# Pepco cuts Poundland profit forecast sharply amid sale talks and tough trading



Pan-European discounter Pepco Group has revised its profit guidance for Poundland, the UK arm of its operations, ahead of a potential sale. This development comes amidst challenging trading conditions that have significantly affected Poundland's sales and overall performance. In its interim results for the six months to 31 March, Pepco reported a 6.5% decline in Poundland's revenues, standing at £830.8 million. This starkly contrasts with positive growth in Pepco and Dealz brands, which saw revenue increases of 9.3% and 13.8% respectively during the same period.

The company now anticipates that Poundland will achieve an underlying EBITDA between £0 and £16.8 million for the full year, a dramatic decline from previous expectations of £42.1 million to £59 million. This adjustment reflects not only disappointing sales figures but also significant issues related to stock clearance and product availability, compounded by the ongoing economic turbulence affecting the retail sector. According to Pepco's CEO, Stephan Borchert, the trading environment remains highly challenging, and these sentiments echo a broader trend within the discount retail market as global inflation and cost pressures mount.

Adding to the urgency of the situation, Pepco is actively pursuing an auction process to divest Poundland, with hopes to complete the sale by the end of September. Reports suggest that several private equity firms, including Gordon Brothers, Hilco Capital, Endless, and Modella Capital, are among the shortlisted bidders for the retailer. The anticipated divestiture reflects not only strategic shifts within Pepco but also a broader trend among retailers facing similar challenges in the current climate.

Reflecting on the operational adjustments at Poundland, Borchert noted the reappointment of Barry Williams as managing director earlier this year, stating that Williams is leading a recovery plan focused on revitalising the retailer's traditional strengths. However, the store closures, with 20 locations shuttered during the latest reporting period, are indicative of the scale of the challenges facing Poundland amidst heightened competition and faltering consumer confidence.

This trend is not isolated. Across Europe, Pepco's performance has been affected by a difficult trading environment, evident in their reported 2.5% decline in first-half same-store sales as of April 2024. Nevertheless, Pepco’s overall group revenue managed to increase by 11%, reaching €3.2 billion, largely as a result of expanding its footprint with 289 new store openings. This expansion strategy indicates a shift in focus towards markets performing better than the UK, suggesting a strategic realignment in Pepco's international growth efforts.

Moreover, the competitive landscape for discount retailers has been evolving rapidly, with Pepco itself facing increasing pressure from rivals as economic conditions continue to tighten. In December 2024, the company acknowledged a £675 million impairment charge for Poundland, further highlighting the performance declines and deteriorating outlook under the current economic climate. The impairments were a direct result of soaring budget costs and falling sales, with Poundland's like-for-like sales seeing a further drop of 3.6% for the year ending in September 2024.

Despite these setbacks, there is a glimmer of hope. The ongoing restructuring efforts and the potential sale of Poundland could herald a new chapter for the retailer, should it succeed in refocusing its business strategy more effectively. However, much will depend on how quickly it can adapt to return to profitability, particularly in the face of ongoing inflationary pressures and shifting consumer behaviours that characterise today’s market landscape. As the situation unfolds, both shareholders and consumers will be watching closely to see how these changes will impact Poundland’s future and its position within the broader Pepco Group.

### Reference Map

1. Paragraph 1: [[1]](https://www.grocerygazette.co.uk/2025/05/22/profit-poundland-cut/)
2. Paragraph 2: [[1]](https://www.grocerygazette.co.uk/2025/05/22/profit-poundland-cut/)
3. Paragraph 3: [[1]](https://www.grocerygazette.co.uk/2025/05/22/profit-poundland-cut/), [[2]](https://www.reuters.com/business/retail-consumer/european-discount-retailer-pepco-says-trading-environment-remains-challenging-2024-04-11/)
4. Paragraph 4: [[1]](https://www.grocerygazette.co.uk/2025/05/22/profit-poundland-cut/), [[3]](https://www.retailgazette.co.uk/blog/2024/12/pepco-takes-675m/)
5. Paragraph 5: [[4]](https://www.retail-week.com/value/pepco-reshuffles-management-team-and-issues-profit-warning/7044686.article)
6. Paragraph 6: [[2]](https://www.reuters.com/business/retail-consumer/european-discount-retailer-pepco-says-trading-environment-remains-challenging-2024-04-11/), [[5]](https://www.reuters.com/business/retail-consumer/discounter-pepcos-earnings-boosted-by-new-store-openings-margin-uplift-2024-05-23/)
7. Paragraph 7: [[3]](https://www.retailgazette.co.uk/blog/2024/12/pepco-takes-675m/), [[7]](https://www.standard.co.uk/business/business-news/poundland-takes-ps640-million-hit-on-budget-costs-and-sales-woes-b1199172.html)
8. Paragraph 8: [[3]](https://www.retailgazette.co.uk/blog/2024/12/pepco-takes-675m/), [[4]](https://www.retail-week.com/value/pepco-reshuffles-management-team-and-issues-profit-warning/7044686.article)
9. Paragraph 9: [[5]](https://www.reuters.com/business/retail-consumer/discounter-pepcos-earnings-boosted-by-new-store-openings-margin-uplift-2024-05-23/), [[6]](https://www.reuters.com/business/retail-consumer/discounter-pepco-posts-lower-quarterly-sales-keeps-full-year-profit-outlook-2024-07-11/)

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## Bibliography

1. <https://www.grocerygazette.co.uk/2025/05/22/profit-poundland-cut/> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/retail-consumer/european-discount-retailer-pepco-says-trading-environment-remains-challenging-2024-04-11/> - In April 2024, Pepco Group reported a 2.5% decline in first-half same-store sales, citing a challenging trading environment across Europe. Despite this, the company achieved an 11% increase in group revenue to €3.2 billion, bolstered by the opening of 289 new stores. CEO Andy Bond expressed confidence in returning to sales growth by the end of the 2023/24 financial year, driven by easing input costs and favorable currency rates. The group also announced the appointment of Stephan Borchert as CEO, effective July 1. ([reuters.com](https://www.reuters.com/business/retail-consumer/european-discount-retailer-pepco-says-trading-environment-remains-challenging-2024-04-11/?utm_source=openai))
3. <https://www.retailgazette.co.uk/blog/2024/12/pepco-takes-675m/> - In December 2024, Pepco Group reported a £675 million impairment charge on its UK subsidiary, Poundland, due to a significant decline in performance and a weaker outlook for profitability amid increasing competition and cost challenges. Poundland's like-for-like sales fell by 3.6% for the year ending 30 September 2024, with overall revenue edging up by 0.2% year-on-year. EBITDA declined by 21.5% to €153 million (£126.6 million). CEO Stephan Borchert acknowledged the challenges and emphasized the need for swift action to return Poundland to its core strengths. ([retailgazette.co.uk](https://www.retailgazette.co.uk/blog/2024/12/pepco-takes-675m/?utm_source=openai))
4. <https://www.retail-week.com/value/pepco-reshuffles-management-team-and-issues-profit-warning/7044686.article> - In September 2023, Pepco Group announced a reshuffling of its management team and issued a profit warning for the full year 2023 due to an increasingly challenging trading environment in Central and Eastern Europe. The company revised its EBITDA forecast to approximately €750 million (£648 million), down from previous guidance of €799 million (£691 million), citing weaker sales, continued inflationary pressures on costs, and the impact of investment in new stores. ([retail-week.com](https://www.retail-week.com/value/pepco-reshuffles-management-team-and-issues-profit-warning/7044686.article?utm_source=openai))
5. <https://www.reuters.com/business/retail-consumer/discounter-pepcos-earnings-boosted-by-new-store-openings-margin-uplift-2024-05-23/> - In May 2024, Pepco Group reported a 28% increase in first-half core earnings, driven by new store openings and improved gross margins. The group opened a net 289 new stores, primarily in Central and Eastern Europe, and achieved a gross margin increase of 310 basis points to 43.1%. Underlying EBITDA reached €487 million, with revenue up 13.8% to €3.2 billion. However, Poundland's UK performance fell short due to challenges in transitioning to Pepco products. ([reuters.com](https://www.reuters.com/business/retail-consumer/discounter-pepcos-earnings-boosted-by-new-store-openings-margin-uplift-2024-05-23/?utm_source=openai))
6. <https://www.reuters.com/business/retail-consumer/discounter-pepco-posts-lower-quarterly-sales-keeps-full-year-profit-outlook-2024-07-11/> - In July 2024, Pepco Group reported a 4.3% decline in third-quarter underlying revenue, attributed to shipping disruptions in the Red Sea. Despite this, the group maintained its profit forecast for the full year. The company noted similar sales issues partly due to an earlier Easter, slow clearance of old stock, and delays in summer stock availability. The supply chain disruptions were linked to ongoing Suez Canal shipping interruptions caused by Iranian-aligned Yemeni Houthi militants. ([reuters.com](https://www.reuters.com/business/retail-consumer/discounter-pepco-posts-lower-quarterly-sales-keeps-full-year-profit-outlook-2024-07-11/?utm_source=openai))
7. <https://www.standard.co.uk/business/business-news/poundland-takes-ps640-million-hit-on-budget-costs-and-sales-woes-b1199172.html> - In December 2024, Pepco Group reported a pre-tax loss of €554 million (£457 million) for the year ending 30 September, following a €775 million (£640 million) impairment charge on Poundland. The company cited soaring costs from recent budget moves and falling sales as contributing factors. Poundland's like-for-like sales dropped 3.6% over the year, with challenges in clothing and general merchandise following the transition to Pepco-sourced ranges. ([standard.co.uk](https://www.standard.co.uk/business/business-news/poundland-takes-ps640-million-hit-on-budget-costs-and-sales-woes-b1199172.html?utm_source=openai))