

5 September 2024

Trading Update

Associated British Foods plc today provides an update on trading during the second half of the financial year which will end 14 September 2024.

References to sales growth in the following commentary are based on constant currency and are in comparison to the same period in the prior year, except where stated.

George Weston, Chief Executive of Associated British Foods, said:

“The Group has continued to perform well in the second half, delivering good topline growth, a significant improvement in profitability and excellent cash generation. While the British weather was not in Primark’s favour this summer, robust growth in other markets and new store openings have driven good sales overall. Strong margin delivery is enabling increased investment in our product, digital and brand initiatives. Grocery and Ingredients have also grown well in the second half, in line with our expectations, and we will continue to build on this momentum. Sugar profitability this year remains ahead of FY23, however, it is below our previous expectations. This is due to a sharp fall in European sugar prices which is now expected to impact Sugar profitability in FY25 before recovering in FY26.

Notwithstanding this short-term volatility in Sugar, we are optimistic about the outlook for the rest of the Group, which is well positioned for further strategic progress supported by continued reinvestment for the longer term.”

Retail

Primark revenue growth is expected to be around 4% in H2, driven by a strong sales contribution from our continued store expansion programme. Like-for-like sales are expected to decrease by around 0.5% in H2, with growth of 0.2% in Q3 and a projected decline of around 0.9% in Q4. This primarily reflects unfavourable weather in the UK and Ireland in H2, which resulted in lower footfall and particularly impacted sales of our seasonal lines in womenswear and footwear. While volumes were soft during H2, the average selling price increased as a result of mix. We are benefiting from the relevance and breadth of our product ranges, including licensing and collaborations, as well as increased digital engagement with our customers. Markdown in the period has been managed effectively and we expect to exit the year with good inventory levels.

In the UK in H2, sales are expected to be around 0.5% lower, with like-for-like sales expected to decrease by around 2.0%. The like-for-like decline was 0.6% in Q3 and is projected to be around 3.1% in Q4, with footfall impacted by challenging weather, particularly in April and June. Primark’s market share¹ decreased slightly to 6.5% in the 24 weeks to 21 July 2024 reflecting the lower high street footfall. We continued to expand and optimise our store portfolio in the UK, opening two new stores, extending two existing stores and re-locating two stores during the period.

In Europe excluding the UK, sales growth is expected to be around 5% in H2, with a strong contribution from space expansion. Most markets in Europe have delivered strong growth in H2, including Spain, France and Italy. Like-for-like sales growth is expected to be around 0.9% in H2, with growth of 1.1% in Q3 and projected growth of around 0.7% in Q4. Most countries traded well with good like-for-like performances, although the like-for-like sales measure in France and Italy was impacted by the high number of store openings in the prior year. Germany and the Netherlands both performed particularly well. Ireland was a notable exception, with weather-impacted

¹ Kantar, Primark market share of the total UK clothing, footwear and accessories market including online by value, 24-week data to 21 July 2024

performance more in line with the UK. There were eight new store openings during the period: three in Spain, two in Italy, one in Ireland, one in Romania and our first store in Hungary.

We continue to make good progress in the US. Sales growth is expected to be around 25% in H2. Recently opened stores are performing well and we opened three new stores in the period. Primark also launched its first US marketing campaign in the New York area as we focus on driving increased brand awareness with US customers.

As part of our continued market expansion, we have signed an agreement with the Alshaya Group to explore the opportunity to open stores in the Gulf Cooperation Council ('GCC') markets.

Overall, our outlook for adjusted operating profit for Primark in FY24 is unchanged. Our margin delivery has been strong in H2 and we now expect adjusted operating profit margin for the full year to be a little over 11.5%. The significant margin recovery in H2 FY24 compared to H2 FY23 reflects an increase in product gross margin, largely due to lower material costs, reduced realised freight costs and foreign exchange improvement. These benefits are being partially offset by labour cost inflation and increased investment in digital and data capabilities, technology and brand marketing.

Grocery

Grocery has continued to perform well and we expect sales growth to be around 3% in H2, reflecting good demand for our leading international and regionally-focused brands.

Our international brands have delivered good growth, underpinned by upweighted investment in effective marketing. Twinings has maintained strong sales momentum in its largest markets including the UK, US and France, reflecting increased distribution, strong commercial execution and new product launches. Ovaltine delivered continued growth in Europe in H2 and an improved performance in Thailand.

Within our regionally-focused portfolio, our US-focused brands performed well in H2, reflecting the strength of our brands and increased capacity. As expected, the strong profitability during FY24 has begun to normalise in Q4. Our UK-focused brands have generally performed well in H2. Our Australia and New Zealand-focused brands have remained resilient in a challenging consumer environment. During the period, we completed the acquisition of The Artisanal Group, a leading manufacturer and wholesaler of high-quality baked goods in Australia, primarily serving cafes, restaurants and hotels.

Overall, we expect Grocery profitability in H2 to be slightly ahead of our previous expectations and now in line with H2 FY23.

Ingredients

Ingredients sales have continued to grow well in H2. Our yeast and bakery ingredients business, AB Mauri, has performed strongly, with good growth across most regions. Overall, our portfolio of speciality ingredients businesses, focused on enzymes, precision extraction, health and nutrition and pharmaceutical delivery systems had an encouraging performance after a period of customer destocking.

We continue to grow our presence and capabilities in ingredients through strategic acquisitions. In H2, we completed the acquisition of Omega Yeast Labs LLC, a leading provider of liquid yeast to the craft brewing industry in the US, complementing our existing portfolio of speciality yeast products. We also completed the acquisition of Mapo, an Italian manufacturer of premium frozen baked goods, underpinning the growth potential for our Scrocchiarella dough products.

Overall, we expect Ingredients profitability to remain strong in H2, in line with our previous expectations.

Sugar

The performance of our Sugar business has been mixed. Overall, we expect Sugar to deliver adjusted operating profit of approximately £200m, which is still strongly ahead of last year but, due to a reduction in European sugar pricing, lower than previously anticipated.

Europe was challenging overall in H2. Production levels have been strong, benefiting from the return to a more typical sugar beet crop in the UK. However, we have seen sharper than expected falls in UK and European sugar pricing due to increased supply in the market. As a result, both of our European Sugar businesses have experienced a negative impact to sales and profitability in Q4.

On a constant currency basis, our overall African sugar business has grown well in H2. We have had a strong performance in Zambia and South Africa, whereas in Malawi and Tanzania, high rainfall has impacted sugar cane yields and production this year. In Tanzania, this has led to unexpectedly high volumes of sugar imports and lower prices. On an actual currency basis, our African sales are expected to decline in H2 due to the impact of foreign exchange translation.

The operational performance of Vivergo, our bioethanol plant in the UK, has continued to strengthen in H2 albeit the margin has continued to be mixed during the period.

Agriculture

Agriculture sales are expected to decrease slightly in H2 due to continued soft demand for compound feed in the UK and China. Our speciality feed and additives businesses and our dairy business are performing well. Frontier, our JV focused on grain trading in the UK, has been impacted by prolonged wet weather. Overall, we expect profitability for the full year in FY24 to be broadly in line with last year.

Financial year 2025 – initial view

The Group is well positioned for further strategic progress, supported by strong cash generation and good momentum in Retail and most of our food businesses.

We expect Primark to deliver good sales growth in FY25 as we continue to execute our store rollout programme and our product, digital and brand initiatives. We expect adjusted operating margin in FY25 to remain broadly in line with this year's level, as gross margins stabilise and we step up investment in strategic initiatives to drive sustainable growth.

In Grocery, we will continue to drive sales momentum, underpinned by increased marketing investment. We expect to see the full year effect of the profit normalisation in our US-focused brands.

In Ingredients, we expect continued growth in yeast and bakery ingredients and improved growth in speciality ingredients.

In Sugar, we expect the reduction in pricing seen in Q4 FY24 to significantly impact performance in our European sugar business next year, with operating profit for the overall segment now expected to be in the range of £50m to £75m in FY25. However, we expect profitability to recover in FY26 to be more in line with FY24, as a result of the lower beet prices that have been contracted and a rebalancing of supply and demand in the market.

In Agriculture, we expect some improvement, particularly as our grain trading business recovers in the UK.

Share buyback

In August, we completed our second £500m share buyback programme. Given the expected strong cash generation this year, we intend to extend this programme by an additional £100m, which we expect to complete around the time of our annual results announcement on 5 November 2024. We will provide a detailed update on our capital position at that time.

Full year results

We are scheduled to announce our preliminary results for the 52 weeks to 14 September on 5 November 2024.

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An investor and analyst call will be held at 08:30 today, Thursday 5 September 2024. 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.

Please register via: <https://register.vevent.com/register/BI89ad9eba97cc4951b1cbe3292d921378>.

This announcement contains inside information. The person responsible for arranging the release of the announcement is Paul Lister, Director of Legal Services and Company Secretary.