Associated
British Foods
plc

Review of interim results for 24 weeks ended 2 March 2024

23 April 2024

First half highlights

- Strong set of results
- Margins built back to more normal levels in both Primark and food businesses
- Restoration of normality in markets and supply chains
- Benefitting from investment and strong execution in last few years
- Good progress on Primark digital strategy, including Click + Collect service
- Cashflow very strong with more normalised working capital
- Continued strong shareholder returns with significant increase in interim dividend and on-going share buybacks
- Geopolitical risks remain

First half highlights

Group revenue*	Adjusted operating profit*	Adjusted earnings per share
£9,734m	£951m	90.4p
+5%	+46%	+46%

Free cash flow	Gross investment	Interim dividend
£468m	£571m	20.7p
+£1bn	+8%	+46%

** Comparison to prior year is presented at constant currency*

Segmental analysis

By business	Revenue £m		Profit £m		Margin %	
	H1 2024	Change constant fx	**H1 2024**	Change constant fx	**H1 2024**	H1 2023
Grocery	**2,124**	+5%	**230**	+39%	**10.8**	8.2
Ingredients	**1,056**	+1%	**117**	+19%	**11.1**	9.4
Agriculture	**850**	-9%	**14**	+27%	**1.7**	1.3
Sugar	**1,170**	+9%*	**125**	+74%*	**10.7**	8.3
Retail	**4,500**	+7.5%	**508**	+46%	**11.3**	8.3
Central costs			**(45)**			
Continuing operations	**9,700**	+5%	**949**	+44%	**9.8**	7.3
Business to be closed	34		2			
Total	**9,734**	+5%	**951**	+46%	**9.8**	7.2

** Before impact of translation losses, primarily in Illovo*

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Adjusted earnings per share

	H1 2024 £m	H1 2023 £m	Change actual fx
Adjusted operating profit	**951**	684	+39.0%
Net finance income	**18**	4	
Other financial (expense)/income	**(13)**	20	
Lease interest	**(45)**	(41)	
Adjusted profit before taxation	**911**	667	+36.6%
Taxation on adjusted profit	**(211)**	(165)	
Adjusted profit after tax	**700**	502	+39.4%
Adjusted profit attributable to equity shareholders	**685**	487	+40.7%
Adjusted earnings per share (in pence)	**90.4p**	62.0p	+45.8%

Basic earnings per share

£m	H1 2024 £m	H1 2023 £m	Change actual fx
Adjusted profit before taxation	**911**	667	+36.6%
Exceptional items	**(6)**	-	
Profits less losses on closure and sale of businesses	**(10)**	(2)	
Profits less losses on sale of non-current assets	**8**	2	
Other*	**(22)**	(23)	
Profit before other taxation	**881**	644	+36.8%
Taxation on adjusted profit	**(211)**	(165)	
Taxation on adjusting items	**8**	63	
Profit after tax	**678**	542	+25.1%
Profit attributable to equity shareholders	**663**	527	+25.8%
Basic earnings per share (in pence)	**87.4p**	67.0p	+30.4%

** Other includes acquired inventory fair value adjustment, amortisation of intangibles, and transaction costs*

Tax

- Adjusted effective tax rate of 23.2% (HY23: 24.7%):
  - Improvement due to profit mix change, in particular Primark's increased profitability
  - Includes full year impact of increased UK corporation tax rate from 19% to 25% in April 2023
- Despite the increase in profit, cash tax at HY24 was broadly in line with HY23 due to the reallocation of historical overpayments
- We continue to expect a reduced level of cash tax in 2024 due to the reallocation of historical overpayments and favourable settlements of historical enquiries and returns

Free cash flow	H1 2024 £m	H1 2023 £m
Adjusted EBITDA	**1,377**	1,090
Repayment of lease liabilities net of incentives received	**(148)**	(123)
Working capital	**6**	(703)
Capital expenditure	**(565)**	(498)
Purchase of subsidiaries, joint ventures and associates	**(4)**	(29)
Sale of subsidiaries, joint ventures and associates	**-**	4
Net interest paid	**(29)**	(35)
Taxation	**(145)**	(148)
Share of adjusted profit after tax from joint ventures and associates	**(51)**	(51)
Dividends received from joint ventures and associates	**43**	43
Other	**(16)**	(60)
Free cash flow	**468**	**(510)**
Share buyback	**(281)**	(140)
Dividends	**(348)**	(235)
Movement in loans and current asset investments	**52**	(10)
Cash flow	**(109)**	**(895)**

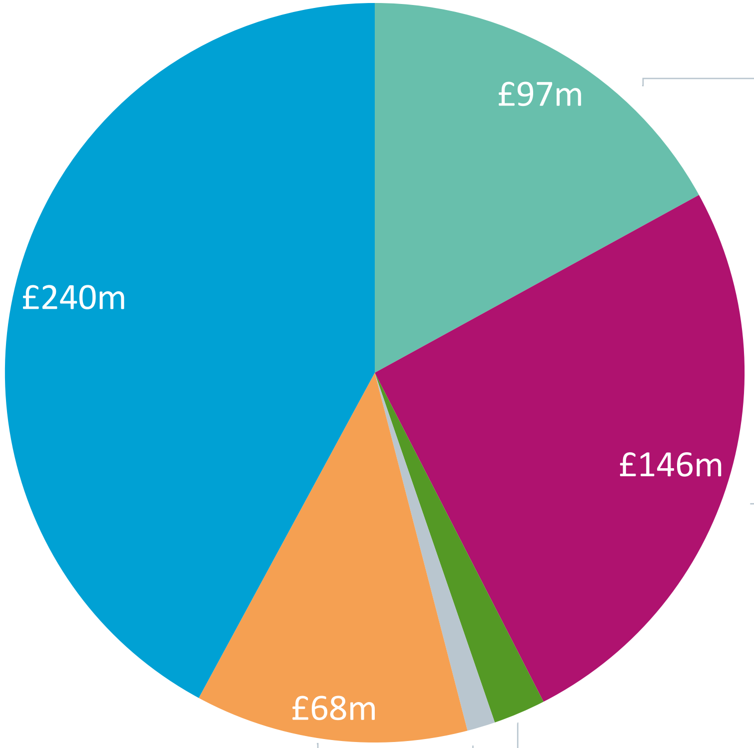
Capital structure and returns

	March 2024 £m	March 2023 £m
Cash, cash equivalents and overdrafts	**1,209**	1,080
Net cash before lease liabilities	**668**	586
Total net debt	**(2,496)**	(2,601)
Leverage ratio	**0.9**	1.2

- Continued strong liquidity position, including RCF extended to 2029
- £225m of the second £500m share buyback programme completed in the period
- Significant increase in interim dividend to 20.7p in line with increase in adjusted earnings per share

Gross investment, HY24: £571m

Retail
- 9 new stores opened
- New depots in the US and Ireland
- Continued digital investments
- Energy-efficient lighting upgrades
- Store refurbishment programme



Grocery
- Ovaltine production facility in Nigeria
- Expanded noodle capacity for Westmill
- Re-construction of Western Australian bakery
- Various technology investments
- Acquisition of Capsicana

Sugar
- Tanzanian sugar mill
- Continued investment across factories
- Steam/energy reduction for Wissington plant
- Customer supply transformation in Bury
- Technology investments in Illovo

Ingredients
- Expanded capacity for Ohly in Hamburg
- New yeast plant in India
- New powder packing line for AB Enzymes
- Water quality improvements in yeast
- New flour mill in Ballarat, Australia

Central, £7m

Agriculture, £13m
- New premix plants in Vietnam and China
- Technology upgrades

Business review

Grocery

	H1 2024	H1 2023	Change actual fx	Change constant fx
Revenue £m	**2,124**	2,105	+1%	+5%
Adj. operating profit £m	**230**	173	+33%	+39%
Margin	**10.8%**	8.2%		
Operating profit £m	**219**	163	+34%	

- Good trading performance and margin recovery in a more stable environment
- Increased marketing investment in our brands
- Significant profitability improvement led by US-focused brands and reduction of losses in Allied Bakeries

International brands

- Good growth in international brands
  - Twinings: good volume growth in major markets, led by wellbeing teas
  - Ovaltine: mixed market performance; successful new product launches
  - Patak's: good international growth, particularly in the US
  - Mazzetti: strong volume growth
- Increased marketing investment to support long-term growth

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Regionally focused brands

- US-focused brands
  - Continued strong performance in oils, supported by new capacity
  - Mazola and Fleischmann's remain branded market leaders
  - Stratas JV continued strong performance
- UK-focused brands
  - Successful product launches in Dorset and Ryvita
  - Improvement in Allied Bakeries
- Australia and New Zealand-focused brands
  - Customers trading down as inflation remains high

Ingredients

	H1 2024	H1 2023	Change actual fx	Change constant fx
Revenue £m	**1,056**	1,088	-3%	+1%
Adj. operating profit £m	**117**	102	+15%	+19%
Margin	**11.1%**	9.4%		
Operating profit £m	**110**	95	+16%	

- Strong margin and profit growth ahead of expectations, driven by AB Mauri
- Modest decline in ABF Ingredients in the period
- Significant capital investment continues globally

AB Mauri

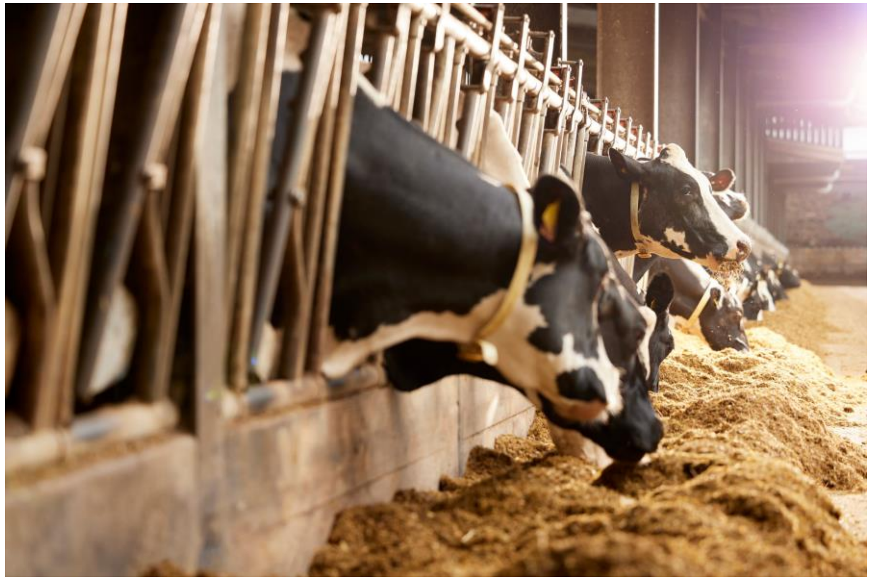
- Sales benefitted from annualisation of price increases and volume growth
  - North America, Brazil, Mexico and Europe particularly strong
- Management of input costs
- Investing in new capacity to support long-term growth
  - Production began in new speciality yeast plant in UK
  - Construction underway on new yeast plant in India

ABF Ingredients

- As expected, lower sales and volumes in the period
  - Continued customer destocking
  - Good sales growth in Fytexia, driven by botanicals
- Margin improvement
- Investment in R&D and commercial capabilities
- Expansion in manufacturing capacity for Ohly and AB Enzymes
- Appointment of Jeremy Xu following retirement of Fabienne Saadane-Oaks

Agriculture

	H1 2024	H1 2023	Change actual fx	Change constant fx
Revenue £m	**850**	950	-11%	-9%
Adj. operating profit £m	**14**	12	+17%	+27%
Margin	**1.7%**	1.3%		
Operating profit £m	**10**	7	+43%	



- Better procurement, improved pricing and benefit from acquisitions
- Dairy continuing to develop its unique full-service offering
- Other global technology businesses made further progress
- Continued soft demand for compound animal feed in the UK and China
- Lower demand for Frontier services due to wet weather

Sugar

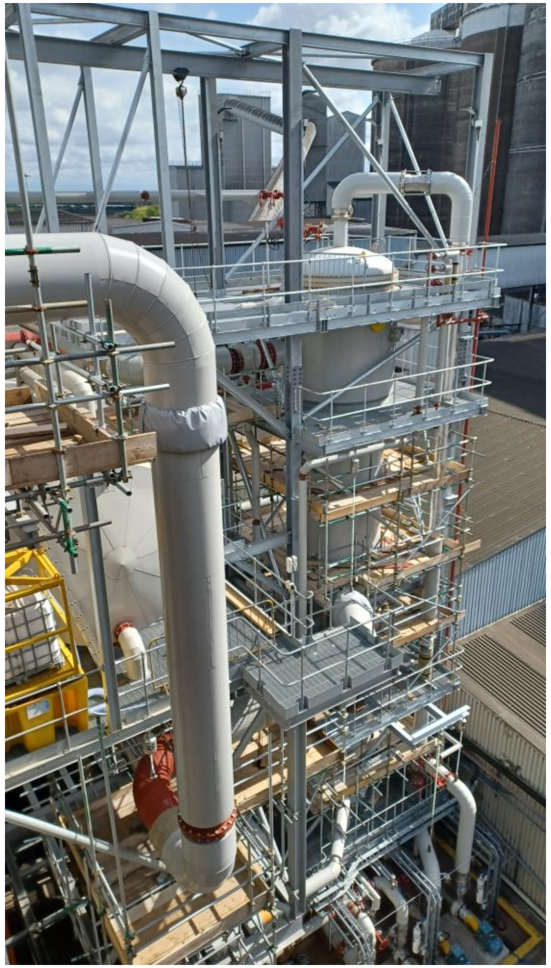
	H1 2024	H1 2023	Change actual fx	Change constant fx
Revenue £m	**1,170**	1,168	—	+9%
Adj. operating profit £m	**125**	97	+29%	+74%
Margin	**10.7%**	8.3%		
Operating profit £m	**121**	86	+41%	

- Prices strong, particularly in European businesses
- Improved volumes in Spain
- Good domestic sales growth in Africa
- Foreign exchange translation negatively impacted operating profit by £36m
- Much-reduced losses at Vivergo
- Closure of business in northern China

European operations

- British Sugar
  - Production back in line with historical levels at 1.1m tonnes
  - Sugar sales in the period impacted by lower carryover stocks and lower coproduct prices
- Azucarera
  - Higher volumes and pricing offsetting higher beet and raw cane costs
- Vivergo
  - Delivering effective operational performance
  - Losses significantly reduced in the period, although margin volatility continued

Decarbonisation at British Sugar’s Wissington site

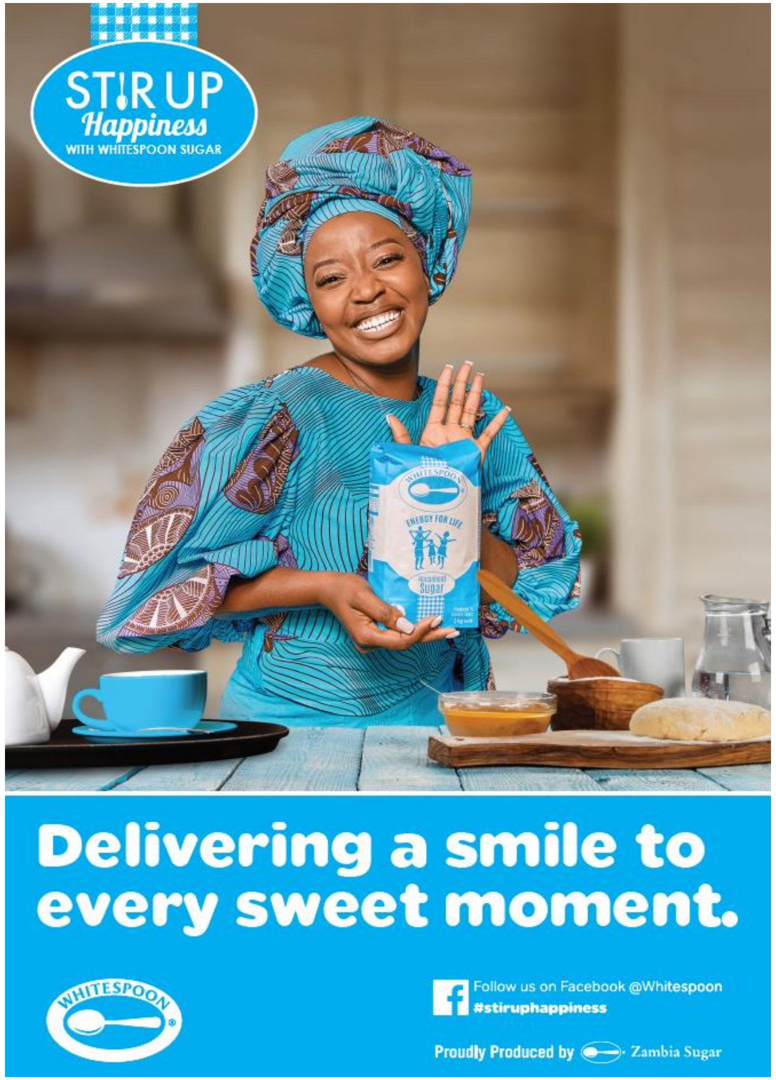


- Investment in additional evaporation process and equipment
- Step-change reduction in the site’s steam and energy usage
- First stage was operational for 2023/24 campaign; expected to be fully commissioned by end of summer 2024
  - 2.7% (28kt annual) reduction in British Sugar’s total carbon emissions*
- Similar investment planned for Bury St. Edmunds site

** As measured against FY18 baseline*

Illovo

- Resilient sales performance and profit flat at actual currency
  - Continued good domestic sales growth
  - Managed through currency devaluation in Malawi
- Production mixed across markets in the period
  - Higher production in Zambia
  - Adverse weather in Tanzania and Malawi
- Non-repeat of prior year losses in Mozambique, which remains closed
- New Tanzanian sugar mill on track for commissioning next year, following significant investment



Retail

	H1 2024	H1 2023	Change actual fx	Change constant fx
Revenue £m	**4,500**	4,228	+6%	+7.5%
Adj. operating profit £m	**508**	351	+45%	+46%
Margin	**11.3%**	8.3%		
Operating profit £m	**508**	351	+45%	

- Continued space expansion, contributing sales growth of +5.4%
- Like-for-like sales growth of +2.1%
  - Last year's carefully selected price increases offset softer volumes
- Margin recovered to 11.3%
- Investing in digital, technology and brand
  - Rolling out Click + Collect service more broadly in Great Britain

Concord Mills, NC, USA

UK performance

- Sales growth of +4.3% with like-for-like sales growth of +3.6%
- Footfall slightly up, particularly in destination city centre stores
- Good Christmas sales period, softer January and February
- Market share increased from 6.7% to 6.9%*
- Celebrating 50 years on the UK high street

Birmingham, UK
the world's largest Primark store

** Kantar, Primark market share of total UK clothing, footwear and accessories market including online by value, 24-week data to 3 March 2024*

Europe performance*

- Sales growth of +7.9% with like-for-like sales growth of +1.5%

- Good performance across most markets
  - Good growth, outperforming the market in Spain and France
  - Strong growth in Italy driven by new store openings
  - Performance improved in Germany and strong in Netherlands
  - Slower recovery in consumer sentiment impacted Ireland and Portugal

- Space growth contributed +6.4% with 6 new openings in the period
  - 3 in France, 2 in Spain and 1 in Poland
  - First store in Hungary to open in second half

La Vaguada, Madrid, Spain

** Excluding UK*

US performance

- Sales growth of +38.4% driven by new store openings
- 3 stores opened in the period bringing total to 24: Chicago, IL; Long Island, NY; and Charlotte, NC
- Strong profitability improvement in the period
- Expansion into the southern states continues
  - Distribution centre opened in Jacksonville, Florida
  - Stores leases signed for Tennessee, Maryland and Texas

New distribution centre in Jacksonville, Florida

Store roll out continues

Long Island, New York, US

Łódź, Poland

Rouen, France

Expanding our product offer

Womenswear

The Edit, Rita Ora,
Paula Echevarría

Menswear

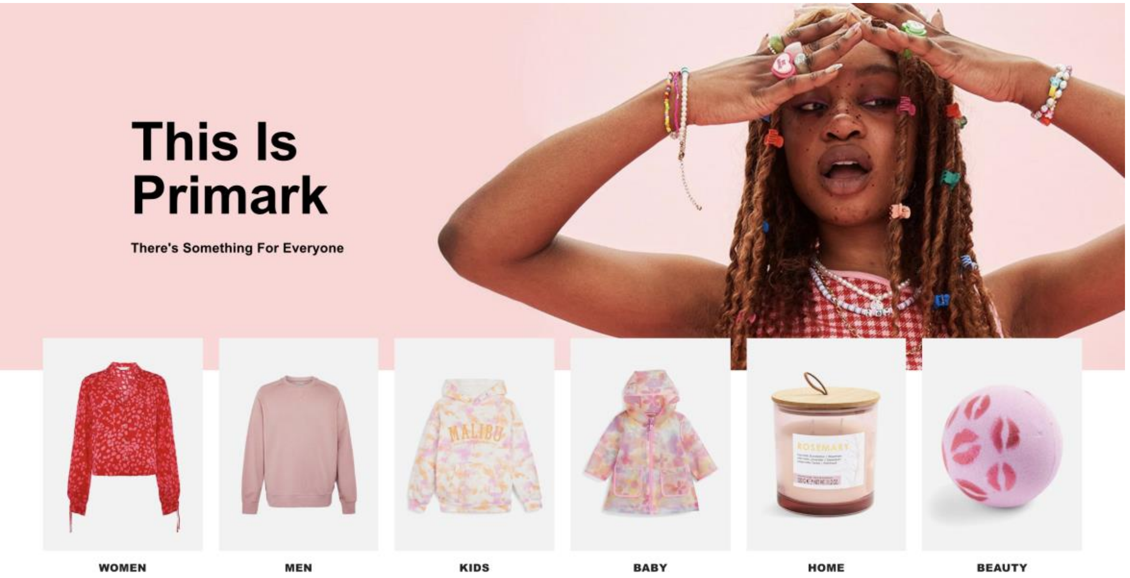
Kem Collection, license collaborations
including NBA, NFL and MLS

Other Highlights

Famjams, Homeware, and Beauty

Digital engagement

- Traffic to website increased across all markets
- 20% of visitors in most markets using stock checker facility
- Continuing to invest in digital customer engagement
  - Search engine optimisation
  - Customer relationship management
  - Paid marketing
- Providing meaningful support to sales

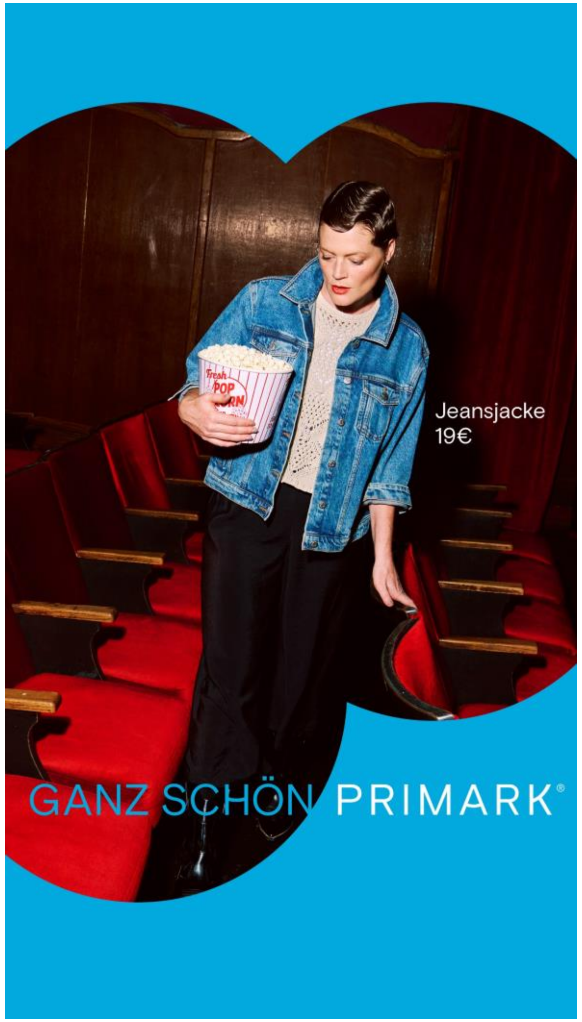


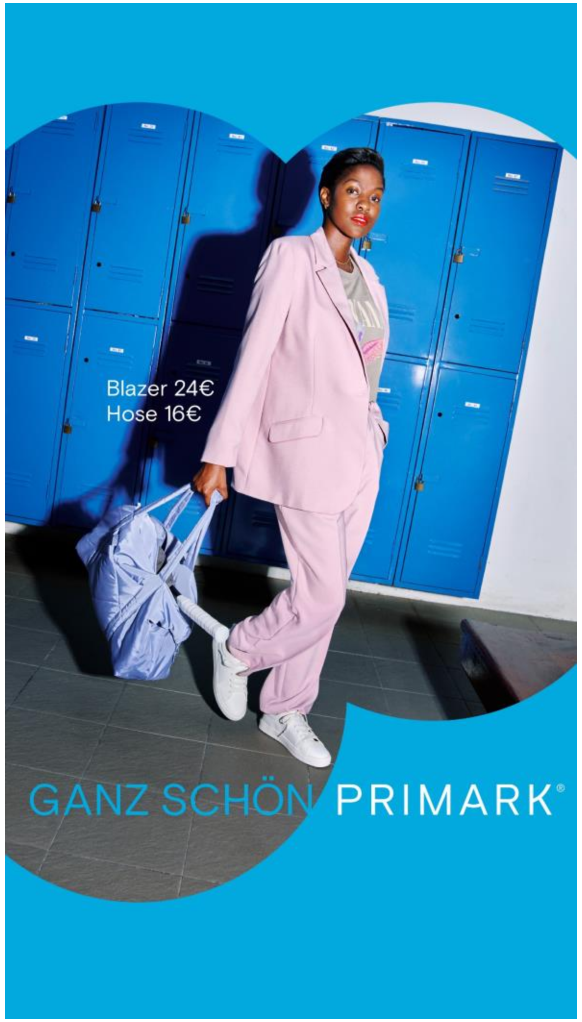
Rolling out Click + Collect service

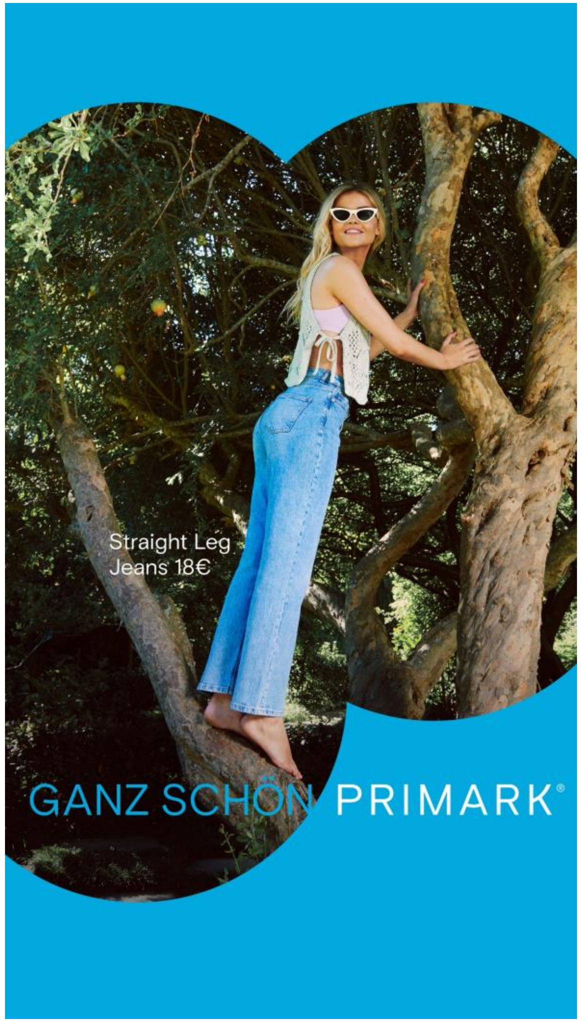
- Payback on optimised investment is attractive
  - Basket size good
  - Attracts new shopper
  - Drives traffic to stores with good attachment basket size
- Expansion of curated product ranges available
- All stores in England, Wales and Scotland

Manchester, UK

First ever multi-media brand campaign







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Group outlook

Full year outlook

- Group on track to deliver significant growth in profitability and cash generation, ahead of our expectations
- Grocery to continue to perform well, supported by a step up in sales and marketing
  - Profitability of US-focused brands to normalise towards the end of second half
- Sugar to substantially improve profitability due to a more typical UK beet crop
- Ingredients to continue to perform well, driven by AB Mauri
- Primark to continue to perform well in second half
  - Delivering store expansion programme and modest LFL growth, with focus on driving volumes
  - Adjusted operating profit margin to moderately improve in second half compared to first half; increased investment to support medium-term growth
- Group gross investment in capacity, capabilities and sustainability to continue at similar pace
- Mindful of geopolitical risk

Review of interim results for 24 weeks ended 2 March 2024

Appendix 1 – Primark selling space at half year

	HY FY24		HY FY23	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	192	7,725	191	7,688
Spain	61	2,496	56	2,304
Germany	29	1,494	31	1,783
France	27	1,352	23	1,151
Republic of Ireland	37	1,164	37	1,136
US	24	974	16	700
Netherlands	20	954	20	1,016
Italy	15	747	14	697
Belgium	8	403	8	403
Portugal	10	383	10	383
Austria	5	242	5	242
Poland	6	233	4	157
Czechia	2	89	2	89
Romania	2	75	1	40
Slovenia	1	46	1	46
Slovakia	1	39	-	-
	440	18,416	419	17,835

Appendix 2 – Capital allocation policy

- Priority to invest in our businesses, organically and by acquisition
- Investment at appropriate pace where attractive returns on capital can be generated
- Considerable opportunities 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 buybacks

Appendix 3 – Exchange rates

	H1 2024	H1 2023
Average rates used to translate the income statement		
US dollar	**1.25**	**1.18**
Euro	**1.16**	**1.14**
Australian dollar	**1.91**	**1.77**
Closing rates used to translate the balance sheet		
US dollar	**1.27**	**1.20**
Euro	**1.17**	**1.13**
Australian dollar	**1.94**	**1.78**

Appendix 4 - Segmental analysis by geography

By geography	Revenue £m		Profit £m		Margin %	
	H1 2024	H1 2023	**H1 2024**	H1 2023	**H1 2024**	H1 2023
United Kingdom	**3,585**	3,590	**339**	261	**9.5**	7.3
Europe & Africa	**3,717**	3,508	**367**	235	**9.9**	6.7
The Americas	**1,248**	1,219	**213**	160	**17.1**	13.1
Asia Pacific	**1,150**	1,222	**30**	39	**2.6**	3.2
	9,700	9,539	**949**	695	**9.8**	7.3
Business to be closed	**34**	21	**2**	(11)		
	9,734	9,560	**951**	684	**9.8**	7.2

** All above at actual currency*

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