24 JANUARY 2023

Trading update

Associated British Foods plc

Associated British Foods plc today issues a trading update for the 16 weeks to 7 January 2023 summarising the significant trading developments since the last market update.

Group revenue

Group revenue for the 16 weeks ended 7 January 2023 was £6,698m, 20% higher than the comparable period last year at actual exchange rates and 16% higher at constant currency. The difference in revenue growth between actual exchange rates and constant currency was mainly driven by the significant strengthening of the US dollar in this period. The following table sets out revenue by business segment.

	Year to date £m	Last year £m	Change	Change at constant currency
Grocery	1,389	1,215	+14%	+9%
Sugar	795	609	+31%	+27%
Agriculture	651	545	+19%	+17%
Ingredients	718	528	+36%	+26%
Total Food	**3,553**	**2,897**	**+23%**	**+17%**
Retail	3,145	2,672	+18%	+15%
Group	**6,698**	**5,569**	**+20%**	**+16%**

Trading summary and outlook

We continue to encounter significant cost pressures but inflation has become less volatile and recently some commodity costs have declined. Consumer spending has proven to be more resilient in this trading period than anticipated at the start of the financial year.

Pricing actions taken by our Food businesses to recover the significant inflation in input costs are more evident this period. For the full year we continue to expect the aggregate profit of our Food businesses to be ahead of our last financial year but with a lower margin. We now expect the operating result at AB Sugar to be broadly in line with last year as a result of a much-reduced UK sugar crop, and for trading at Ingredients to be better.

To date, Primark trading has been good in all our markets and was ahead of expectation. We had a very strong Christmas period. We believe our proposition of great quality at affordable prices and attractive store experience is proving increasingly appealing to both existing and new customers. Early trading in this new calendar year has been encouraging but macro-economic headwinds remain and may weigh on consumer spending in the months ahead. We had an accelerated programme of store openings in the period and remain on track to add a net 1 million sq ft of retail selling space in this financial year.

For the full year, our expectation for the Group result overall is unchanged with a significant growth in sales, and adjusted operating profit and adjusted earnings per share to be lower than the previous financial year.

Food

Aggregate revenue from our Food businesses was 23% ahead of the comparable period last year at actual currency and 17% ahead at constant currency. This increase was primarily driven by price actions to recover significant input cost inflation in our Grocery, Ingredients and Agriculture businesses while Sugar revenues reflected higher sugar and co-product prices in Europe and Africa.

Input cost inflation is becoming less volatile and recently some commodity costs have declined. However, all our businesses continue to work hard to restore margins which have been and remain under pressure.

In AB Sugar, UK sugar production from the 2022/2023 campaign is now expected to be some 0.74 million tonnes, lower than our previous forecast of 0.9 million tonnes and compares to 1.03 million tonnes from our last campaign. This reflects lower beet sugar yields following adverse weather conditions, especially recently. Profitability at British Sugar will be lower than expected as a result. Sugar production at Illovo is expected to be higher than forecast and will be above last year's 1.45 million tonnes. Vivergo, our bioethanol plant in Hull, has been operating well but made a loss in the period due to volatility in its energy and other input costs and bioethanol prices.

In our Grocery businesses, inflation in input costs continued to run ahead of pricing to recover margins and for the full year we continue to expect some erosion of adjusted operating profit margin.

Our Ingredients businesses performed very strongly in the period and we now expect full year operating profit to be ahead of last year. AB Mauri exceeded expectation with both recovery of input cost inflation and volume growth delivering good revenue growth in all its major regions. ABF Ingredients, our speciality ingredients businesses, continued to trade strongly.

Retail

To date, Primark trading has been good in all our markets and was ahead of expectation. We had a very strong Christmas period.

This year footfall was strong in both the UK and the Eurozone, unit volumes increased, and sales were 18% ahead of last year at actual exchange rates and 15% ahead at constant currency. Last year the omicron pandemic impacted footfall.

Primark like-for-like sales were 11% ahead, supported by higher unit volumes, higher average selling prices and a normalised level of markdown. Sales in the week leading up to Christmas Day reached a new record. Retail selling space increased from 17.0 million sq ft to 17.7 million sq ft year on year and all the new stores are performing well.

In the UK there was a step-up in performance with sales 15% ahead of last year, nearly all of which was like-for-like growth. Primark's share of the total UK clothing, footwear and accessories market by value, which includes online sales, for the 12 weeks ended 11 December 2022 reached 7.0%, up from 6.5% in the comparable period last year, and was very close to the record trading when stores reopened in June 2021 after a prolonged lockdown. Of note, footfall is now strong in major city centres as well as on high streets and retail parks.

Trading in Europe, excluding the UK, was very encouraging with sales up 16% with growth in all markets. Like-for-like sales were 8% higher. We have had a very extensive store opening programme in this region, opening 12 stores over the last 12 months. The new stores in Bucharest, Romania, and in Caserta, near Naples in Italy, are both performing particularly strongly.

We are encouraged by sales growth of 4% in the US given the strength of prior year comparatives which were supported by COVID related government stimulus. We plan to nearly double selling space in the US in this financial year and opened three stores towards the end of the period – Roosevelt Field, Long Island; Jamaica Avenue, Queens; City Point, Brooklyn – and all are performing well. We also extended our recently opened store at Sawgrass Mills in Florida.

Adjusted operating profit margin in the period was better than expected as a consequence of the sales performance. As expected, the margin was somewhat lower than in the same period last year as a result of inflation in the cost of bought-in goods driven by the significant strengthening of the US dollar against sterling and the euro, and higher freight rates, labour and energy costs.

Primark's digital capability continues to develop. With improved functionality and better customer experience, the new UK website's traffic has increased some 85% since last year, with double the average pages viewed per session. The new site has just been launched in the Republic of Ireland, to be followed in the coming months by Germany, Spain, and the US, with remaining markets expected by the middle of the calendar year. We are encouraged by our Click and Collect trial of children's products in 25 stores in the UK.

We had a strong programme of store openings in the period and retail selling space increased by 0.4 million sq ft. At 7 January 2023, 416 stores were trading from 17.7 million sq ft which compared to 17.0 million sq ft a year ago. Ten new stores were opened in the period: our first store in Romania, Primark's 15th market, three in the US, two in Italy, two in Poland, one in France, and one in Northern Ireland. Following the devastating fire in 2018, we were delighted to reopen fully our Bank Buildings store in the heart of Belfast. We extended our stores at Sawgrass Mills, Florida, and Galway Eyre Square, Republic of Ireland. We closed our store in Weiterstadt, Germany as planned and, after the reopening of Bank Buildings, our temporary store in Donegal Place, Belfast.

In this financial year we will open a further 17 stores: seven in the US, three in France, three in Spain, two in Italy, one in Romania, and our first store in Slovakia, which becomes Primark's 16th market, in Bratislava. Taken with a small number of relocations, extensions and a further planned store closure in Germany, we continue to expect to add a net 1 million sq ft of retail selling space in the financial year. We have recently signed a lease for our first store in Hungary, which will become Primark's 17th market, in Budapest.

Notes:

- The like-for-like Retail metric reflects the measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency excluding new stores, closures and relocations. It is measured against comparable trading days in each year.
- Definitions of the alternative performance measures referred to in this announcement can be found in note 30 of our Annual Report and Accounts 2022.

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