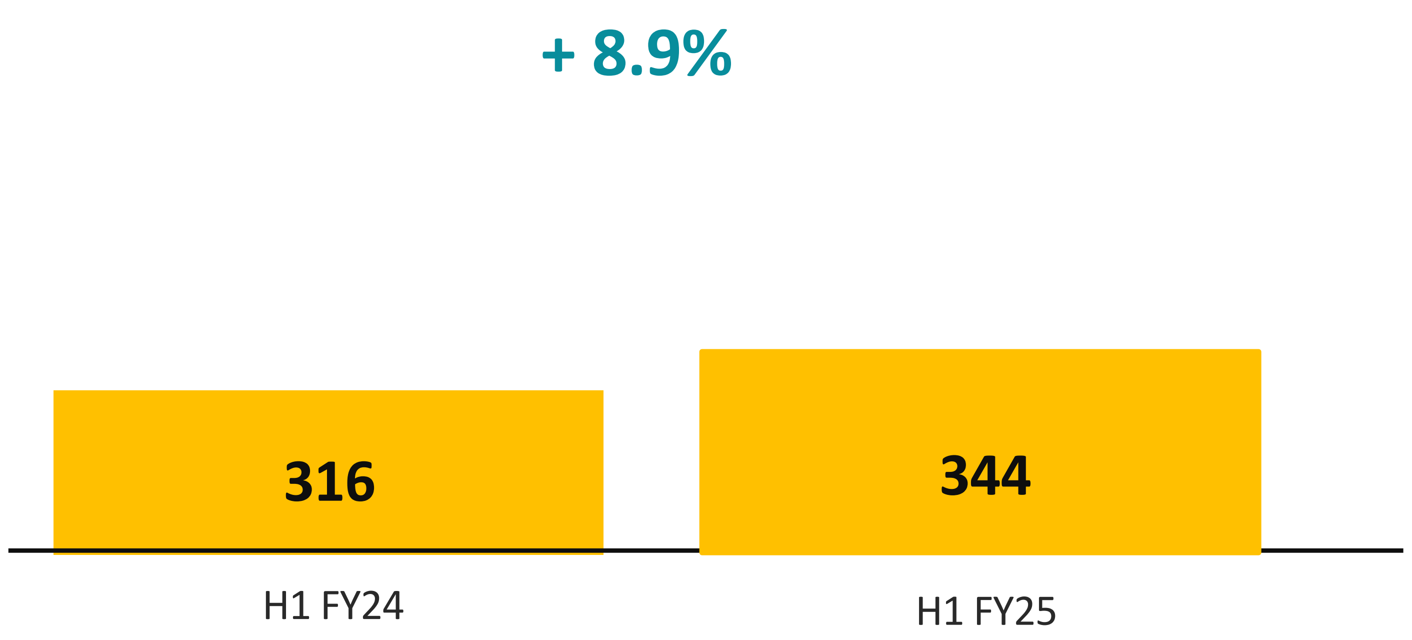


Focus on Dealz

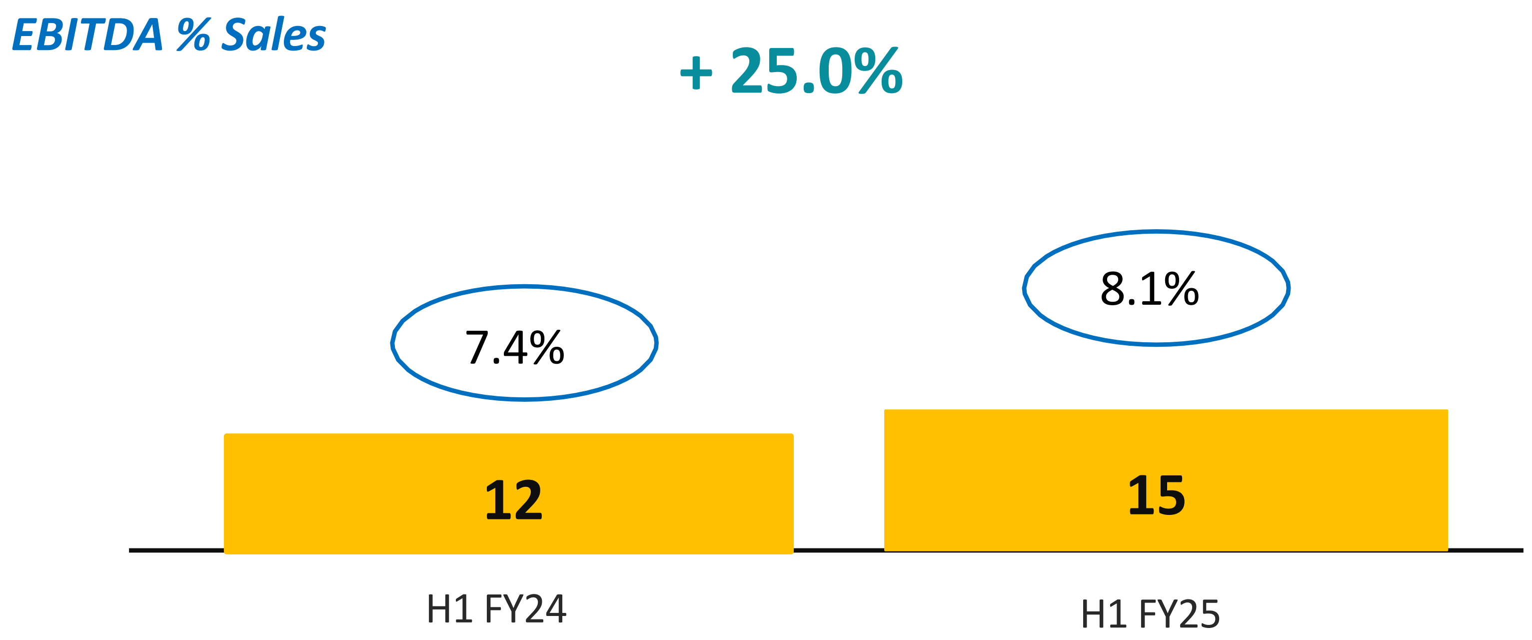
Revenue & LFL



Store Numbers



EBITDA (IFRS 16)



Gross Profit