Associated
British Foods
plc

Review of annual results for 52 weeks ended 16 September 2023

7 November 2023

Business highlights

- Strong performance in demanding environment
- Continued momentum across Retail
  - Revenues well ahead, supported by selective pricing and well received ranges
  - Lower operating profit margin reflecting pricing strategy
  - Space expansion on track with 27 new stores
  - Continued investment in digital capability
- Significant growth at Ingredients
- Good growth in Grocery led by international brands, US focused brands and recovery in Allied Bakeries
- Sugar sales well ahead, profitability ahead but impacted by British Sugar crop challenges and Vivergo
- Lower profitability in Agriculture due to tough market conditions
- Investment of £1.2bn driving increased capacity and capability
- Good progress on ESG priorities
- £500m share buyback programme completed; new £500m programme announced
- Total dividends of 60.0p per share, up 37% to last year

Financial highlights

	2023	2022	Change
Group revenue	**£19.8bn**	£17.0bn	+15% *
Adjusted operating profit	**£1,513m**	£1,435m	+4% *
Adjusted profit before tax	**£1,473m**	£1,356m	+9%
Adjusted earnings per share	**141.8p**	131.1p	+8%
Gross investment	**£1,171m**	£930m	
Free cash flow	**£269m**	£(84)m	
Net cash before lease liabilities	**£895m**	£1,488m	
Total net debt	**£2,265m**	£1,764m	
Return on average capital employed	**13.6%**	14.0%	
Total dividends per share	**60.0p**	43.7p	+37%

* at constant currency

Segmental analysis

By business	Revenue £m		Profit £m		Margin %	
	2023	2022	**2023**	2022	**2023**	2022
Grocery	**4,198**	3,735	**448**	399	**10.7**	10.7
Ingredients	**2,157**	1,827	**214**	159	**9.9**	8.7
Agriculture	**1,840**	1,722	**41**	47	**2.2**	2.7
Sugar	**2,547**	2,016	**169**	162	**6.6**	8.0
Retail	**9,008**	7,697	**735**	756	**8.2**	9.8
Central			***(94)***	*(88)*		
Total	**19,750**	16,997	**1,513**	1,435	**7.7**	8.4

Adjusted earnings

	2023	2022	Change %
Adjusted operating profit	**1,513**	1,435	+5.4
Net finance income/(expense) excluding lease interest	**11**	(11)	
Other financial income	**40**	13	
Lease interest	**(91)**	(81)	
Adjusted profit before tax	**1,473**	1,356	+8.6
Taxation on adjusted profit	**(346)**	(302)	-14.6
Adjusted profit after tax	**1,127**	1,054	+6.9
Adjusted profit attributable to equity shareholders	**1,103**	1,034	+6.7
Adjusted earnings per share (in pence)	**141.8p**	131.1p	+8.2

Basic earnings

	2023 £m	2022 £m	Change %
Adjusted profit before tax	**1,473**	1,356	+8.6%
Acquired inventory fair value adjustments	**(3)**	(5)	
Amortisation of non-operating intangibles	**(41)**	(47)	
Exceptional items	**(109)**	(206)	
Profits less losses on closure and sale of businesses	**(3)**	(23)	
Profits less losses on disposal of non-current assets	**28**	7	
Transaction costs	**(5)**	(6)	
Profit before tax	**1,340**	1,076	+24.5
Taxation	**(272)**	(356)	+23.6
Profit after tax	**1,068**	720	+48.3
Profit attributable to equity shareholders	**1,044**	700	+49.1
Basic earnings per share (in pence)	**134.2p**	88.6p	+51.5

Tax

- Adjusted effective tax rate of 23.5% (2022: 22.2%)
  - Includes the impact on the blended tax rate for the full year of the increase in UK corporation tax rate from 19% to 25% in April 2023
  - Significant reduction in closing uncertain tax provision due to resolution of historic UK HMRC enquiries. 2023 closing balance £55m (2022: £102m)
- Expect the Group's effective tax rate in 2024 to be broadly in line with 2023, including the full year impact of the increase in UK corporate tax rate in April 2023 and changes to the mix of profits by jurisdiction
- Cash tax increased in the year by £37m to £341m mainly driven by the increase in profit before tax in the year. Reduced level of cash tax expected in 2024 due to favourable settlements of historical enquiries and returns

Pensions

- The Group’s defined benefit pension scheme’s aggregate surplus increased by 5% to £1,377m at the year end compared to last year’s £1,314m

- Most recent triennial valuation as of April 2023 showed a surplus of £1,013m (April 2020: deficit of £302m)

- As agreed with the trustees in September, the Group will receive a cash flow benefit of approximately £70m per year from the abatement of UK employer pension contributions on both the defined benefit and defined contribution schemes with effect from the start of this year

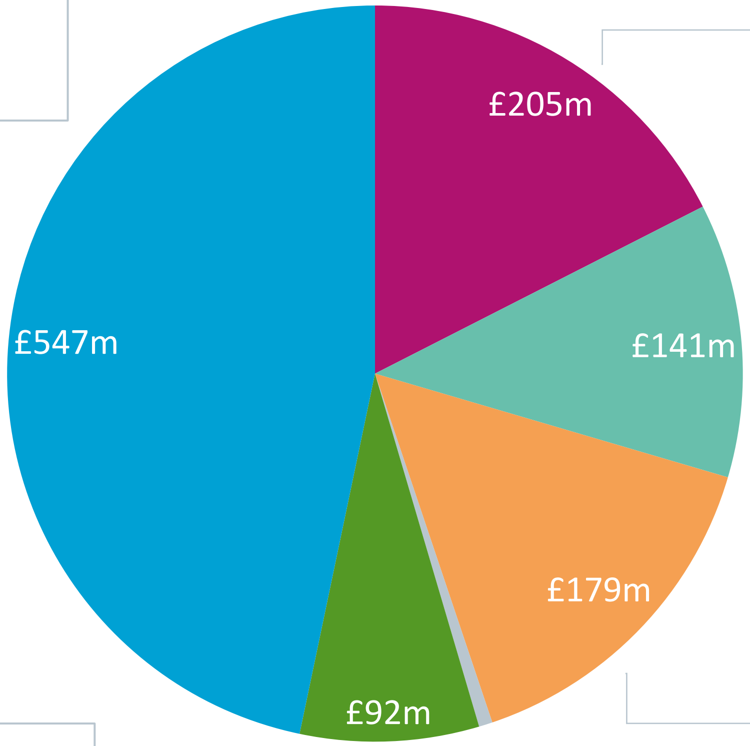
Free cash flow

	2023 £m	2022 £m
Adjusted EBITDA	**2,361**	2,261
Repayment of lease liabilities net of incentives received	**(246)**	(275)
Working capital	**(216)**	(729)
Capital expenditure	**(1,073)**	(769)
Purchase of subsidiaries, joint ventures and associates	**(94)**	(154)
Sale of subsidiaries, joint ventures and associates	**4**	-
Net interest paid	**(74)**	(97)
Taxation	**(341)**	(304)
Share of adjusted profit after tax from joint ventures and associates	**(127)**	(112)
Dividends received from joint ventures and associates	**107**	93
Other	**(32)**	2
Free cash flow	**269**	**(84)**
Share buyback	**(448)**	-
Dividends	**(345)**	(380)
Movement in loans and current asset investments	**(10)**	196
Cash flow	**(534)**	**(268)**

Gross investment

Retail
- 27 new stores
- Re-started store refurbishment programme
- Continued digital investments
- Energy-efficient lighting upgrades
- New logistics centre in Florida, USA

Sugar
- Tanzanian sugar mill
- Continued investment in plants
- Decarbonisation initiatives:
  - Replacing coal with natural gas at Bury, UK
  - Gas turbine improvements at Wissington, UK
  - Elimination of heavy fuel oil at Cantley, UK
  - More efficient slicers at Bury, UK



Grocery
- Re-construction of Western Australian bakery
- Ovaltine production facility in Nigeria
- New oil production capacity in the US
- Various technology investments

Ingredients
- New powder packing line for AB Enzymes
- Fermentation and spray dryer capacity increase at Ohly
- Water quality improvements
- New animal feed mill in Hope Valley, Western Australia
- Specialty yeast plant

Agriculture
- National Milk Records acquisition
- Kite Consulting & Advance Sourcing acquisitions

Central, £7m

Capital structure and returns

	2023 £m	2022 £m
Cash, cash equivalents and overdrafts	**1,388**	1,999
Net cash before lease liabilities	**895**	1,488
Total net debt	**(2,265)**	(1,764)
Leverage ratio	**0.96**	0.78

- Completed £500m share buyback post year end
- Capital allocation policy of 1.0 to 1.5 times leverage
- Additional £500m share buyback announced
- Total dividend of 60.0p per share, including final dividend of 33.1p and special dividend of 12.7p

Business review

Grocery

	2023	2022	Change actual fx	Change constant fx
Revenue £m	**4,198**	3,735	+12%	+11%
Adj. operating profit £m	**448**	399	+12%	+8%
Margin	**10.7%**	10.7%		
ROACE	**30.0%**	29.3%		

- Resilient performance by our brands in challenging market conditions
- Second half profitability better than first due to timing of price increases
- International brands trading well
- US focused brands with strong volumes and good profitability
- Allied Bakeries improving considerably

International brands

- Twinings
  - Strong sales in UK, US, Australia and France
  - Sales of fruit and herbal infusion teas now nearly as large as black teas
  - Marketing trials completed as prelude to increased spend next year
- Ovaltine
  - Strength in Brazil, Switzerland and Nigeria
  - Lower volumes in Thailand powder, China and Myanmar
  - New production facility in Nigeria to serve West Africa
- Patak's: half of sales now outside the UK
- Blue Dragon: increased proportion of international sales
- Mazzetti: nearly half of sales now outside Europe
- Jordans: resilient year

US focused brands and businesses

- Mazola
  - Leading brand in US edible oils category
  - Strong volumes with new production capacity
- Fleischmann's yeast
  - Leading brand in US retail yeast category
  - Demand remains strong
- Stratas joint venture
  - Traded strongly
  - Improved sales mix and good oil procurement

UK focused brands and businesses

- Allied Bakeries
  - Performance trajectory continues to improve
  - Higher volumes, stronger pricing and operational improvement
- Ryvita
  - Continues to underperform but brand re-launched with positive early results
- After period end, completed acquisition of the Capsicana range of Latin American products, broadening our range of world foods

Australian focused brands and businesses

- Tip Top
  - Higher pricing to recover cost inflation
  - Re-construction of Western Australian bakery
- Don
  - Performance held back by labour shortages and distributor insolvency
  - One-off non-cash exceptional impairment charge

Ingredients

	2023	2022	Change actual fx	Change constant fx
Revenue £m	**2,157**	1,827	+18%	+15%
Adj. operating profit £m	**214**	159	+35%	+28%
Margin	**9.9%**	8.7%		
ROACE	**16.1%**	14.8%		

- Large increases in costs of raw material and other inputs
- Strong pricing actions
- Volumes resilient
- Significant investment in capacity, capability and water treatment

AB Mauri

- Significant increases in revenues and profit
  - Particularly strong performance in the US
- Strong demand for yeast in industry and retail
- Transition to Wilmar JV in China completed
- Continued heavy investment in water quality; specialty yeast plant commissioned

ABF Ingredients

- Ohly: robust demand from food and bionutrient customers
  - Investment in Hamburg plant
- SPI: growth in excipients; better manufacturing efficiency
- Fytexia: performed well in first full year of ownership
- AB Enzymes: flat sales with pricing offsetting lower volumes
  - Investment in powder packing line

Agriculture

	2023	2022	Change actual fx	Change constant fx
Revenue £m	**1,840**	1,722	+7%	+7%
Adj. operating profit £m	**41**	47	-13%	-15%
Margin	**2.2%**	2.7%		
ROACE	**8.4%**	10.3%		

- Reduced European pig and poultry herds led to lower compound feed volumes; lower demand for pork in China
- Frontier joint venture continues to perform well
- Dairy sector resilient with higher profitability; acquisitions provide opportunity for an integrated dairy offering

Sugar

	2023	2022	Change actual fx	Change constant fx
Revenue £m	**2,547**	2,016	+26%	+29%
Adj. operating profit £m	**169**	162	+4%	+8%
Margin	**6.6%**	8.0%		
ROACE	**9.7%**	10.3%		

- Higher pricing offsets higher costs for beet, cane and energy
- Exceptionally low European production following crop shortfalls
- Strong co-product performance
- Significant improvement in Illovo
- Substantial losses in Vivergo, significant improvement in the fourth quarter

Sugar operations

- British Sugar
  - Poor weather conditions reduced sugar production
    - 0.74m tonnes sugar production, 27% lower than prior year
  - Higher cost alternative supplies of sugar secured to fulfil sales obligations
  - Strong pricing for electricity sales offset high energy costs

- Azucarera
  - Overall production 20% lower than prior year after hot and dry weather impacted beet crop
  - Higher sales prices offset by elevated costs for beet, raw sugars and energy

- China
  - One-off non-cash exceptional impairment charge

Illovo

- Further development of pre-pack branded sugar in Malawi, Tanzania and Zambia
- Strong pricing
- Higher sugar production
  - Recovery in Eswatini production after prior year industrial action
  - Good production in Malawi and South Africa
- Severe flooding in Mozambique; will not open this season so an exceptional impairment charge taken
- Construction of new Tanzanian sugar mill to increase production capacity

Vivergo Fuels

- Substantial losses in first half
  - High wheat and energy costs
  - Low bioethanol prices
- Much reduced losses in second half
  - Significant improvement in margin and operating performance

Carbon reduction at Sugar

- Good progress in decarbonisation programme
- Carbon reduction in the year
  - 17 completed projects across various sugar processes
  - Projects resulted in a 4% reduction in GHG emissions
- Carbon transition plan to 2030 published

Retail

	2023	2022	Change actual fx	Change constant fx
Revenue £m	**9,008**	7,697	+17%	+15%
Adj. operating profit £m	**735**	756	-3%	-3%
Margin	**8.2%**	9.8%		
ROACE	**12.0%**	12.9%		

- Like-for-like sales growth of 8.5%, space growth contributing 6%
- Price strategy to partially mitigate inflation
- Extension of product range with premium essentials, collaborations and licensing
- Strongly performing new stores with higher sales densities
- Delivery of roadmap continues with two new markets and US expansion
- Digital investment continues

UK performance

- Sales increased 11% against prior year, with 10% like-for-like growth
- Market share increased to 6.7% from 6.4%*
- Unhelpful weather impact in third and fourth quarters
- After first full year, new website driving growth
- Now 192 stores in the UK

	Like-for-like growth vs FY22
Q1	13%
Q2	18%
Q3	6%
Q4	7%
Full year	**10%**

Salisbury, UK

*Kantar, Primark market share of total UK clothing, footwear and accessories market including online by value, 52-week data to 17 September 2023

Europe performance*

- Sales increased 18% against prior year, with 8% like-for-like growth
- All countries delivered like-for-like sales growth
- 17 new stores opened in period
  - Strong customer demand and good resulting footfall
  - Two new markets: Romania and Slovakia
- Share of market by value increased in both France and Spain
- Germany restructuring on track

	Like-for-like growth vs FY22
Q1	3%
Q2	15%
Q3	7%
Q4	8%
Full year	**8%**

Dundrum, Dublin

*Excluding the UK

US performance

- Total sales increased 24% against last year
- 8 new stores opened in period, mainly in the Northeast
  - 21 stores trading from 0.9 million square feet
- Good trading in new stores
- Expanding our regional footprint
  - Two leases signed in Texas

Albany, New York

Expanding product offer

The Edit

Rita Ora

Licensing: Barbie™

Supporting Women for Life

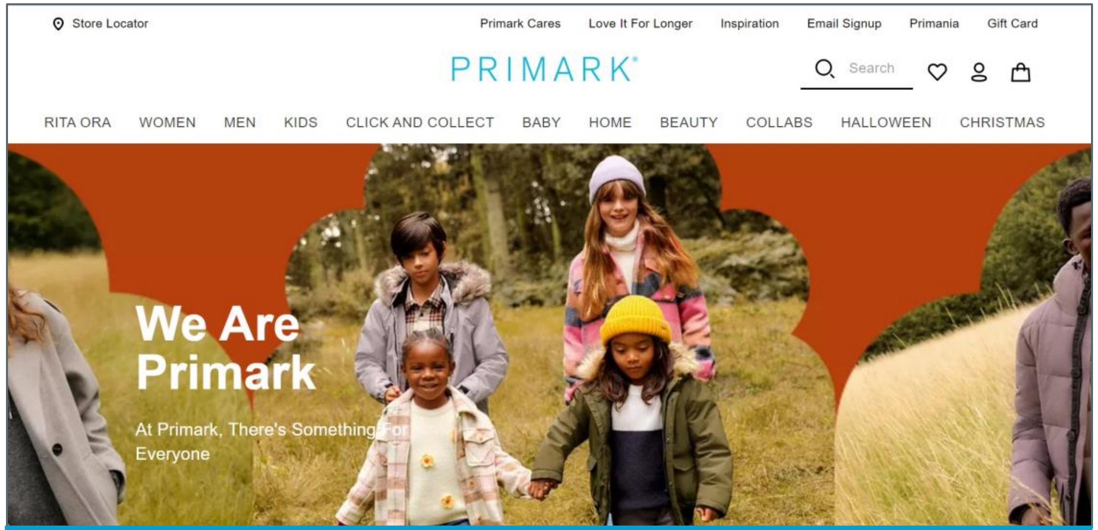
- Strong, relevant product offer
- Extending the appeal of our range to new and existing customers
  - Further developing The Edit, our premium essentials range
  - Important, authentic brand collaborations
  - Licensed product sales excellent
  - Supporting Women for Life: accessible and affordable products

Margin

- Decision not to fully recover inflation in input costs
- Adjusted operating margin of 8.2%, down from 9.8%
  - First half: higher costs of bought-in goods, freight rates, labour rates and energy costs
  - Second half: further increase in cost of bought-in goods, driven by strength of US dollar
- Freight costs decreased in Q4, but labour costs remain higher than a year ago
- Higher than expected stock loss

Digital update

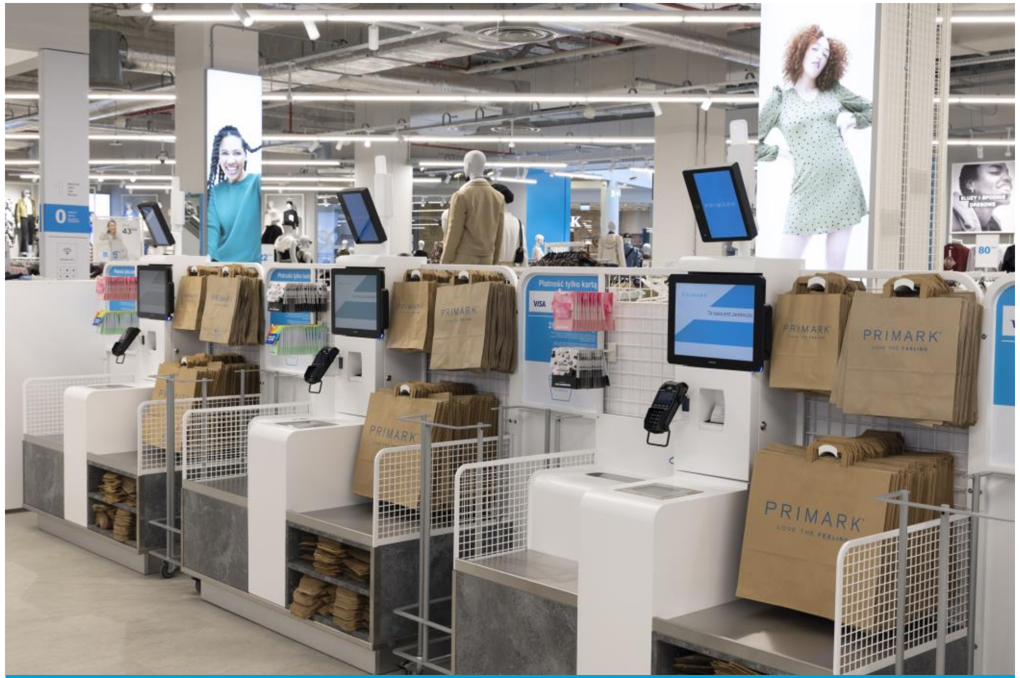
- Continue to transform digital capability
- Enhanced customer website now operating in all 16 markets
  - Strong traffic uplift with positive customer reaction
  - 15-20% of visits use stock checker
- Increasing traffic to *primark.com* through organic search, CRM and selected performance marketing trials
- Starting to leverage our strong, organic social media engagement
- Digital platform supporting good uplifts in store like-for-like sales across our markets



New website now in all 16 markets

Digital investments

- Self-checkout technology implemented in 22 stores
  - High utilisation and customer engagement
  - Roll out continues
- Expansion of Click + Collect trial to stores in London
  - Now 57 stores within the UK
  - Service extended to include womenswear
  - Encouraging early results



Self-checkouts at Wroclaw, Poland

27 new store openings in the period

City Point, Brooklyn, USA

Bratislava, Slovakia

Venice, Italy

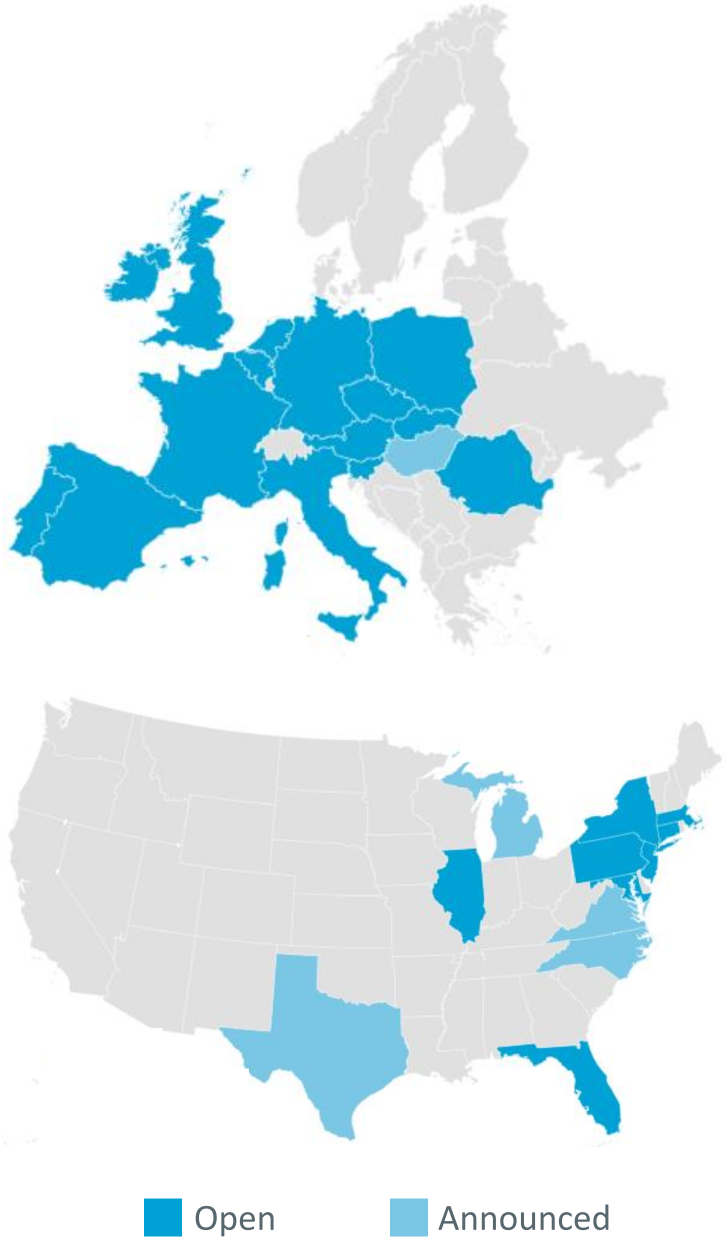
Mulhouse, France

Melilla, Spain

Bucharest, Romania

Store expansion

- Well on track to grow to 530 stores by end of 2026 financial year
  - 27 stores opened within the period
  - US footprint 21 stores, up from 13
  - Eastern Europe has 11 stores, up from 5
  - Announced markets: Hungary and 4 more US states
- Have visibility for footprint expansion beyond 2026



Primark Cares

- Some 55% of clothing units sold contained recycled or more sustainably sourced materials, up from 45%
- 46% of our cotton clothing now contains cotton that is organic, recycled or sourced from our Primark Sustainable Cotton Programme, up from 40%
- Science Based Targets adopted to reduce carbon emissions
- Scope 3 emissions increased as expected as our business grew, will reduce in time
- Scope 1 & 2 emissions reduced
  - Some 70% of our stores now powered by renewable or low-carbon electricity
  - 141 stores have switched to energy-efficient lighting

Group outlook

Group outlook

- Expecting a year of meaningful progress
- Consumer headwinds remain, but volatility reduced
- Stability for Grocery with inflation receding and marketing spend increasing
- Ingredients modestly declining as it consolidates following very strong growth and continues to invest
- Agriculture moving forward with integration of recent acquisitions
- Sugar making a substantial improvement in profitability from British Sugar and Vivergo
- Primark
  - Sales growth: space expansion, modest like-for-like growth underpinned by value, product relevance and stretch, digital platform and limited pricing
  - Strong recovery in gross margin and adjusted operating profit margin, above 10%
- Strong cash generation

Review of annual results for 52 weeks ended 16 September 2023

Appendix 1 – Primark selling space at year end

	FY23		FY22	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	192	7,725	191	7,620
Spain	59	2,390	56	2,305
Germany	30	1,605	32	1,841
France	24	1,203	20	1,044
Republic of Ireland	37	1,165	37	1,121
Netherlands	20	1,016	20	1,016
US	21	873	13	563
Italy	15	747	11	552
Belgium	8	403	8	403
Portugal	10	383	10	383
Austria	5	242	5	242
Poland	5	197	2	89
Czechia	2	89	2	77
Romania	2	75	-	-
Slovenia	1	46	1	46
Slovakia	1	39	-	-
	432	18,198	408	17,302

Appendix 2 – 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 buybacks

Appendix 3 – Exchange rates

	2023	2022
Average rates used to translate the income statement		
US dollar	**1.22**	**1.29**
Euro	**1.15**	**1.18**
Australian dollar	**1.83**	**1.80**
Closing rates used to translate the balance sheet		
US dollar	**1.24**	**1.14**
Euro	**1.16**	**1.14**
Australian dollar	**1.93**	**1.70**

Appendix 4 - Segmental analysis by geography

By geography	Revenue £m		Profit £m		Margin %	
	2023	2022	**2023**	2022	**2023**	2022
United Kingdom	**7,271**	6,378	**488**	533	**6.7**	8.4
Europe & Africa	**7,552**	6,291	**559**	482	**7.4**	7.7
The Americas	**2,420**	2,028	**353**	279	**14.6**	13.8
Asia Pacific	**2,507**	2,300	**113**	141	**4.5**	6.1
Total	**19,750**	16,997	**1,513**	1,435	**7.7**	8.4

Appendix 5 – Group financial calendar

Group external market updates	Date
January trading update	23 January 2024
Interim results announcement	25 April 2024
September pre-close trading update	10 September 2024
Annual results announcement	5 November 2024

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