

**Associated  
British Foods  
plc**



# Review of interim results for 24 weeks ended 2 March 2019



24 April 2019

# Financial Highlights

<b>Group revenue</b>	<b>up 2%*</b>	<b>£7.5bn</b>
<b>Adjusted operating profit</b>	<b>down 2%*</b>	<b>£639m</b>
<b>Adjusted profit before tax</b>	<b>in line</b>	<b>£627m</b>
<b>Adjusted earnings per share</b>	<b>in line</b>	<b>61.1p</b>
<b>Interim dividend per share</b>	<b>up 3%</b>	<b>12.05p</b>
<b>Gross investment</b>		<b>£433m</b>
<b>Net cash</b>		<b>£386m</b>

\* constant currency

# Business Highlights

- profit in line with expectations
  - Primark
    - profit up 25% driven by margin improvement
    - strong sales growth in UK, Spain, France, Italy, US
  - AB Sugar
    - low contracted European prices
    - efficiency improvements continue
  - Grocery
    - strong underlying profit growth
    - UK bread
  - strong cash flow
-

# Income Statement

£m	2019	2018	Change	
			actual fx	constant fx
Revenue	7,532	7,422	+1%	+2%
Operating costs before exceptional items	(6,945)	(6,830)		
Exceptional items	(79)	-		
Share of joint ventures and associates	24	24		
Profits less losses on disposal of non-current assets	2	2		
Operating profit	534	618		
Adjusted operating profit	639	648	-1%	-2%
Profits less losses on disposal of non-current assets	2	2		
Amortisation of non-operating intangibles	(20)	(17)		
Acquired inventory fair value adjustments	(7)	(15)		
Transaction costs	(1)	-		
Exceptional items	(79)	-		

# Income Statement

£m	2019	2018	Change
Operating profit	534	618	-14%
(Loss)/profit on sale and closure of businesses	(7)	5	
Net interest expense	(15)	(18)	
Other financial income/(expense)	3	(2)	
Profit before tax	<u>515</u>	<u>603</u>	-15%
Tax	(118)	(112)	
Profit after tax	<u>397</u>	<u>491</u>	
Adjusted profit before tax	<u>627</u>	<u>628</u>	in line

# Tax

£m	2019		2018	
Underlying charge	136	21.7%	134	21.3%
Credit on intangible amortisation	(5)		(13)	
Credit on acquired inventory fair value adjustments	(2)		(4)	
Credit on exceptional items	(12)		-	
Charge/(credit) on transaction costs, disposal of businesses and fixed assets	1		(5)	
Reported charge	<u>118</u>	22.9%	<u>112</u>	18.6%

# Earnings and Dividend Per Share

	2019	2018	Change
Adjusted earnings per share	61.1p	61.3p	in line
Earnings per share	49.2p	60.9p	-19%
Dividend per share	12.05p	11.70p	+3%

# Balance Sheet

£m	2019	2018
Intangible assets (including goodwill)	1,658	1,627
PP&E and other non-current assets	5,974	5,917
Working capital	1,152	1,191
Biological assets – current	106	103
Current tax	(94)	(138)
Net cash	386	123
Other net financial assets/(liabilities)	33	(4)
Deferred tax	(174)	(181)
Provisions	(115)	(130)
Net pension asset	249	350
Net assets	<u>9,175</u>	<u>8,858</u>
Equity shareholders' funds	9,089	8,774
Non-controlling interests	86	84
	<u>9,175</u>	<u>8,858</u>



# Cash Flow

£m	2019	2018
Adjusted operating profit (before joint ventures and associates)	615	624
Depreciation and amortisation of operating intangibles	277	244
Working capital	(289)	(401)
Provisions	(24)	(25)
Capital expenditure - Primark	(189)	(204)
- Food	(159)	(147)
Purchase of intangibles	(34)	(37)
Tax	(122)	(111)
Net interest and other income	(10)	(18)
Pension costs less contributions	2	1
Dividends received from joint ventures and associates	25	25
Other	(11)	3
Free cash flow	81	(46)
Dividends paid (including non-controlling interests)	(264)	(236)
Acquisitions less disposals, net of tax	(42)	(195)
Net cash flow before financing	(225)	(477)

# Segmental Analysis

## By business

	Revenue		Profit		Margin		ROCE	
	2019	2018	2019	2018	2019	2018	(annualised)	
	£m	£m	£m	£m	%	%	2019	2018
							%	%
Grocery	1,721	1,672	167	159	9.7	9.5	26.5	27.0
Sugar	769	881	1	106	0.1	12.0	0.1	14.1
Agriculture	665	614	15	24	2.3	3.9	8.3	14.1
Ingredients	744	716	64	63	8.6	8.8	15.7	15.9
Retail	3,630	3,477	426	341	11.7	9.8	29.4	25.3
Central costs	-	-	(34)	(29)	-	-	-	-
Continuing businesses	7,529	7,360	639	664	8.5	9.0	19.0	20.9
Disposed businesses	3	62	-	(16)				
<b>Total</b>	<b>7,532</b>	<b>7,422</b>	<b>639</b>	<b>648</b>	<b>8.5</b>	<b>8.7</b>	<b>19.1</b>	<b>20.4</b>

# Segmental Analysis

## By geography

	Revenue		Profit		Margin	
	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	%	%
United Kingdom	2,784	2,723	230	251	8.3	9.2
Europe & Africa	2,854	2,833	255	245	8.9	8.6
The Americas	780	742	116	102	14.9	13.7
Asia Pacific	1,111	1,062	38	66	3.4	6.2
Continuing businesses	7,529	7,360	639	664	8.5	9.0
Disposed/closed businesses	3	62	-	(16)		
<b>Total</b>	<b>7,532</b>	<b>7,422</b>	<b>639</b>	<b>648</b>	<b>8.5</b>	<b>8.7</b>

# Sugar

£m		2019	2018	Change	
<b>Revenue</b>	£m	769	881	actual fx -13%	constant fx -11%
<b>Operating profit</b>	£m	1	106		
<b>Margin</b>		0.1%	12.0%		
<b>ROCE</b>		0.1%	14.1%		

- Illovo profit in line with last year but later phasing
- lower EU prices but sugar stocks tightening
- performance improvement savings
- reduced beet prices notified in Spain
- lower yielding beet crop in China

# Sugar operations

- UK production 1.15m tonnes
- good campaign in British Sugar
- lower production in Spain
- poor quality beet in China reduced production
- Illovo production expected ahead at 1.76m tonnes

# Illovo drip irrigation

- investment in capacity and efficiency
- target lowest yielding land
- reduces water consumption by 30%
- 25% cane yield improvement
- Eswatini and Malawi in progress

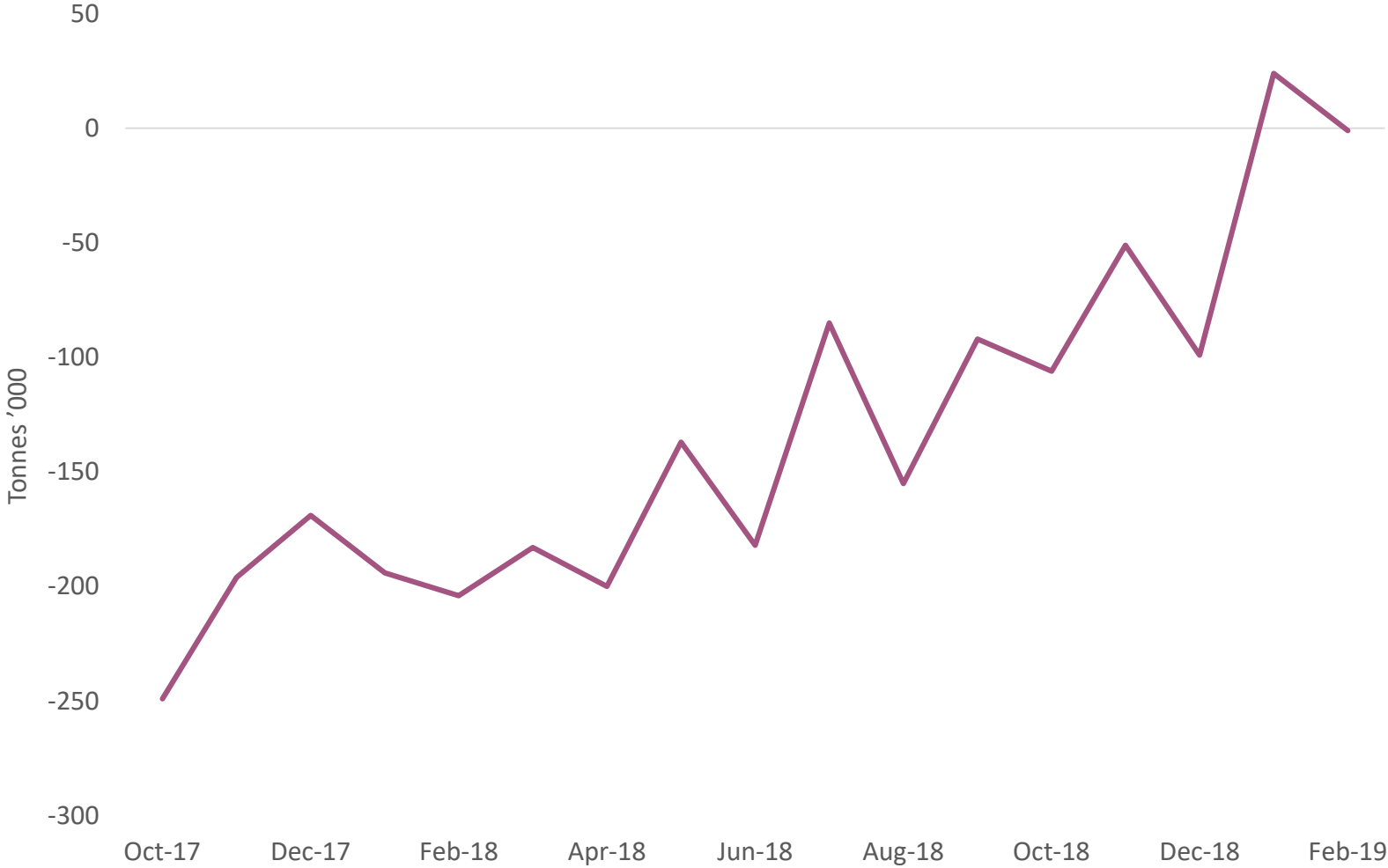


# European price environment



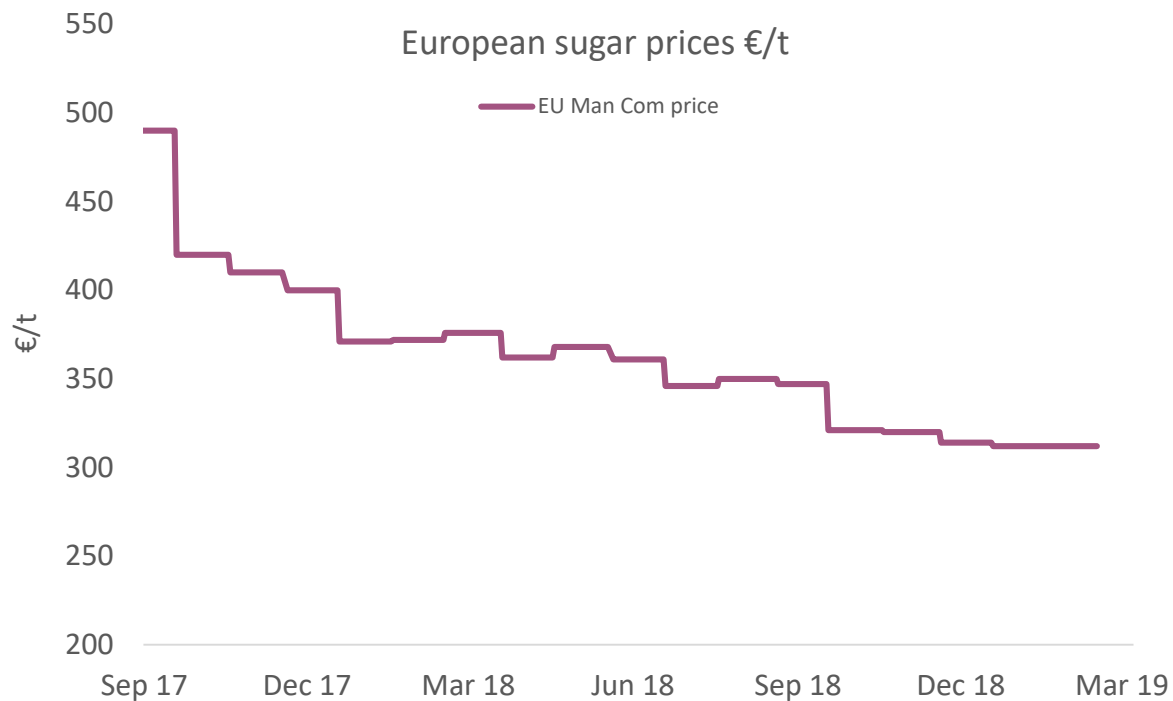
- contracted prices to date reflect huge crop in 2017/18
- reduced sugar production in 2018/19
- EU stock levels tightening during 2018/19

# EU (export)/import balance





# European price environment



- contracted prices to date reflect huge crop in 2017/18
- reduced sugar production in 2018/19
- EU stock levels tightening during 2018/19
- 2019/20 EU crop area down – UK 7% lower
- spot EU sugar prices increasing

# Agriculture

		2019	2018	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	665	614	+8%	+8%
<b>Operating profit</b>	£m	15	24	-38%	-40%
<b>Margin</b>		2.3%	3.9%		
<b>ROCE</b>		8.3%	14.1%		

- higher feed prices in UK and China
- reduced margin and adverse sales mix in UK feed
- profit phasing - second half benefit from Frontier and sugar beet feed

# Grocery

		2019	2018	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,721	1,672	+3%	+3%
<b>Operating profit</b>	£m	167	159	+5%	+2%
<b>Margin</b>		9.7%	9.5%		
<b>ROCE</b>		26.5%	27.0%		

- strong underlying profit growth of 10%
- Twinings Ovaltine continued growth
- margin improvement in George Weston Foods, ACH and Acetum
- Allied Bakeries – some pricing success but private label contract loss

# Grocery

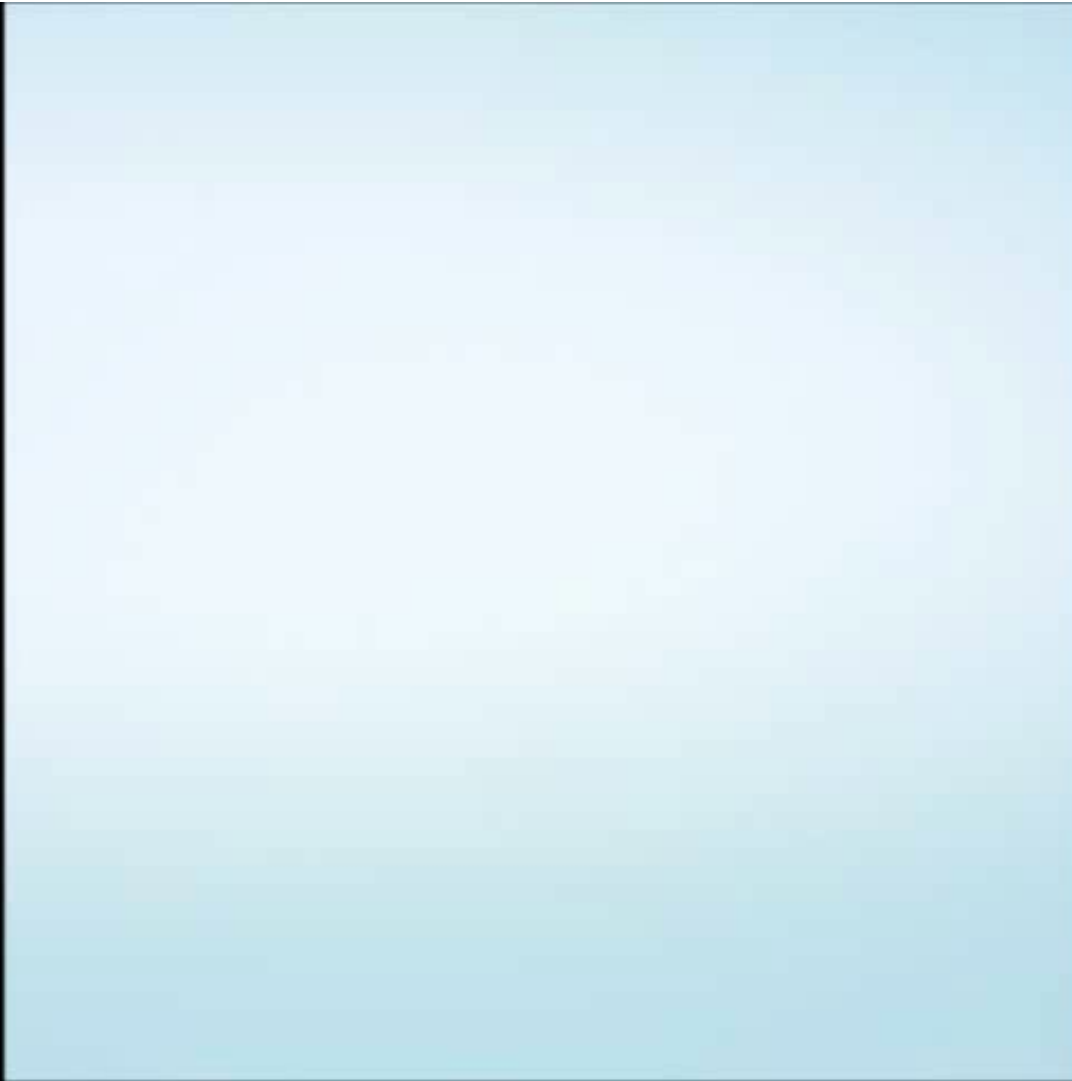
		2019	2018
<b>Revenue</b>	£m	1,721	1,672
<b>Operating profit</b>	£m	167	159

## ■ Twinings

- Cold Infuse success in UK and Australia
- supply chain investment and efficiency improvement



# Cold Infuse



# Twinnings Poland



# Grocery

		2019	2018
<b>Revenue</b>	£m	1,721	1,672
<b>Operating profit</b>	£m	167	159

## ■ Twinings

- successful launch of Cold Infuse
- supply chain investment and efficiency improvement

## ■ Ovaltine

- extensive Ovaltine product offering

# Ovaltine



Switzerland



Thailand



Crunchy Cream – Germany, Switzerland, France, Brazil, Austria, Benelux, Italy



Brazil



# Grocery

		2019	2018
Revenue	£m	1,721	1,672
Operating profit	£m	167	159

## ■ North America

- good profit growth
- increased Mazola volumes
- Mexico much improved



## ■ Australia

- margin, profit well ahead
- Tip Top volumes ahead
- Don KRC: factory efficiency improvements, lower procurement costs
- market share gains for recently acquired Yumi's



# Yumi's



# Grocery

		2019	2018
Revenue	£m	1,721	1,672
Operating profit	£m	167	159

- Jordans Dorset Ryvita
  - international market growth
  - supply chain improvements
- Acetum
  - brand development
  - margin well ahead

The advertisement for Mazzetti Balsamic Vinegar of Modena P.G.I. features a vibrant yellow background. At the top, the Mazzetti logo is displayed with the tagline 'L'ORIGINALE'. Below the logo, the phrase 'The Italian Art of dressing.' is written in a cursive script. The central illustration depicts a woman in a black dress with a large, colorful floral skirt, holding a fountain pen that is drawing a line. A bottle of Mazzetti Balsamic Vinegar of Modena P.G.I. is shown in the bottom right corner. The text 'Balsamic Vinegar of Modena P.G.I.' is prominently displayed in the bottom left. A small Italian text box reads: 'Le fragole sono perfette con Mazzetti l'Originale'. A larger English text box states: 'Every drop of Mazzetti l'Originale Balsamic Vinegar of Modena is a drop of Italian inspiration, capable of transforming ordinary dishes into extraordinary creations. Because in every drop there is our art of combining a centuries-old flavour with timeless quality: The Italian Art of Dressing. It has conquered the world.' The website 'mazzettioriginale.co.uk' is listed at the bottom right.

**Mazzetti**  
L'ORIGINALE

*The Italian Art of dressing.*

**Balsamic Vinegar of Modena P.G.I.**

Le fragole sono perfette con Mazzetti l'Originale

Every drop of Mazzetti l'Originale Balsamic Vinegar of Modena is a drop of Italian inspiration, capable of transforming ordinary dishes into extraordinary creations. Because in every drop there is our art of combining a centuries-old flavour with timeless quality: The Italian Art of Dressing. It has conquered the world.

mazzettioriginale.co.uk

# Grocery

		2019	2018
Revenue	£m	1,721	1,672
Operating profit	£m	167	159



## ■ Allied Bakeries

- continued work to reduce costs
- successful new product development
- some pricing success
- end of uneconomic private label contract from next financial year
- developing further options to improve profitability



# Ingredients

		2019	2018	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	744	716	+4%	+5%
<b>Operating profit</b>	£m	64	63	+2%	+2%
<b>Margin</b>		8.6%	8.8%		
<b>ROCE</b>		15.7%	15.9%		

## ■ ABF Ingredients

- pharma excipients and plant cereal crisps well ahead
- growth in enzymes for bakery, food, detergent markets
- feed enzyme prices lower

# Ingredients

		2019	2018	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	744	716	+4%	+5%
<b>Operating profit</b>	£m	64	63	+2%	+2%
<b>Margin</b>		8.6%	8.8%		
<b>ROCE</b>		15.7%	15.9%		

## ■ AB Mauri

- sales growth in all regions
- price increases secured in North America
- businesses in South America performed well
- continued investment in plant operating efficiency and capacity expansion

# Retail

		2019	2018	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	3,630	3,477	+4%	+4%
<b>Operating profit</b>	£m	426	341	+25%	+25%
<b>Margin</b>		11.7%	9.8%		
<b>ROCE</b>		29.4%	25.3%		

- 4.4% sales growth
- store expansion – 0.3 million sq ft added
- consolidation of buying in Dublin
- in-store efficiency
- strong womenswear offering
- margin ahead with weaker US dollar, better buying and lower markdowns

# Retail

- UK
  - sales up 2.3%
  - 0.6% like-for-like growth
  - total clothing market share well ahead
- US
  - strong performance
- Eurozone
  - sales up 5.3%
  - strong growth in Spain, France, Italy and Belgium
  - like-for-like sales down 3.2%
  - Germany





# Germany

- strengthened management team
- optimise store cost base
- listening to our customers and tailoring our communication
- Primark Cares messaging now in all German stores
- certified as a 'Top Employer Germany 2019' by the Top Employers Institute



# Primark Cares - sustainable cotton

- top 5 Primark selling product
- product same price as non-sustainable cotton




£13


## Made with sustainable cotton

Primark's Sustainable Cotton Programme trains female farmers to produce more environmentally sustainable cotton and improve their livelihoods.



# Recycled polyester - Alice Liveing



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primark Our new workout range get the [@aliceliveing](#) seal of approval! Made with recycled polyester 🌱 Prices from £5/€6/\$7 #Primark #AliceLiveingxPrimark

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with our new range to ensure your clothes

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# Key collaborations



Saffron Barker



Stacey Solomon



Alex Steinherr

# Digital and social

- a million followers added on social media
- total following now over 14 million
- Instagram
  - now 7 million followers
  - 5 channels in total
- increased engagement through #Primania



**192,000 likes**

# Womenswear



Animal Print Top £6  
Snake Print Trousers £13



Cord Pinafore  
Dress £12

Military Cargo  
Dress £15

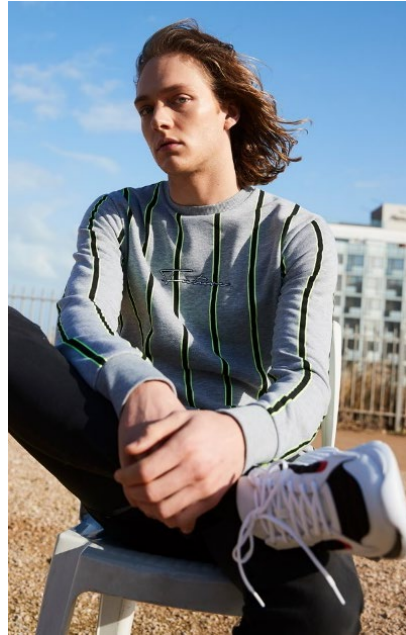


Short £10  
Stripe Shirt £7

# Menswear



Hoodie £12  
Cross-Body Bag £7



Striped Crew £12  
Retro Trainers £16

Printed Shirt £7  
Twill Short £10



Embroidered tee £7  
Bucket hat £4

# Licensed product





# Health and Beauty



Fragrances £3.50



Eye Palette £4.00



# Birmingham store opening



# Store environment – Stratford 2011



## Store environment – Oxford Street West 2007



# New stores



Bluewater, UK



Toulouse, France



Sevilla Torre, Spain



Berlin Zoom, Germany

# Primark selling space

	HY 19		HY 18	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	185	7,151	184	6,987
Spain	47	1,875	44	1,675
Germany	28	1,755	25	1,587
Republic of Ireland	37	1,083	37	1,084
Netherlands	19	902	18	850
France	14	730	12	607
USA	9	506	8	485
Portugal	10	348	10	348
Belgium	6	292	5	227
Austria	5	242	5	242
Italy	4	203	4	203
	<b>364</b>	<b>15,087</b>	<b>352</b>	<b>14,295</b>

## Further expansion

- expect to add 950,000 sq ft of new selling space this financial year
- some 150,000 sq ft reduction
  - closure smaller store in Oviedo
  - space reduction in US store King of Prussia, small number of German stores
- store opening programme for second half

UK	Hastings, Bluewater, Milton Keynes, Belfast, Birmingham
France	Bordeaux
Germany	Wuppertal, Bonn
Belgium	Brussels Chaussee d'Ixelles
Netherlands	Utrecht
Slovenia	Ljubljana

# Six stores in six days

	Opening Date
<b>Birmingham, High Street</b>	11 April
<b>Bordeaux</b>	12 April
<b>Brussels Chaussee d'Ixelles</b>	15 April
<b>Wuppertal</b>	16 April
<b>Milton Keynes</b>	16 April
<b>Belfast, Donegall Place</b>	16 April

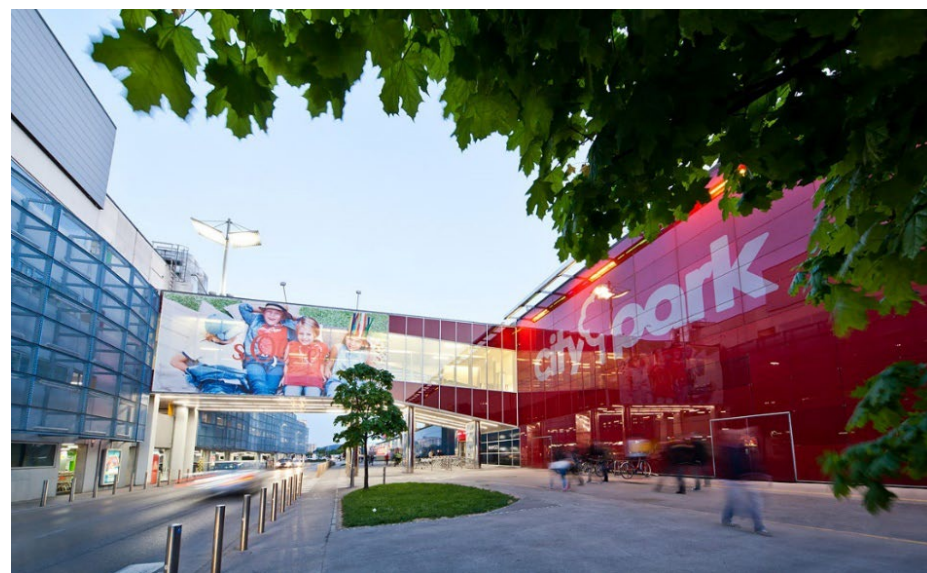
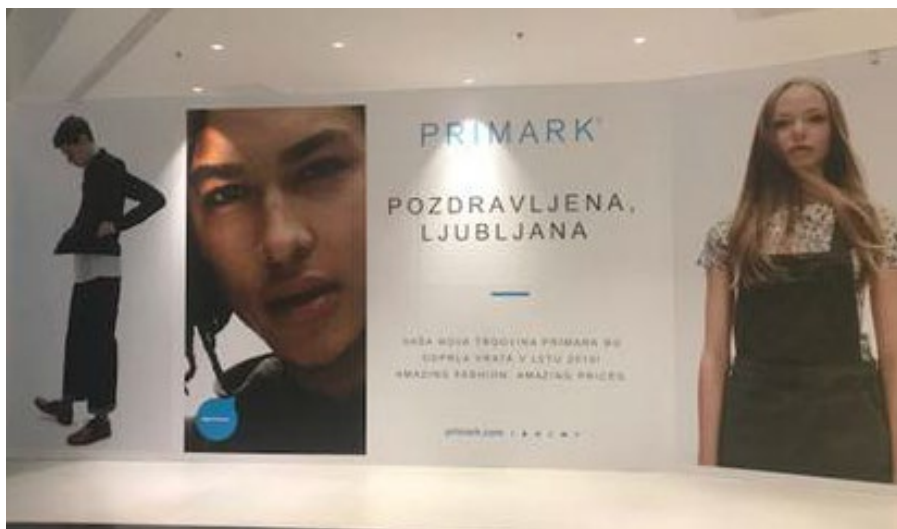




# Belfast

- Bank Buildings devastating fire 28 August 2018
- 1,500 customers and employees all safely evacuated
- over 300 employees temporarily relocated
- two temporary stores: Commonwealth House and Donegall Place
- plans for rebuild of the 220 year old listed building
  
- working closely with Belfast City Council to reduce the cordon
- donated £500,000 to City Council's Recovery Investment Programme

# Opening Summer 2019 - Ljubljana, Slovenia



# Outlook

- second half
  - underlying growth in Grocery to continue
  - Sugar second half profits in line with last year
  - Primark second half margin reduction and full year profit remain as expected
- full year
  - adjusted earnings per share in line with last year

# Associated British Foods plc



# Review of interim results for 24 weeks ended 2 March 2019



24 April 2019

# Exchange rates

<b>Average rates used to translate the income statement</b>	<b>2019</b>	<b>2018</b>
US\$	1.29	1.35
euro	1.13	1.13
South African rand	18.27	17.55
Australian \$	1.80	1.74

<b>Closing rates used to translate the balance sheet</b>	<b>2019</b>	<b>2018</b>
US\$	1.32	1.38
euro	1.16	1.12
South African rand	18.82	16.54
Australian \$	1.87	1.78

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## Notes

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items. These items, together with profits less losses on the sale and closure of businesses, are excluded from adjusted profit before tax and adjusted earnings per share.

Constant currency figures are derived by translating the 2018 results at 2019 average exchange rates, except for countries where consumer price inflation has escalated to extreme levels, in which case actual exchange rates are used, applied to local currency data before the application of IAS 29.

Underlying profit for Grocery excludes a £12m charge in 2019 in respect of the closure of the Twinings tea factory in Jinqiao, China.