

## **Pre-close Trading Statement**

Associated British Foods plc today issues the following update prior to entering the close period for its full year results for the 52 weeks to 16 September 2023, which are scheduled to be announced on 7 November 2023.

References to sales growth in the following commentary are based on constant currency except where stated.

### **Financial year 2022-2023**

- For the Group overall, outlook for this financial year is slightly better than previous expectations of Group adjusted operating profit to be moderately ahead of last year
- Food
  - We continue to see strong sales growth, particularly in Grocery and Ingredients and a slightly better than expected performance in Sugar
  - Adjusted operating profit now expected to be strongly ahead of the previous financial year
- Retail
  - Sales expected to be around £9.0bn, 15% ahead of sales last year with like-for-like sales growth of 9%
  - Strong fourth quarter sales growth, expected to be 15% with like-for-like growth of 8%
  - Sales growth has been driven by selective price increases, well received ranges and strongly performing new stores
  - Digital development: rollout of enhanced website is now complete, UK trial of Click and Collect extended to womenswear
  - Second half adjusted operating profit margin expected to be slightly below 8% and for the full financial year to be around 8%
- £442m of the £500m share buyback programme completed as at the close of trading on 11 September

### **Outlook for 2023-2024**

The Group continues to trade well, managing inflation, recovering cash margin and continuing to drive sales in a challenging macro-economic environment.

At this stage we still expect Sugar to make a substantial improvement in profitability in the next financial year. This will be driven by a marked improvement in the performance of British Sugar, driven by an anticipated better UK sugar beet crop and a significant reduction in losses at Viverno.

At Primark, we continue to expect a substantial recovery in gross margin as a result of lower material costs, the weakening of the US dollar against sterling and the euro and lower freight costs, all of which have improved in recent weeks. We therefore expect Primark adjusted operating profit margin to recover strongly in the next financial year.

## Fourth Quarter – Food

In the fourth quarter of this financial year our **Grocery** businesses traded slightly ahead of expectations. Our international brands, such as Twinings, Ovaltine, Blue Dragon and Patak's, continue to perform well. In particular, in the US all our brands are trading strongly. The trajectory in UK bakeries continues to improve. We now expect full year adjusted operating profit to be significantly higher than last year.

Our **Sugar** business traded slightly better than expected in the fourth quarter, with continued strong performance in Illovo's key African markets, lower profitability at British Sugar driven by the production shortfall from the 2022/23 campaign, and much reduced losses at our bioethanol plant, Vivergo. We now expect Sugar adjusted operating profit to be modestly above last year.

We continue to expect adjusted operating profit in our **Ingredients** division to be well ahead of last year. As previously stated, trading has been particularly strong at AB Mauri with good cost recovery and resilient volumes, with growth across the Americas. This trading performance continued to be ahead of our expectation in the fourth quarter of the financial year.

Our **Agriculture** business recovered somewhat in the second half of the financial year. However, due to its performance in the first half of the financial year, we expect adjusted operating profit to be modestly below last year. In the fourth quarter of the financial year we completed the acquisition of National Milk Records.

## Fourth Quarter – Retail

**In this fourth quarter** we expect Primark sales to be around 15% higher than in the same period in the previous financial year, with like-for-like sales growth in the quarter of around 8%.

In the UK sales for the fourth quarter are expected to be up 8% with like-for-like sales expected to be up 7%. In this quarter, we saw unusually variable and unseasonable weather especially in July, then in the first half of August, and again in more recent weeks, all of which impacted transactions and footfall. Despite these conditions, our performance was resilient. Our share of the UK market increased to 6.4% from 6.2%<sup>1</sup> for the 12 weeks to 20 August.

In Europe excluding the UK, sales for the fourth quarter are expected to be 18% higher with like-for-like sales expected to be up 9%. Similar to the UK, the business traded well despite challenging weather with especially hot conditions in several regions across Europe.

In the US sales are expected to be 45% higher in the fourth quarter driven by the strong programme of new store openings. We opened four new stores in the quarter.

**For the financial year as a whole**, sales are therefore expected to be around 15% ahead of sales last year (UK 11%, Europe excluding the UK 18%). These higher sales are the result of limited and carefully selected price increases through this financial year to partially recover high levels of input cost inflation, assisted by a strong performance from new stores opened in the year, and by demand for our attractive ranges. We expect like-for-like sales growth for the financial year to be around 9% (UK 11%, Europe excluding the UK 8%), with like-for-like sales likely to be around 7% in the second half of the financial year, after the 10% like-for-like growth of the first half of the financial year.

**Expansion of the store estate** made good progress in the fourth quarter with eight stores opened since our last update comprising four in the US and one each in France, Spain, Poland and Romania. Today we are opening a store in Melilla, the Spanish territory in North Africa, and our new store in Salisbury, UK, is due to open tomorrow. Our plans to restructure and grow our business in Germany are progressing well.

At the end of this financial year we expect to be trading from 432 stores with 18.2 million sq ft of selling space, an increase of 1.1 million sq ft of selling space before a reduction of 0.2 million sq ft in selling space in our German estate.

**Adjusted operating profit margin** will be weaker in the second half of the financial year due to higher-than-expected stock loss from stores across the estate and a modest amount of German restructuring costs. We now expect second half adjusted operating profit margin to be slightly below 8% and for the full financial year to be around 8%.

**Primark's digital development programmes** continue, and the enhanced customer website is now operating in all our markets. In April we announced the expansion of the Click + Collect trial to an additional 32 stores in London, taking the total number offering this service to 57 stores in the UK. From tomorrow the service will extend to include womenswear, alongside the existing offer on kidswear, as announced last week.

Our performance continues to benefit from the ongoing success of celebrity and influencer collaborations. A new international fashion collaboration will be revealed later today in New York.

Notes:

<sup>1</sup> UK clothing footwear and accessories market includes online sales, Kantar figures for 12 weeks ending 20 August 2023.

Definitions of the alternative performance measures referred to in this announcement can be found in note 30 of our Annual Report and Accounts 2022.

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**An investor and analyst call will be held at 09.00 BST today, Tuesday 12 September 2023. All participants must pre-register to join this conference using the Participant Registration link below. Once registered, an email will be sent with your unique Registrant ID.**

**Participant registration page:**

**<https://register.vevent.com/register/BI73d094ba3e2d4b96afc8690f1554a338>. Please note the Registrant ID number is unique and cannot be shared.**

**Notes to editors**

Associated British Foods is a diversified international food, ingredients and retail group with annual sales of £17bn and 132,000 employees in 53 countries. It has significant businesses in Europe, Africa, the Americas, Asia and Australia.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for long-term profitable growth. We look to achieve this through a combination of growth of existing businesses, acquisition of complementary new businesses and achievement of high levels of operating efficiency.