

26 September 2024

Pepco Group N.V. Pre-close Trading Update

Record FY24 revenues and underlying EBITDA expected

Pepco Group, the fast-growing variety discount retailer, which owns the Pepco and Dealz brands in Europe and Poundland in the UK, today announces a pre-close trading update, ahead of the publication of its FY24 full year preliminary results in December 2024.

Andy Bond, Executive Chair of Pepco Group, commented:

"I am pleased with the positive progress we have made this year, particularly in rebuilding profitability in our core Pepco business in Central and Eastern Europe, with further opportunities for continued improvement. Group like-for-like revenues in the fourth quarter remained lower than the prior year, partly related to ongoing supply chain disruption, nevertheless, we expect to deliver record revenue and underlying EBITDA in FY24, driven by significant improvements in gross margin year-on-year.

"While there is much more to do, particularly around like-for-like sales progress, we remain committed to expanding our price leadership position, enhancing the core customer proposition and improving our supply chain capabilities. With these foundations, as well as a focus on disciplined capex to drive free cash generation, we expect to deliver further strategic progress in FY25."

Current trading

Group revenues year-to-date 51 weeks to 22 September are up 10% on a reported basis driven by store expansion, with LFL revenues over the same period down 3.1%. While Group LFL revenues have remained behind the prior year overall, Pepco LFL has seen progressive quarterly improvement through the year. We have opened 64 net new stores during the fourth quarter, expecting to finish the year with 390 net new stores overall, in line with prior guidance.

Pepco has continued to be impacted by supply chain issues, affecting the consistent and timely availability of stock in stores. Mitigating actions, which include shipping product earlier, optimising shipping routes and selectively utilising faster carrier options, are expected to improve availability during the first half of FY25. Trading in Poundland and Dealz has largely followed the trends described in previous updates, with performance affected by the transition to Pepco-sourced clothing and general merchandise, which is being addressed and initial benefits are expected to come in FY25.

Outlook

The Group expects to report record revenues for the full year in excess of €6 billion. The business has continued to benefit from strong year-on-year improvements in gross margin, driven by Pepco, as seen in the first half. As a result, the Group expects to deliver FY24 underlying EBITDA (IFRS 16) of at least €900m (FY23: EBITDA IFRS 16 of €753m), approximately 20% higher than prior year. Continued discipline around store expansion and capital investment will also result in higher free cash generation for the year.

Further improving our like-for-like sales performance, strengthening our price leadership position and customer attractiveness across our core range, as well as improving our supply chain capabilities, will be key priorities across FY25. The business continues to make positive progress in rebuilding profitability in its core Pepco CEE business and driving disciplined capital investment. We believe these actions will lead to a stronger balance sheet and help drive shareholder value over the long term.

Notice of results

The Group will publish its preliminary results for the 12 months ending 30 September 2024 on Tuesday 10 December 2024.

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