17 January 2019

Associated British Foods plc
Trading update

Associated British Foods plc today issues a trading update for the 16 weeks to 5 January 2019 summarising the significant trading developments since the last market update.

Trading outlook

Our outlook for the group is unchanged, with adjusted operating profit and adjusted earnings per share for the year expected to be in line with last year.

Group revenue

Group revenue from continuing operations for the 16 weeks ended 5 January 2019 was 2% ahead of the same period last year at constant currency. Sterling has strengthened marginally against most of our major trading currencies, other than the US dollar, and as a result sales from continuing operations at actual exchange rates were 1% ahead.

Other than the expected reduction in Sugar revenue, sales growth was delivered by all our businesses.

Retail

Sales at Primark were 4% ahead of last year, at both constant currency and actual exchange rates, and with a higher operating profit margin, profit was well ahead. Sales growth was driven by increased retail selling space partially offset by a modest decline in like-for-like sales.

The UK performed well and our share of the total clothing market increased significantly. Sales were 1% ahead of last year for the period, in a market which declined year-on-year. Like-for-like sales in September and October were ahead but reduced footfall affected sales in November. Sales over the Christmas trading period exceeded our expectations.

Sales in the Eurozone were 5% ahead of last year at constant currency. Sales growth was especially strong again in France, Belgium and Italy, performance strengthened in our second largest market, Spain, but soft trading continued in a difficult German market.

We are pleased with the strong US performance in the period. Sales were well ahead and benefitted from very strong trading at the Brooklyn store, which opened in July last year.

As expected, operating profit margin in the period increased, with purchases having been contracted at a weaker US dollar exchange rate than last year, and through better buying and tight stock management. Operating profit for the full year is in line with our expectations.

Retail selling space increased by 0.3 million sq ft since the financial year end and, at 5 January 2019, 364 stores were trading from 15.1 million sq ft which compared to 14.2 million sq ft a year ago. Four new stores were opened in the period: Seville and Almeria in Spain, Toulouse in France and a city centre store in Berlin, Germany. In addition, in the UK, we relocated to larger premises in Harrow and the Merry Hill store was extended.

We now expect to open 0.9 million sq ft in this financial year. The opening of the American Dream shopping mall in New Jersey has been delayed and consequently our new store there will now open next financial year while our smaller store in Oviedo, Spain will close this spring. Our 160,000 sq ft store in Birmingham is expected to open in April and our first store in Slovenia later this financial year.

Sugar
AB Sugar revenue from continuing operations was 12% behind last year at constant currency and 14% behind at actual exchange rates.

As expected, the lower revenue in our UK and Spanish businesses in the period was the result of the lower EU sugar prices for contracts negotiated at the end of last financial year. Looking ahead, the development of our sales book for this year has indicated early signs of recovery in EU sugar prices.

The UK campaign is progressing well and production will now be 1.15 million tonnes as a result of higher sugar content in the beet. Beet yields this year are lower than the record level last year and so production is lower than the 1.37 million tonnes achieved last year.

The northern Spanish campaign at Azucarera has commenced. Total beet sugar production is expected to be some 300,000 tonnes, and a further 170,000 tonnes will be produced from the refining of cane raws at Guadalete. In December we announced a reduction in the beet price that will be paid to growers from the next campaign, bringing this price into better alignment with the market and with prevailing EU sugar prices.

Sugar production at Illovo for the full financial year is expected to be ahead of last year at some 1.75 million tonnes, with campaigns extended to counter wet conditions which impacted production in the early part of the season.

In China, very low levels of sugar content and purity in beet have adversely affected operational performance at our factories at Zhangbei and Qianqi. Combined with lower domestic sugar prices, the business will make a loss this financial year compared to the strong operating result last year.

Grocery
Sales for Grocery were 3% ahead at constant currency, 2% ahead of last year at actual exchange rates and operating profit margins on an underlying basis improved.

Progress continued at Twinings Ovaltine, with good growth in Twinings which benefitted from recent new product launches. The consolidation of tea production from Jinqiao, China to our existing factory in Poland is nearing completion and adjusted operating profit in the first half will include a one-time cost in respect of this.

ACH in the US and George Weston Foods in Australia continued recent progress by further improving margins. At Allied Bakeries, discussions with our customers to reduce the losses continue.

Agriculture and Ingredients
AB Agri revenue was 5% ahead of last year at constant currency and actual exchange rates.

Sales in Ingredients were 6% ahead of last year at constant currency and 1% ahead at actual exchange rates.

For further enquiries please contact:
Associated British Foods
John Bason, Finance Director Tel: 020 7399 6500

Citigate Dewe Rogerson
Chris Barrie, Jos Bieneman Tel: 020 7638 9571