

EPE Special Opportunities Limited
(“ESO” or the “Company”)

Trading Statement

The Board of EPE Special Opportunities is pleased to provide an update on the Company's performance for the full year ended 31 January 2024.

- The macro-economic environment has continued to be complex throughout the year ended 31 January 2024, creating headwinds for the Company and its portfolio. Economic uncertainty has underpinned an adverse environment for new investments or disposals within the portfolio at acceptable pricing. As a result, the Board and Investment Advisor have prioritised positioning the portfolio to navigate turbulent market conditions and focussed on operating improvements and liquidity, while progressing longer term growth strategies which will allow the Company to capitalise as the trading environment begins to stabilise. The Board and Investment Advisor are encouraged by early signs of stabilisation in key indicators and look forward to further improvement over the coming period.
- The unaudited estimate of the Net Asset Value (“NAV”) per share of the Company as at 31 January 2024 was 324 pence, representing a decrease of 1 per cent. on the NAV per share of 328 pence as at 31 January 2023. The unaudited estimate has been prepared using the Company’s historic valuation methodology and accounting principles.
- The share price of the Company as at 31 January 2024 was 165 pence, representing a decrease of 3 per cent. on the share price of 170 pence as at 31 January 2023.
- In January 2024, Luceco released a trading update for the year ended 31 December 2023, announcing trading ahead of market expectations. The group announced sales of £209 million, with Q4 trading 9.5 per cent. ahead of the prior year. The business expects to generate operating profit of £24 million, ahead of expectations. The business achieved strong cash generation driven by higher operating profit and improved working capital efficiency which supported further deleveraging, with net debt of 0.6x LTM EBITDA as at 31 December 2023. An excellent achievement and well below Luceco’s target range of 1.0-2.0x net debt to EBITDA.
- Whittard of Chelsea (“Whittard”) delivered a strong performance in the period led by growth in its UK retail channel, due to strengthening domestic and tourist footfall, further enhanced by a new pop-up store in London Paddington station over the Christmas period. Whittard has continued to progress its international strategy, with the business entering a strategic partnership with Rayware to develop its overseas presence and with its South Korean franchise partner opening a new store in Samsung Town in April 2023. The business made two senior appointments in January 2024, including a new Chief Financial Officer and Chief Marketing Officer.
- The Rayware Group (“Rayware”) has experienced challenging trading conditions throughout the period. Financial performance was impacted by customer destocking, acute supply chain costs, depressed consumer confidence and well publicised inflationary cost pressures. Rayware’s capital structure has therefore remained stretched due to depressed EBITDA, interest exposure and mezzanine finance, stapled to the structure at acquisition. In the period ESO invested £3.35 million to reduce external debt and has a contingent guarantee of £1.75 million outstanding. More positively, in support of the international growth strategy, a new Head of US Sales and Marketing was appointed in June 2023 and a new Head of Export was appointed in February 2024.
- David Phillips has continued to develop its built-to-rent and project-based divisions, delivering year-on-year sales growth. Profitability has improved from better product sourcing, pricing and a focus on recurring sales channels. Efficiency has been further enhanced through prudent actions taken to reduce the cost base.
- Pharmacy2U (“P2U”) demonstrated an increased rate of organic growth in its core NHS online prescription division in the period. In October 2023, P2U announced the acquisition of LloydsDirect, the UK’s second largest online pharmacy, from McKesson UK. In November 2023, the UK Competition and Markets Authority announced they are reviewing the acquisition, with integration subject to their approval.
- Denzel’s has focussed on developing its team and infrastructure in the period to support its ambitious growth plans, whilst at the same time achieving strong year-on-year sales growth. The business relaunched its website and has seen a significant increase in online marketing and transactional activity to support its early successes in offline retail channels.

- In January 2024, EPIC Acquisition Corp (“EAC”) announced that it will return all residual capital to third parties and wind up. A perfect storm of Ukraine, global divestment from China, economic flux from energy prices, subsequent inflation and inevitable stock market volatility made 2022 and 2023 difficult years with regards to a high conviction, high risk, capital markets product. Over the 24 month investment period, the EAC team reviewed over 250 opportunities, engaged actively with 12 targets and held over 100 investor meetings. Interesting transaction opportunities arose but could not be completed given the lack of appetite for public market transactions during the period. A disappointing end to an interesting investment product and opportunity for ESO. ESO’s holding in EAC will be realised at par while the value realised from EAC Sponsor will be determined following the completion of the liquidation.
- In July 2023, the Company completed the realisation of its holdings in Atlantic Credit Opportunities Fund and in August 2023 completed the realisation of its holdings in Prelude Structured Alternatives Master Fund LP, both realised at carrying value.
- The Company had cash balances of £15.3 million¹ as at 31 January 2024. The Board continues to focus on maintaining satisfactory liquidity during the ongoing period of market uncertainty. In July 2023, the Company exercised its right to extend the maturity of its £4.0 million unsecured loan notes to 23 July 2024. In July 2023, the Company also repurchased 7.5 million zero dividend preference (“ZDP”) shares. Following this buyback, the Company has 12.5 million ZDP shares remaining in issue, maturing in December 2026. The Company has no other third-party debt outstanding.
- As at 31 January 2024, the Company’s unquoted portfolio was valued at a weighted average EBITDA to enterprise value multiple of 7.2x (excluding assets investing for growth) and the portfolio continues with a low level of third party leverage, which is commensurate with current market conditions, with net debt at 1.4x EBITDA in aggregate.

Mr Clive Spears, Chairman, commented: “The Company has faced a complicated operating environment in the period, but the Board and Investment Advisor have prudently managed its positioning of the portfolio and the Company with particular focus on maintaining liquidity and structural or operational support as required at company and portfolio level. The Board would like to express its gratitude to the Investment Advisor and the portfolio management teams for their diligence during another turbulent year which has been particularly demanding to ensure investee companies remain on track. The Board will continue to monitor developments and looks forward to updating shareholders at the half year.”

The person responsible for releasing this information on behalf of the Company is Amanda Robinson of Langham Hall Fund Management (Jersey) Limited.

Note 1: Company liquidity is stated inclusive of cash held by subsidiaries in which the Company is the sole investor.

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