

## Trading update

Associated British Foods plc today issues a trading update for the 36 weeks to 28 May 2022 summarising the significant trading developments since the last market update.

### Highlights

- Group trading in line with expectations, outlook unchanged
- Revenue increases at Food demonstrate ongoing price actions to date
  - Recovery of Grocery margin remains on target for next year
  - Strong trading at Sugar despite production disruption at Illovo this quarter
  - AB Agri and ABF Ingredients trading well in current environment
- Primark uplift in sales in the quarter, full year margin in line with expectations
- Primark to launch UK trial of Click & Collect service on children's products
  - up to 25 stores in the northwest
  - wider product range offered to satisfy unfulfilled demand
  - builds on enhanced digital capability
  - expected to drive higher footfall and incremental sales in stores

### Conference call

There will be an analyst and investor conference call at 8.30 BST today with George Weston, John Bason and Paul Marchant. A short presentation to accompany the call is available on the Investor Relations section of our website.

### Trading performance

The following table sets out revenues by business segment for the third quarter of the financial year and for year to date. For Primark the third quarter is the 12-week period from 6 March to 28 May 2022 and the prior year has been adjusted to a comparable 12-week period.

	Third quarter £m	Change at constant currency	Year to date £m	Change at constant currency
Grocery	932	+4%	2,753	+3%
Sugar	457	+7%	1,371	+15%
Agriculture	441	+10%	1,250	+9%
Ingredients	489	+24%	1,287	+16%
<b>Total Food</b>	<b>2,319</b>	<b>+10%</b>	<b>6,661</b>	<b>+9%</b>
Retail	1,727	+81%	5,267	+69%
<b>Group</b>	<b>4,046</b>	<b>+32%</b>	<b>11,928</b>	<b>+29%</b>

Group revenue for the quarter increased by 32%. Sales in our Food businesses increased 10% which reflected price actions to recover input cost inflation and volume increases in Ingredients. All Primark stores traded during the period in contrast to last year when most stores were closed until the middle of April.

Sales and adjusted operating profit in the period were in line with our expectations. Our full year outlook remains unchanged with significant progress expected in adjusted operating profit and adjusted earnings per share for the Group.

References to growth in the following commentary are based on constant currency.

### Grocery

Revenue growth picked up in the third quarter and was 4% ahead of last year. Sales benefited from price increases implemented earlier this year and further pricing action is underway. We continue to expect recovery in the margin run-rate in our next financial year.

Twinnings sales declined marginally with a return to more normal levels of retail demand after the COVID lockdowns last year, partially offset by successful new product launches. Ovaltine sales were ahead with continued strong performance in Switzerland, Thailand and Nigeria.

Allied Bakeries sales were ahead of the same period last year but higher input costs continued to adversely affect margins. Westmill benefited from the continued improvement in restaurant and take-away trade sales. Sales at Jordans Dorset Ryvita continued to progress.

Revenue growth at ACH was strong in the quarter with the benefit of price actions taken over the last year more than offsetting a decline in the US retail yeast volumes from COVID-elevated levels. George Weston Foods in Australia delivered strong sales growth despite COVID-related operational challenges in our Tip Top bread and Don KRC meat businesses.

## Sugar

AB Sugar revenue for the quarter was 7% ahead of last year. British Sugar's energy business sales prices were strong and Azucarera benefited from higher sugar and co-product prices. Illovo volumes in the quarter were held back with a later start to the new production season as a result of significant disruption from heavy rains. Sugar production in South Africa, Eswatini and Malawi was significantly lower than last year.

The re-commissioning of our Vivergo bioethanol plant is progressing although production volumes are being held back by delays in delivery of some critical equipment. Current commodity prices and costs are delivering the expected margins.

Looking ahead we continue to expect European sugar demand to be in excess of production with production in 2021/22 only slightly higher than the prior year with a lower crop area offset by a recovery in yields to more normal levels. World sugar prices are also expected to remain strong.

## Agriculture

AB Agri sales for the third quarter were 10% ahead of last year with higher selling prices more than mitigating higher commodity and energy costs. This has driven higher profitability and we now expect full year profit to be broadly in line with last year.

Sales at Frontier were ahead of last year predominantly due to the strengthening of agricultural commodity prices and strong demand for crop protection products in the spring as farmers looked to maximise yields whilst grain prices are at record highs. AB Vista, our international feed enzymes business, was ahead of the prior year due to growth in South East Asia and the Americas. However, increased supply chain costs and adverse currency movements impacted profitability.

## Ingredients

Revenue in the third quarter was strongly ahead of last year driven by both AB Mauri and ABF Ingredients. The revenue increase reflected the price increases implemented to date and an increase in volumes in ABF Ingredients.

Although revenue growth for AB Mauri in this period was strong, margin continued to be impacted by the timing of customer price actions. Sales at ABF Ingredients reflected strong underlying demand, new business, and price recovery to offset inflation and margins improved.

## Retail

All Primark stores were open during this period, in contrast to last year when the majority of stores were closed until the middle of April. As a consequence, sales in the quarter were 81% ahead of last year and year to date were 69% ahead of the comparable period last year. Sales in the quarter were 4% higher than the comparable pre-COVID period three years ago. Like-for-like sales have been improving since the half year and for the quarter were 9% below pre-COVID levels three years ago. In the UK and Republic of Ireland like-for-like sales have improved markedly while in Continental Europe performance only started to improve at the end of the quarter following the removal of remaining COVID restrictions. Primark remains on track to deliver a full year adjusted operating profit margin of some 10%.

Trading in the UK was much improved this quarter. Total sales were well ahead of last year, with a 61% increase, and 2% ahead of pre-COVID levels three years ago with like-for-like sales 4% below. Destination city centre stores improved with a marked return of tourism accompanied by more office working. Primark's share of the UK clothing, footwear and accessories market by value, comprising online and offline, for the 12 weeks ending 1 May was broadly in line with the comparable period three years ago.

Sales in the quarter in Continental Europe were 106% ahead of last year and 7% above the comparable period three years ago with a 20% increase in retail selling space and like-for-like sales down 15%. Total sales in the US in the quarter were 34% ahead of pre-COVID levels with the benefit of new store openings.

The return of tourism and more office working combined with an improvement in the weather across all our markets was reflected in a strong customer reaction to our fashion ranges. Our spring/summer women's fashion ranges were well received with their focus on brightly coloured dresses, heels and blouses. Sales of luggage and holiday essentials such as swimwear, sliders and beach towels strengthened over the quarter as customers looked to holiday travel and leisure activities. Licensed product remained in great demand. Lilo & Stitch proved to be one of the top performing ranges from our ongoing partnership with Disney while our new Stranger Things collection, timed for the launch of the fourth season of the hit show on Netflix, met an exceptionally strong customer response.

Retail selling space has increased by a net 0.3 million sq ft since the beginning of the financial year and at the end of the period we were trading from 403 stores and 17.1 million sq ft of retail selling space, compared to 16.7 million sq ft a year ago. Since the half year, an enthusiastic customer reception greeted both our newly opened flagship store in Milan city centre, Italy, and our relocated store in Carlow in the Republic of Ireland. We expect to add a net total of 0.5 million sq ft of retail selling space this financial year. Five further stores are expected to be opened before the financial year end: Chieti and Bologna in one of our strongest growth markets, Italy; Brno in Czechia; Tallaght in the Republic of Ireland; and Jamaica Avenue, Queens NY, in the US. We are making good progress in developing a strong pipeline of new stores for the next financial year and to deliver our ambition to grow our store estate to some 530 stores by the end of our 2026 financial year.

We continue to transform Primark's digital capability and a modern and scalable technology platform is now in place. We have seen a positive customer reaction to the April launch of our new website in the UK which showcases many more products and offers stock availability by store. To date, traffic to the

new site is up by around 60%, customers on average are viewing twice as many pages per session, and almost 15% of visitors to the site are using the new stock checker facility.

We now plan to enhance the customer journey even further with the UK launch of a trial Click & Collect service towards the end of this calendar year. We have chosen a much expanded range of children's products for this trial, which we believe has the potential to satisfy unfulfilled demand, driving footfall from both existing and new customers to deliver incremental sales in store. The trial will take place in up to 25 stores in the northwest, which will provide a representative sample of store sizes and formats in our UK estate.

The Click & Collect service will build to offer customers some 2,000 options across clothing, accessories and lifestyle products, which will cater for a broad range of family needs from furnishing a nursery to clothing children of all ages. Around 40% of these options will be exclusive to Click & Collect. The expansion of the offering will be particularly attractive for our customers who do not regularly shop in our larger stores. Our average size stores are only able to stock a limited range and for these customers the number of options available to them will broadly double, increasing even more for customers of our small stores. This trial will enable us to provide more fashion, licence and lifestyle products to more customers and more often. In store collection will be available from designated areas, designed to be welcoming and situated in the heart of the store.

Click & Collect orders will be processed and dispatched to store from a dedicated UK distribution centre. Our product suppliers will prepare the stock in cartons in a way which will enable simple and efficient picking at the distribution centre. This pick and pack operation will be manual during this trial with plans to automate in due course. Orders will be free to collect for our customers, and returns will be accepted free of charge in store.

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Notes:

- Definitions of the alternative performance measures referred to in this announcement can be found in note 30 of our Annual Report and Accounts 2021.
- Our third quarter statement last year was based on the 16-week period from 28 February to 19 June 2021.  
The following table sets out revenues for Primark for the third quarter and change to prior year at actual currency based on 12-week period for the last five years:

	Third quarter £m	Change at actual currency
2022	1,727	81%
2021	955	223%
2020	296	-82%
2019	1,672	2%
2018	1,645	6%

In future our reporting will follow this pattern.