

TRADE PROFILE



Overview

Poundland is a British variety store chain based on the concept of "Everything for £1". The store was established in 1990 by founders Dave Dodd and Stephen Smith. Today, Poundland is the largest single price value retailer in the UK offering over 3,000 products across 17 different shopping categories including food and drink, health and beauty, household, gardening, DIY, pets, stationery, toys and gifts.

Poundland stocks both brand names and clearance products with over two thirds being sourced from the UK. Stock is described as falling into one of three different categories: ongoing core lines (products bought direct from the manufacturer), seasonal ranges and clearance stock. Like many of its rivals, Poundland operates a constantly rotating product line and in any given year the retail chain can feature up to 10,000 new products.

With over 500 stores nationwide, Poundland serves over 4.5 million customers every week. Volume is critical to the retailer's success. Last year, for example, 3 million lightbulbs, 5.5 million boxes of Maltesers, 250,000 garden gnomes and 3 million metres of tinsel were sold!

Claiming to have introduced the concept of single-price retailing, Dave Dodd and Stephen Smith founded the retail chain with a starting capital of just £50,000.

Poundland's pilot store opened in the Octagon Centre, Burton-upon-Trent that same year, followed by new stores in The High Street, Meadowhall and other key trading locations. Shoppers loved the concept and the stores proved to be a huge success. Growth continued

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rapidly with six more stores in 1991 and seven more a year later.

Retail growth pushed their storage capacity past its limits, so despite heavy profit losses, a new 130,000 sq.ft warehouse was built and by 1996 was fully operational.

Other key milestones in the company's history include:

1996: Hong Kong office opens to provide direct support with sourcing

2002: Poundland sells to Advent International; Colin Smith joins as Chairman

2003: 100th store opens in Shirley, West Midlands

2005: Springvale, second distribution centre, opens to provide 500,000 sq.ft combined capacity

2006: 150th store opens; Jim McCarthy joins Poundland from Sainsburys as CEO

2008: 200th store opens in Doncaster, South Yorkshire. Cashing in on resurgence in value retailers due to economic climate, Advent International puts Poundland up for sale

2010: Warburg Pincus, US private equity firm, acquires the majority shareholding for £200million

2011: The first Dealz store opens in the Republic of Ireland

2012: 400th store opens in Haringey as well as new temporary 200,000 sq.ft distribution centre at Hoddesdon

2013: The 25th Dealz store opens in Ireland, and the 450th Poundland store opens in the UK

2014: Poundland floats on the London Stock Exchange, opens new 350,000 sq.ft flagship distribution centre in Harlow, Essex as well as 1st Dealz store in Spain

2015: Poundland agrees to buy 99p stores for £55 million, subject to clearance by competition authorities.

Key Personnel:

Jim McCarthy -
Chief Executive Officer

Nick Hateley -
Chief Financial Officer

Richard Lancaster -
Trading & Marketing Director

Tim McDonell -
Retail Operations Director

Craig Bales -
Property Director

Andy Monk -
Supply Chain Director

Mark Powell -
Human Resources Director

Mike Gray -
IT Director



Trading Strategy



Poundland prides itself as being the largest single price value retailer, reflected in their slogan "Everything's £1!" and offers a straightforward and transparently-priced retail experience that enables consumers to shop thousands of branded and non-branded products in their local high street store.

The company's trading strategy focuses on:

- providing a simple pricing concept
- offering a wide range of good value products
- understanding changing consumer needs
- ensuring stores are as accessible as possible to as many as possible through their store growth and development programme.

Simple pricing concept:

By having a set price for all of their stock, Poundland avoids the need to pass pricing information to each of their 500+ stores as well as the need to associate individual price tags with each item.

It hasn't been all plain sailing as some manufacturers have been apprehensive and worried about selling their brands in a discount environment. Poundland has overcome this

by offering manufacturers the alternative of selling the products under their own in-house brand. At one point in time, approximately 70% of total stock carried the Poundland branding and logo. However, over time, the company found that they could increase sales by removing the Poundland branding and creating sub-brands such as Beauty Nation, Kitchen Corner, Tool Box and Sweet Heaven, a range of branded bagged sweets launched in 2009 in a bid to fill the gap left behind by Woolworths and, in particular, its pick n mix selection.

Wide range of good value products:

At any one point in time, Poundland offers its customers over 3,000 products across 17 wide ranging categories in its stores.

The company stocks well over 1,000 branded products which sit side by side on the shelf with their own branded ranges. Brands include Colgate, Walkers, Cadburys, Sony and Panasonic and are most common within the food and drink category where consumers regularly take advantage of their multibuy offers on branded crisps, confectionery and soft drinks.

To add a further dimension to the shopper experience and to help challenge consumer perception, Poundland launched its first ever retailer celebrity partnership with Jane Asher in April 2014.

The store first introduced the bargain bakeware ahead of the hugely popular Great British Bake Off TV show. By



Trading Strategy continued...

September of the same year, The Grocer magazine stated that the 80 piece product range had become the store's most popular and fastest-selling line yet, reporting that the collection had generated sales in excess of £2 million.

Following this success, Poundland have recently revealed their collaboration with renowned DIY expert, Tommy Walsh, and his new exclusive DIY range due to appear in stores nationwide from end April 2015.

Expected best sellers of the 200-strong range include the three piece professional paint brush set, 7.5m tape measure and 20g tube of superglue, as well as paint rollers, trays, masking tape and screwdrivers. These will all be available at the famous £1 price point, in stark contrast to competitor products ranging from five to ten times the price.

Understanding changing consumer needs:

About 80% of Poundland's 4.5 million customers are classed as belonging to the socio-economic groupings C1, C2, D and E females, though this profile has been shifting slowly with a growing number of A and Bs spending more heavily in recent years.

Following the economic recession, an increasing number of households see Poundland as a means to purchase their regular household necessities. Where some high street shops have reported a downturn in profits, Poundland has seen strong growth with an increasing number of price conscious customers visiting its stores for bargains, bulk buying certain items such as toothpaste and tinned food. Poundland also attracts students and the elderly who typically watch their budgets. It is vital, therefore, that the product ranges on offer carefully reflect the diverse customer base.

Competition is fierce. Value and discount retailers have experienced a boom since the recession in 2009. Several other retailers, such as Poundworld and 99p Stores operate the same strategy as Poundland as budget-conscious consumers often switch from traditional larger supermarkets to the discount retailers for their everyday purchases.



Poundland's strategy to lure customers away from the larger supermarket chains is delivered through their offer of reputable household brands. The company is confident that if they can get them into store by selling brand names at unbeatable prices then they will be able to entice them to impulse buy other products on offer, hopefully own-brand, that they may not have necessarily planned to purchase.

Accessibility due to store growth and development programme:

Since 1990, Poundland has experienced rapid growth, both in the UK and more recently in Ireland and Spain. (See Stores & Employees section for more detail).

In order to service this rapid store growth programme efficiently, Poundland has had to focus time, money and attention on both distribution and warehousing.



Trading Strategy continued...

In November 2014, Poundland opened its 350,000 sq ft flagship distribution centre in Harlow, Essex. The depot, which is Poundland's largest facility, will help drive growth in the UK and Europe and serve the company's entire store network.

The opening of the centre and investment in Poundland's infrastructure enables the company to offer new products to stores in the UK and abroad. Andy Monk, Supply Chain Director, said: "The development of this distribution centre marks a major milestone for Poundland, securing our future growth and supporting our expansion plans, both in the UK and in Europe. The eco-friendly warehouse, almost double the size of our temporary hub in Hoddesdon, will benefit from 37,000 pallet locations, on-site fuel and vehicle maintenance workshops, ensuring that we maximise our logistical efficiencies and maintain overall control of stock availability at store level"

CEO Jim McCarthy added: "The depot will be critical to driving our expansion plans, helping us achieve our long-term target of opening 1,000 stores in the UK, providing Poundland's amazing value to more customers across both the UK and Europe."

Technology/Online presence

Plans to launch a Poundland transactional web site have been underway for some time now in an effort to attract consumers not served by any of its stores. The proposed site planned to offer a limited range of products with best-seller and seasonal items featuring strongly such as Halloween and Christmas products. The transactional web site is yet to go live. CEO Jim McCarthy has stated that his priority is to concentrate on the new store opening programme. Plans for the site are currently on hold.

Marketing/Advertising

Whilst Poundland doesn't have a transactional website or a catalogue for its consumers, it does have its own corporate site which highlights the wide range of both branded and non branded products available in store. Promotions are also heavily advertised online. There is a section entitled

Great Ideas which covers a range of events, celebrations and articles to help inspire its customer base.

The retailer offers consumers a weekly email newsletter complete with special offers and more recently has embraced social media having active Facebook, Twitter, Pinterest and Youtube accounts.

Poundland has successfully been recognised within the industry winning the 2011 Discount Retailer of the Year at the Retail Industry Awards where judges commented that "Poundland's cost control was felt to be exceptional and its relationships with suppliers exemplary. From a supplier perspective we're seeing them doing some very innovative things and they look after their suppliers very well".

The company also won last year's Variety Discounter of the Year Award for the second consecutive year at The Grocer Gold Awards. This award recognises discounters for which grocery is not the core part of their offer, but is nonetheless a growing and important element of the business. The company was recognised for its record performance in 2013 and the way it had made a significant impact in the sector with a host of new consumer initiatives and innovative products including its discount retailer celebrity partnership with Jane Asher bakeware.



Stores & Employees

Over the 3 year period to 2006, Poundland almost doubled its stores from 80 to 150. Growth slowed until early 2008 when the company took advantage of the economic downturn to further expand at an average rate of over 3.5 new stores a month, from February 2008 to September 2009.

In 2007, CEO Jim McCarthy stated the intention to expand operations into Europe once the company had extended its UK properties significantly. Poundland reached their first milestone with their 100th store opening in the West Midlands in the same year and by November 2008, the company had opened their 200th store in South Yorkshire. The following year a handful of stores were opened in Northern Ireland and by 2013 Poundland opened its 450th store.

True to his word, Jim McCarthy & Poundland entered Europe in September 2011 opening two stores in the Republic of Ireland. Trading under the Dealz brand, the Irish estate has grown rapidly and was profitable in its first full year of operation. It has already delivered a positive return on investment and has significant growth opportunities ahead.

Jim McCarthy said: "The success of Dealz in the Republic of Ireland was a clear demonstration that we have the capability to generate positive financial returns in new geographies quickly"

The Poundland chief executive said the company would also consider establishing a distribution centre in Ireland at some point in the future. "There's not enough critical mass just yet but, as we continue to grow, it will make us think very hard about setting up a distribution centre."

Dealz opened its 34th store in Wexford in September 2014 with Mr McCarthy reporting that it attracted 3,000 customers on its first day.

Building on its expansion success, in February 2014 Poundland announced its intention to extend operations further into Spain – the plan being to open up 10 shops under the Dealz brand over a two year period and to use the experience and insight from the first phase of stores as a platform for further rollout. It is hoped that 500 jobs will be created in the process.

In November 2014, this intention became a reality as Poundland entered the Spanish market and opened stores in Alicante, Torremolinos, both cities with large British ex-pat communities, and Madrid, at a time when many Spaniards are watching their money carefully after six years of economic crisis and austerity.

Year	Store Numbers	Employee Numbers
2011	327	8,602
2012	389	10,020
2013	458	11,735
2014	528	12,829



Financials

Year	Turnover £000's	Operating Profit £000's	Pre-tax Profit £m	Turnover Growth %	LFL Growth %	Notes
2011	641,522	21,482	21,401	25.8	N/A	Year ended 27 th March 2011
2012	780,147	32,022	32,026	18.7	2.3	Year ended 1 st April 2012
2013	880,491	34,213	34,313	15.6	(1.7)	Year ended 31 st March 2013
2014	997,803	27,702	21,484	13.3	1.9	Year ended 30 th March 2014

Note: All data taken from Companies House filings for Poundland Group PLC, Poundland Ltd and Poundland investor information

Poundland Group PLC is due to file its next set of accounts by 31st September 2015.

After several years of strong turnover growth Poundland announced its intention to proceed with an initial public offering (IPO) in February 2014. Jim McCarthy, CEO of Poundland, said of the IPO: "The value retail sector has been through a period of profound change in scale, customer perception and financial performance. The sector is now a mainstream feature of the UK retail market and Poundland has been a central architect of that change. Our single price point and our amazing value are appealing to an increasingly broad section of shoppers with 22% of our UK customers now coming from the AB demographic. We have built a track record of delivering strong, profitable growth and I believe we have many more opportunities ahead, underpinned by our trusted brand, strong supplier relationships, differentiated value proposition and our well-invested and scalable infrastructure. Our success in Ireland - where we trade under the Dealz fascia - demonstrates that we have the capability to generate positive financial returns in new geographies quickly and underlines the potential in the business for further international growth in addition to our plans for continued rapid growth in the UK."

On March 12th, 2014, Poundland Group PLC announced the successful pricing of its IPO of 125,000,000 shares at 300 pence per share, valuing the company at £750 million and raising between £375 million and £430 million to aid expansion.

Commenting on the announcement, Jim McCarthy, Chief Executive Officer of Poundland Group plc said: "I'm very pleased to welcome our new shareholders to Poundland. The combination of a track record of delivering strong, profitable growth underpinned by a well-invested infrastructure and a compelling growth story has attracted overwhelming support for Poundland's IPO. We look forward to continuing to deliver, as a listed company, Poundland's mission to provide our customers with

amazing value every day."

Latest trading update: 13 weeks ended 29th March 2015

In the 13 weeks to 29 March, total revenue excluding a trial in Spain increased by 7.1% on a constant currency basis.

During the year, total revenue excluding Spain, climbed by 11.8% to £1.1 billion. Fifteen new stores were opened in the UK and Ireland during the fourth quarter, taking the total of net new stores to 60 during the 2015 financial year. The company ended the financial year with a total of 547 stores in the UK and 41 stores in Ireland.

Poundland continued to develop its trial in Spain and advised it was pleased with initial progress. At the end of the quarter it had five stores in the country and has since opened a third store in Madrid.

Poundland's chief executive officer, Jim McCarthy, said: "After a solid quarter of sales growth, Poundland's revenue for the 2015 financial year was over £1 billion for the first time. Despite tough trading conditions, Poundland continues to perform well and we served an average of 5.3 million shoppers a week during the quarter. We have managed our costs and cash well, and we expect underlying pre-tax profits to be in line with market expectations for the year as a whole. We achieved our target of 60 net new stores in the UK and Ireland and have a very strong pipeline of store openings for the current financial year. We expect to continue to deliver our growth strategy in the new financial year, notwithstanding some headwinds from a weaker Euro and a tough comparable in the first half."

Poundland also advised that it is continuing to "carefully consider" the recent announcement by the UK Competition and Markets Authority that said the retailer's proposed acquisition of rival 99p Stores could be the subject of an in-depth investigation.

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