

14th July 2022

Pepco Group N.V. – Q3 Trading Announcement
Continued growth and strategic progress

The fast-growing pan-European variety discount retailer, Pepco Group, owner of the PEPCO and Dealz brands in Europe and Poundland in the UK, today reports a trading update for the third financial quarter ending 30th June 2022¹.

	Q3		
	PEPCO	Poundland Group	Total Pepco Group
Revenue €m ²	704	507	1,210
Revenue Growth YoY Constant Currency ³	28.5%	3.8%	17.1%
Like-for-like Revenue Growth ⁴	7.3%	2.0%	4.9%
Stores #			
Total Stores End of Q3	2,775	1,020	3,795
New Stores YTD #	311	39*	350
New Stores YTD Growth	12.6%	4.0%	10.2%

*excludes the impact of 59 Fultons store closures

Q3 Highlights

- Group revenues for the quarter of €1,210m bringing our Year-to-Date revenues to €3,582m which represents YTD revenue growth of 17.4% on a constant currency basis.
- Strong Group revenue growth in Q3 of 17.1% on a constant currency basis, led by PEPCO delivering +28.5% growth with a particularly strong performance in PEPCO Hungary, Czechia and Serbia in the quarter.
- Positive Group Q3 like-for-like (“LFL”) growth of 4.9%
 - PEPCO: +7.3% LFL
 - Poundland Group: +2.0% LFL
- New store openings continue across all brands with 350 new stores added so far this year (excluding the closure of 59 Fultons stores).

Delivering against strategic priorities

Our accelerated store expansion programme continued, being the Group’s single biggest driver of value creation, and we are on track to deliver our upgraded target of 450 net new stores in FY22:

- Pepco Group: 115 new stores opened this quarter (excluding the closure of 16 Fultons stores)
- PEPCO: 109 net new store openings in Q3, including 40 in the Western European markets of Austria, Italy, Spain and Germany.

We completed 82 store renewals in Q3, making a total of 668 YTD, upgrading stores layout and environment, driving LFL sales growth and enhanced customer perception. In March 2022, we launched a trial in Spain offering the full range of Pepco clothing, Pepco GM and FMCG across selected stores. The trial has gone exceptionally well, and we have been encouraged by the initial response of customers with a significant increase in customer satisfaction. We have therefore decided that this destination format is the best way forward for our customers in the Spanish market. We will be converting our existing Dealz stores in Spain to Pepco stores and adding the FMCG offering where space allows.

Continued strong trading performance

Trading continued strongly across Q3, led by PEPCO and supported by a robust performance by the Poundland Group. PEPCO revenues for Q3 FY22 were +28.5% YoY on a constant currency basis and +7.3% LFL. In the Poundland Group, revenues for Q3 FY22 were +3.8% YoY on a constant currency basis and +2.0% LFL.

When compared with the pre-Covid period of Q3 FY19, average store sales at PEPCO are +9.2% LFL over the quarter. Similarly, looking at the three-year comparison for the Poundland Group shows average store sales for Q3 FY22 are +5.6% LFL compared with the pre-Covid period of Q3 FY19.

With inflationary pressures continuing across the wider market, the Group is committed to investing in its price proposition and maintaining its market-leading variety discount offering. The Group's continued focus on reducing the cost of operations is enabling us to maintain our price leadership.

Furthermore, against this backdrop, we are encouraged that the discount market across Europe is now much larger than at the time of the previous financial crisis in 2007-08 which means that a much larger customer base is more familiar with and more frequently shops across this channel.

Outlook

Whilst trading conditions continue to be challenging, we are confident in our continued progress and in the absence of any further significant deterioration in the macro trading environment, we remain on track for another good year which will meet guidance.

Commenting on the results, Trevor Masters, CEO of Pepco Group, said:

"The Group has delivered another quarter of good progress and a resilient trading performance, driven by its successful and proven strategy. We are excited about our expansion plans in Spain as they are the first step on the journey to make the best of the Group's offering available to more customers than ever before. It means we can leverage the benefits of our broader offering across the Group, making us even more efficient and effective.

"I would like to take this opportunity once again to thank all of our colleagues across the Pepco Group for their hard work and ongoing commitment to serving our customers.

"Despite the challenging market environment, Pepco continues to accelerate and deliver against its successful growth strategy based around our four key pillars: bigger, better, simpler and cheaper. We remain confident in the strength of our customer proposition, market positioning and in our ability to drive long-term value creation."

Explanatory Notes:

1. The Group financials are prepared on an unaudited basis for the three-month period ending 30th June 2022. Within this the 'PEPCO (Apparel-led multi-price)' segment operates on a calendar month basis with the three-month period ending on 30th June 2022, and the 'Poundland Group (FMCG-led price-anchored)' segment primarily operates on a trading week basis with the 13-week period ending on 26th June 2022.
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.
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. Absolute LFL revenue and LFL growth are each unadjusted for the impact of Covid in both financial years.

Future Market Updates

1. Full Year Pre-Close Trading Statement: 12 October 2022
2. Capital Markets Day: 13 – 14 October 2022
3. FY22 Preliminary Results and Publication of Annual Report: 13 December 2022

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.

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