



Review of interim results for 24 weeks ended 4 March 2023

25 April 2023

Associated British Foods plc

John Bason



First half business highlights

- better performance than anticipated last September
- extreme and volatile costs in all our markets
 - considerable cost mitigation and pricing actions
- resilience in Food businesses overall
 - exceptional performance in Ingredients
- Primark sales up 19% driven by footfall and pricing
 - volume growth despite difficult consumer conditions
 - decision not to fully recover input cost inflation
 - successful new store opening programme
- increased investment and innovation

First half financial highlights

| | 2023 | Change |
|--|--------|---------|
| Group revenue | £9.6bn | +17% * |
| Adjusted operating profit | £684m | -7% * |
| Adjusted profit before tax | £667m | in line |
| Adjusted earnings per share | 62.0p | -3% |
| Interim dividends per share | 14.2p | +3% |
| Gross investment | £527m | +17% |
| Net cash (before lease liabilities) | £0.6bn | |
| Net debt (including lease liabilities) | £2.6bn | |

* at constant currency

Income statement

| | 2023 £m | 2022 £m | Change actual FX | Change constant FX |
|---|------------|------------|---------------------|-----------------------|
| Revenue | 9,560 | 7,882 | +21% | +17% |
| Operating costs before exceptional items | (8,949) | (7,237) | | |
| Share of joint ventures and associates | 50 | 37 | | |
| Profits less losses on disposal of non-current assets | 2 | 4 | | |
| Operating profit | 663 | 686 | | |
| Adjusted operating profit | 684 | 706 | -3% | -7% |
| Profits less losses on disposal of non-current assets | 2 | 4 | | |
| Amortisation of non-operating intangibles | (20) | (20) | | |
| Acquired inventory fair value adjustments | (2) | - | | |
| Transaction costs | (1) | (4) | | |

Income statement

| | 2023 £m | 2022 £m | Change |
|--|------------|------------|---------|
| Operating profit | 663 | 686 | -3% |
| Loss on sale and closure of businesses | (2) | (11) | |
| Net interest expense | (37) | (44) | |
| Other financial income | 20 | 4 | |
| Profit before tax | 644 | 635 | +1% |
| Tax | (102) | (151) | |
| Profit after tax | 542 | 484 | |
| Adjusted profit before tax | 667 | 666 | in line |

Tax

| | 2023 £m | | 2022 £m | |
|-----------------------------------|------------|-------|------------|-------|
| Underlying charge | 165 | 24.7% | 155 | 23.2% |
| Credit on intangible amortisation | (5) | | (3) | |
| Increase in deferred tax asset | (58) | | - | |
| Other credits and charges | - | | (1) | |
| Reported charge | 102 | 15.8% | 151 | 23.8% |

Earnings and dividends per share

| | 2023 | 2022 | Change |
|-----------------------------------|-------|-------|--------|
| Weighted average number of shares | 786m | 789m | |
| Adjusted earnings per share | 62.0p | 63.8p | -3% |
| Earnings per share | 67.0p | 60.3p | +11% |
| Interim dividends per share | 14.2p | 13.8p | +3% |

Balance sheet

| | 2023 | 2022 |
|--|---------|---------|
| | £m | £m |
| Intangible assets (including goodwill) | 1,901 | 1,756 |
| PP&E and other non-current assets | 6,148 | 5,701 |
| Right-of-use assets | 2,386 | 2,511 |
| Working capital | 2,533 | 1,566 |
| Biological assets (current) | 129 | 115 |
| Current tax | (49) | (67) |
| Net cash | 586 | 1,476 |
| Lease liabilities | (3,187) | (3,141) |
| Other net financial assets | (42) | 106 |
| Deferred tax | (389) | (265) |
| Provisions | (88) | (115) |
| Net pension asset | 1,363 | 797 |
| Net assets classified as held for sale | 66 | - |
| Net assets | 11,357 | 10,440 |
| Equity shareholders' funds | 11,257 | 10,356 |
| Non-controlling interests | 100 | 84 |
| | 11,357 | 10,440 |

Cash flow

| | 2023 | 2022 |
|--|-------|-------|
| | £m | £m |
| Adjusted operating profit (before joint ventures and associates) | 633 | 668 |
| Depreciation and amortisation of operating intangibles | 406 | 387 |
| Working capital | (703) | (452) |
| Provisions | (20) | 13 |
| Capital expenditure – Primark | (229) | (99) |
| – Food | (215) | (173) |
| Purchase of intangibles | (54) | (64) |
| Tax | (148) | (150) |
| Net interest and other income | (35) | (44) |
| Pension cost less contributions | (2) | 3 |
| Dividends received from joint ventures and associates | 43 | 45 |
| Payment of lease liabilities | (135) | (131) |
| Share buyback | (140) | - |
| Other | (21) | (51) |
| Free cash flow (after lease liability payments) | (620) | (48) |
| Dividends | (235) | (271) |
| Dividends paid to non-controlling interests | (5) | (6) |
| Acquisitions | (25) | (114) |
| Net cash flow before financing | (885) | (439) |

Segmental analysis

| <i>By business</i> | Revenue £m | | Profit £m | | Margin % | | ROCE (annualised) % | |
|--------------------|---------------|-------|--------------|------|-------------|------|------------------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Grocery | 2,105 | 1,821 | 173 | 175 | 8.2 | 9.6 | 22.9 | 26.6 |
| Sugar | 1,189 | 914 | 86 | 77 | 7.2 | 8.4 | 9.9 | 10.3 |
| Agriculture | 950 | 809 | 12 | 15 | 1.3 | 1.9 | 4.8 | 6.9 |
| Ingredients | 1,088 | 798 | 102 | 63 | 9.4 | 7.9 | 15.4 | 12.7 |
| Retail | 4,228 | 3,540 | 351 | 414 | 8.3 | 11.7 | 12.4 | 14.4 |
| Central costs | | | (40) | (38) | | | | |
| Total | 9,560 | 7,882 | 684 | 706 | 7.2 | 9.0 | 12.7 | 14.2 |



Retail

Retail

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|-------|-------|---------------------|-----------------------|
| Revenue £m | 4,228 | 3,540 | +19% | +17% |
| Operating profit £m | 351 | 414 | -15% | -16% |
| Margin | 8.3% | 11.7% | | |
| ROCE | 12.4% | 14.4% | | |

- trading significantly better than expected
 - footfall increased in UK and Europe
 - operating profit margin 8.3%, higher than expected
- successful new store opening programme
- digital development
 - rollout of improved website
 - UK Click and Collect trial to be extended
- German restructuring and growth plan
- US: expansion into southern states, anchored by new warehouse



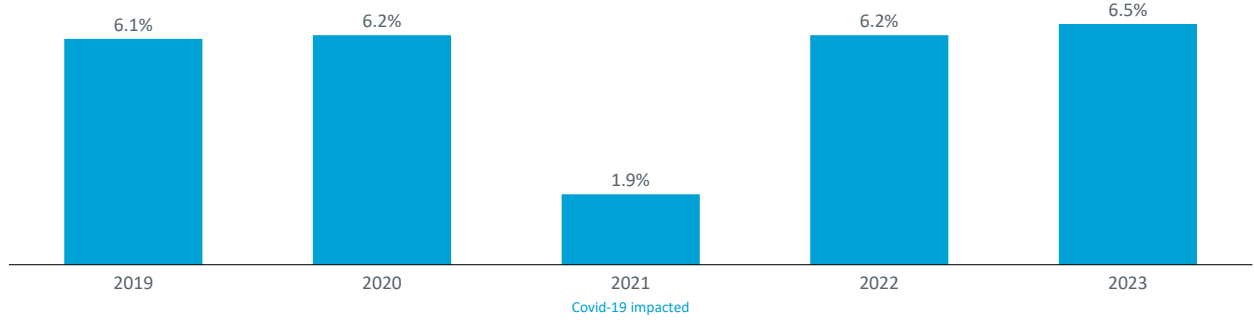
Nave de Vero, Venice, Italy

Sales performance

- Primark
 - like-for-like sales +10%
 - higher average selling prices, higher unit volumes, higher footfall
- UK
 - like-for-like sales +15%
 - footfall significantly better in destination city stores and strengthened on high streets and in retail parks
 - value market share increased from 6.2% to 6.5%
- Europe, excluding the UK
 - like-for-like sales +8%
 - higher average selling prices and footfall
 - much improved performances in Spain, France and Germany
- US
 - sales 11% higher

 UK clothing, footwear and accessories market

Primark UK Market Share – Value



Source: Kantar – 12 weeks to March 2019-2023

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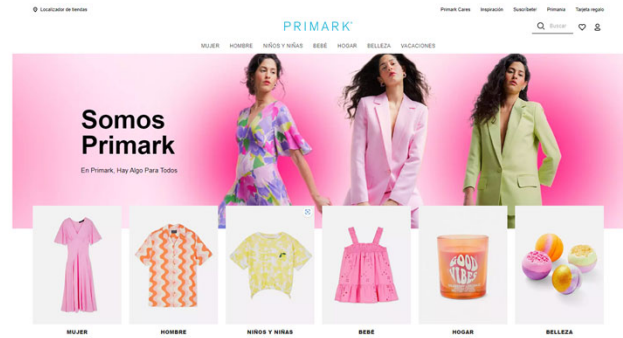
Germany

- strong recovery, like-for-like sales +13%
- website rolled out
- selling space optimisation and closure of some existing stores
- committed to growth plan
 - new stores in areas currently not served
 - smaller stores with targeted merchandise



Primark digital

- website rollout continues, contributing to like-for-like growth
 - live in UK, Republic of Ireland, Germany and Spain
 - increase in customer traffic
 - significant use of the stock checker facility
 - all remaining markets to follow over the summer
- encouraging results for UK Click and Collect trial
 - 25 stores in the north of England and Wales
 - children's products
 - extension of trial expected this year



 Digital engagement



 Best sellers in the first half



cold weather essentials
recycled cable knit pom beanie £4, €5, \$6



early holiday buying
bikini top £8, €9, \$10 bottom £5, €6, \$7



health and beauty
SPF30 moisturising serum drops £4.50, €5, CZK130

 Extending our offer



The Edit
printed skirt £16, €18, \$20



Kem
ecru shacket £35, €40, \$45



Paula Echevarría
oyster satin dress £20, €22, \$25

Primark Cares

- launch of our first Circular collection
- some 50% of clothing unit sales in the period contained recycled or more sustainably sourced materials, up from 39% over the same period last year
- expansion of Primark Sustainable Cotton Programme into Turkey
- first annual Sustainability and Ethics Progress Report published



first Circular collection
wide leg jean made using Sustainable Cotton
£18, €20, \$22

 13 new stores in the period



Le Gru – Turin, Italy



Saint-Étienne, France



Bucharest, Romania



Jamaica Avenue – Queens, NY, USA



Roosevelt Field – Garden City, NY, USA



City Point – Downtown Brooklyn, NY, USA

US expansion

- three new stores opened in the period
- five stores to open in the second half
 - Buffalo, Albany and Green Acres Mall, New York; Baltimore, Maryland; Jersey Garden Mall, New Jersey
- two new leases signed in the period
 - Orlando, Florida; Jersey City, New Jersey
- expanding into further southern states including Texas
- second US distribution centre in Jacksonville, Florida, construction progressing well



Primark second half outlook

- expect second half adjusted operating margin to be similar to first half
 - benefits from reducing sea freight and energy costs
 - cost of bought-in goods higher than same period last year
- expect like-for-like sales growth to moderate against a tougher comparator
- remain cautious about consumer spending



Food

 **Sugar**

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|--------------|-------|---------------------|-----------------------|
| Revenue £m | 1,189 | 914 | +30% | +27% |
| Operating profit £m | 86 | 77 | +12% | +5% |
| Margin | 7.2% | 8.4% | | |
| ROCE | 9.9% | 10.3% | | |

- higher sugar and co-product prices in Africa and Europe
- increased costs for beet, cane and energy
- higher volumes in Illovo
- lower UK production following adverse weather conditions
- substantial trading loss at Viverno





Sugar operations

- UK
 - 2022/23 campaign: 0.74m tonnes sugar production, down from 1.03m tonnes in prior year
 - difficult processing conditions
 - significantly higher gas costs offset by higher energy revenues

- Spain
 - sugar production reduced by some 11%
 - benefit of higher sugar prices more than offset by higher energy costs

- China
 - lower pricing following reduction in demand due to pandemic-related restrictions on hospitality venues



- profit significantly ahead
- improved sugar prices
- increased production, especially in Malawi and Zambia
- South African industry challenging
- severe flooding to Mozambique cane estate
- construction of new Tanzanian plant progressing



Vivergo Fuels

- plant demonstrated ability to operate well
- negative industry margins for part of period
 - high energy costs
 - high wheat costs
 - low bioethanol price
- remain confident in the prospects of this business



 **Grocery**

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|-------|-------|---------------------|-----------------------|
| Revenue £m | 2,105 | 1,821 | +16% | +10% |
| Operating profit £m | 173 | 175 | -1% | -10% |
| Margin | 8.2% | 9.6% | | |
| ROCE | 22.9% | 26.6% | | |

- pricing actions building during period to recover cost inflation
- beneficial effect of pricing on margin expected in second half
- outstanding performance of US businesses
- increased brand investment



Twinings Ovaltine

- Twinings
 - revenues ahead
 - increased marketing investment
 - continued growth of Wellness teas
 - good performances in the US and Australia
- Ovaltine
 - revenues behind
 - strong performance in Switzerland and Brazil
 - lower powder sales in Thailand
 - market disruption in Myanmar and China



UK Grocery

- higher sales through pricing to recover inflation
- increased marketing investment in AB World Foods brands, Jordans, Dorset, Ryvita, and Mazzetti





Jordans TV commercial



UK Grocery

- higher sales through pricing to recover inflation
- increased marketing investment in AB World Foods brands, Jordans, Dorset, Ryvita, and Mazzetti
- Allied Bakeries
 - significant pricing secured
 - trajectory of performance is encouraging
 - more to be done



ACH and Stratas

- ACH
 - strong trading performance
 - market share growth for Mazola and Fleischmann's
 - pricing actions to cover inflationary costs
- Stratas
 - trading very strongly
 - benefitting from market switch to own label





George Weston Foods

- Tip Top
 - traded well with growth in sales led by pricing
 - inflationary pressures in wheat
 - investment in Western Australian bakery underway
- Don KRC
 - good sales growth
 - production increased as labour availability improved
 - new piggeries investment improving animal welfare



Ingredients

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|-------|-------|---------------------|-----------------------|
| Revenue £m | 1,088 | 798 | +36% | +27% |
| Operating profit £m | 102 | 63 | +62% | +48% |
| Margin | 9.4% | 7.9% | | |
| ROCE | 15.4% | 12.7% | | |

- AB Mauri
 - strong sales and adjusted operating profit growth
 - successful actions on pricing
 - resilient volumes
 - North America and Brazil particularly impressive
 - significant investment in new plant



Calsa fresh yeast – celebrating 100 years



Investment in AB Mauri



specialty yeast plant in the UK



effluent treatment capacity increase in Brazil

Ingredients

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|-------|-------|---------------------|-----------------------|
| Revenue £m | 1,088 | 798 | +36% | +27% |
| Operating profit £m | 102 | 63 | +62% | +48% |
| Margin | 9.4% | 7.9% | | |
| ROCE | 15.4% | 12.7% | | |

- ABF Ingredients
 - good profit growth
 - investment in R&D and sales capability at AB Enzymes
 - significant investment in Ohly plant underway
 - Fytexia performing well



Agriculture

| | 2023 | 2022 | Change actual fx | Change constant fx |
|---------------------|------|------|---------------------|-----------------------|
| Revenue £m | 950 | 809 | +17% | +15% |
| Operating profit £m | 12 | 15 | -20% | -25% |
| Margin | 1.3% | 1.9% | | |
| ROCE | 4.8% | 6.9% | | |



- revenues ahead reflecting higher commodity costs
- good grain trading and fertiliser demand at Frontier
- lower UK feed volumes with weaker pig and poultry markets
- slow recovery in China following pandemic disruptions



Western Australian feed mill



animal feed mill in Hope Valley, Western Australia



Group Outlook

Full year outlook

Food

- adjusted operating profit modestly ahead of prior year
- Ingredients well ahead
- reduced profit in Sugar from much lower UK sugar production
- Grocery slightly ahead with benefit of pricing actions

Primark

- second half adjusted operating profit to be ahead compared to prior year second half
- full year adjusted operating profit margin to be similar to first half

Group

- full year adjusted operating profit and adjusted earnings per share to be broadly in line with prior year

Summary

- better first half performance than anticipated last September
- full year guidance unchanged
- decision taken to expand Primark footprint in southern states of the US
- increased investment and innovation



Review of interim results for 24 weeks ended 4 March 2023

25 April 2023

Associated British Foods plc

Appendix 1 – Primark selling space at half year

| | HY 23 | | HY 22 | |
|---------------------|-------------|---------------|-------------|---------------|
| | # of stores | sq ft 000 | # of stores | sq ft 000 |
| UK | 191 | 7,688 | 191 | 7,620 |
| Spain | 56 | 2,304 | 55 | 2,261 |
| Germany | 31 | 1,783 | 32 | 1,841 |
| France | 23 | 1,151 | 20 | 1,044 |
| Republic of Ireland | 37 | 1,136 | 36 | 1,076 |
| Netherlands | 20 | 1,016 | 20 | 1,016 |
| USA | 16 | 700 | 13 | 564 |
| Italy | 14 | 697 | 8 | 407 |
| Belgium | 8 | 403 | 8 | 403 |
| Portugal | 10 | 383 | 10 | 383 |
| Austria | 5 | 242 | 5 | 242 |
| Poland | 4 | 157 | 2 | 77 |
| Czechia | 2 | 88 | 1 | 50 |
| Slovenia | 1 | 46 | 1 | 46 |
| Romania | 1 | 40 | - | - |
| | <u>419</u> | <u>17,835</u> | <u>402</u> | <u>17,030</u> |

Appendix 2 – Financial leverage

- Group's net debt : EBITDA ratio to be well under 1.5 times each half-year and year-end reporting date
- IFRS 16 basis
- net debt is net cash including lease liabilities
- EBITDA based on rolling prior 12-month period, excluding exceptionals

Appendix 3 – Capital Allocation Policy

- priority always to invest in our businesses, both organically and by acquisition
- investment at appropriate pace and wherever attractive returns on capital can be generated
- considerable opportunities, both over the short and medium-term in all our businesses
- from time to time, the Board may conclude it has surplus cash and capital
 - financial leverage consistently below 1.0x and substantial net cash balances at both half and full year ends
 - surplus capital may be returned to shareholders by special dividend or share buy-backs

Appendix 4 – Exchange rates

| | 2023 | 2022 |
|--|-------|-------|
| Average rates used to translate the income statement | | |
| US \$ | 1.18 | 1.35 |
| Euro | 1.14 | 1.18 |
| South African rand | 20.83 | 20.75 |
| Australian \$ | 1.77 | 1.86 |
| Closing rates used to translate the balance sheet | | |
| US \$ | 1.20 | 1.32 |
| Euro | 1.13 | 1.21 |
| South African rand | 21.79 | 20.41 |
| Australian \$ | 1.78 | 1.80 |

Appendix 5 – Segmental analysis

| <i>By geography</i> | Revenue £m | | Profit £m | | Margin % | |
|---------------------|---------------|-------|--------------|------|-------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| United Kingdom | 3,590 | 2,951 | 261 | 288 | 7.3 | 9.8 |
| Europe & Africa | 3,508 | 2,902 | 235 | 255 | 6.7 | 8.8 |
| The Americas | 1,219 | 919 | 160 | 107 | 13.1 | 11.6 |
| Asia Pacific | 1,243 | 1,110 | 28 | 56 | 2.3 | 5.0 |
| Total | 9,560 | 7,882 | 684 | 706 | 7.2 | 9.0 |

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