

Review of interim results for 24 weeks ended 5 March 2022

26 April 2022



Associated
British Foods
plc

First half business highlights

- Group: sales and operating profit returned to pre-COVID levels
- Food: resilient operational performance
 - cost reduction and pricing action taken but lag in recovery
 - high input cost inflation, logistics challenges, COVID-related labour absences
- Sugar sales and profit well ahead
- Primark: strong recovery in sales and margin
 - UK / Ireland: strong sales recovery with increased holiday travel and socialising
 - Continental Europe: consumer footfall remained weak
 - US: trading well
 - Oracle implemented, transforming digital capability, new website launched

First half financial highlights

	2022	Change
Group revenue	£7.9bn	+28% *
Adjusted operating profit	£706m	+92% *
Adjusted profit before tax	£666m	+109%
Adjusted earnings per share	63.8p	+154%
Interim dividend per share	13.8p	+123%
Gross investment	£450m	
Net cash (before lease liabilities)	£1.5bn	
Net debt (including lease liabilities)	£1.7bn	

* at constant currency

Cost inflation

- substantial cost inflation: raw materials, commodities, packaging, supply chain and energy
- Russia invasion of Ukraine: no ABF business there, increased inflationary pressures in energy and commodities
- operational cost savings and pricing to mitigate higher costs
- product pricing favourable for Sugar and ABF Ingredients
- co-product prices and forward cover for energy offset higher input costs in Sugar in first half
- Primark will implement selective price increases across some of the autumn/winter stock but will ensure price leadership
- focus on margin recovery, full effect of pricing actions across the Group expected next financial year

Income statement

	2022 £m	2021 £m	Change actual FX	Change constant FX
Revenue	7,882	6,313	+25%	+28%
Operating costs before exceptional items	(7,237)	(5,996)		
Exceptional items	0	(25)		
Share of joint ventures and associates	37	26		
Profits less losses on disposal of non-current assets	4	2		
Operating profit	686	320		
Adjusted operating profit	706	369	+91%	+92%
Profits less losses on disposal of non-current assets	4	2		
Amortisation of non-operating intangibles	(20)	(24)		
Acquired inventory fair value adjustments	0	(1)		
Transaction costs	(4)	(1)		
Exceptional items	0	(25)		

Income statement

	2022 £m	2021 £m	Change
Operating profit	686	320	+114%
(Loss)/profit on sale and closure of businesses	(11)	5	
Net interest expense	(44)	(47)	
Other financial income/(expense)	4	(3)	
Profit before tax	635	275	+131%
Tax	(151)	(103)	
Profit after tax	484	172	
Adjusted profit before tax	666	319	+109%

Tax

	2022 £m		2021 £m	
Underlying charge	155	23.2%	111	34.9%
Credit on intangible amortisation	(3)		(5)	
Credit on exceptional items	-		(5)	
Charge on transaction costs, disposal of businesses and fixed assets	(1)		2	
Reported charge	151	23.8%	103	37.5%

Earnings and Dividend per share

	2022	2021	Change
Adjusted earnings per share	63.8p	25.1p	+154%
Earnings per share	60.3p	20.5p	+194%
Dividend per share	13.8p	6.2p	+123%

Balance Sheet

	2022 £m	2021 £m
Intangible assets (including goodwill)	1,756	1,570
PP&E and other non-current assets	5,701	5,790
Right-of-use assets	2,511	2,772
Working capital	1,566	2,046
Biological assets (current)	115	96
Current tax	(67)	(88)
Net cash	1,476	705
Lease liabilities	(3,141)	(3,420)
Other net financial assets	106	16
Deferred tax	(265)	(83)
Provisions	(115)	(149)
Net pension asset	797	382
Net assets	10,440	9,637
Equity shareholders' funds	10,356	9,568
Non-controlling interests	84	69
	10,440	9,637

Treasury

- S&P Global assigned credit rating 'A' grade, stable outlook
- issuance of inaugural public bond: £400m at 2.5% due 2034
- £221m of the remaining £297m 4.1% Private Placement Notes have now been repaid this financial year
- Group's net cash before lease liabilities £1.5bn, net debt of £1.7bn, financial leverage ratio of 0.8 times

Cash Flow

	2022 £m	2021 £m
Adjusted operating profit (before joint ventures and associates)	668	342
Depreciation and amortisation of operating intangibles	387	420
Working capital	(452)	(947)
Provisions	13	(16)
Capital expenditure – Primark	(99)	(136)
– Food	(173)	(127)
Purchase of intangibles	(64)	(44)
Tax	(150)	(160)
Net interest and other income	(44)	(50)
Pension cost less contributions	3	4
Dividends received from joint ventures and associates	45	27
Repayment of lease liabilities	(131)	(131)
Other	(51)	(14)
Free cash flow (after lease liability payments)	(48)	(832)
Dividends	(271)	-
Dividends paid to non-controlling interests	(6)	(2)
Acquisitions	(114)	(28)
Net cash flow before financing	(439)	(862)

Segmental Analysis

By business	Revenue £m		Profit £m		Margin %		ROCE (annualised) %	
	2022	2021	2022	2021	2022	2021	2022	2021
Grocery	1,821	1,834	175	199	9.6	10.9	26.6	29.9
Sugar	914	763	77	66	8.4	8.7	10.3	8.7
Agriculture	809	746	15	19	1.9	2.5	6.9	9.1
Ingredients	798	735	63	78	7.9	10.6	12.7	17.7
Retail	3,540	2,232	414	43	11.7	1.9	14.4	1.5
Central costs			(38)	(37)				
Continuing operations	7,882	6,310	706	368	9.0	5.8	14.2	7.6
Disposed/closed businesses	-	3	-	1				
Total	7,882	6,313	706	369	9.0	5.8	14.2	7.6

Segmental Analysis

<i>By geography</i>	Revenue £m		Profit £m		Margin %	
	2022	2021	2022	2021	2022	2021
United Kingdom	2,951	2,186	288	99	9.8	4.5
Europe & Africa	2,902	2,180	255	69	8.8	3.2
The Americas	919	801	107	130	11.6	16.2
Asia Pacific	1,110	1,143	56	70	5.0	6.1
Continuing operations	7,882	6,310	706	368	9.0	5.8
Disposed/closed businesses	-	3	-	1		
Total	7,882	6,313	706	369	9.0	5.8

Half year business review



Food





Sugar

	2022	2021	Change actual fx	Change constant fx
Revenue £m	914	763	+20%	+19%
Operating profit £m	77	66	+17%	+8%
Margin	8.4%	8.7%		
ROCE	10.3%	8.7%		

- traded strongly
- higher sugar and co-product prices
- higher yield and increased sugar production in UK
- continued good commercial performance in Illovo
- Vivergo bioethanol plant start-up
- looking ahead, expect higher raw material, higher energy costs and higher selling prices





World and European sugar prices

World sugar prices



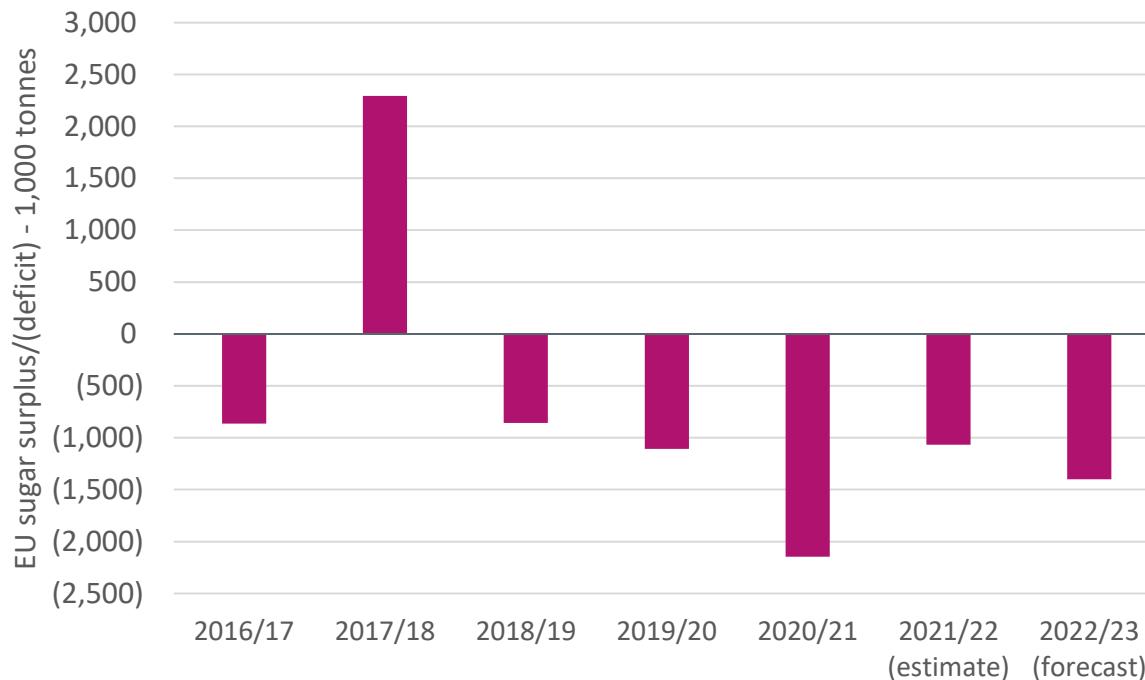
European sugar prices





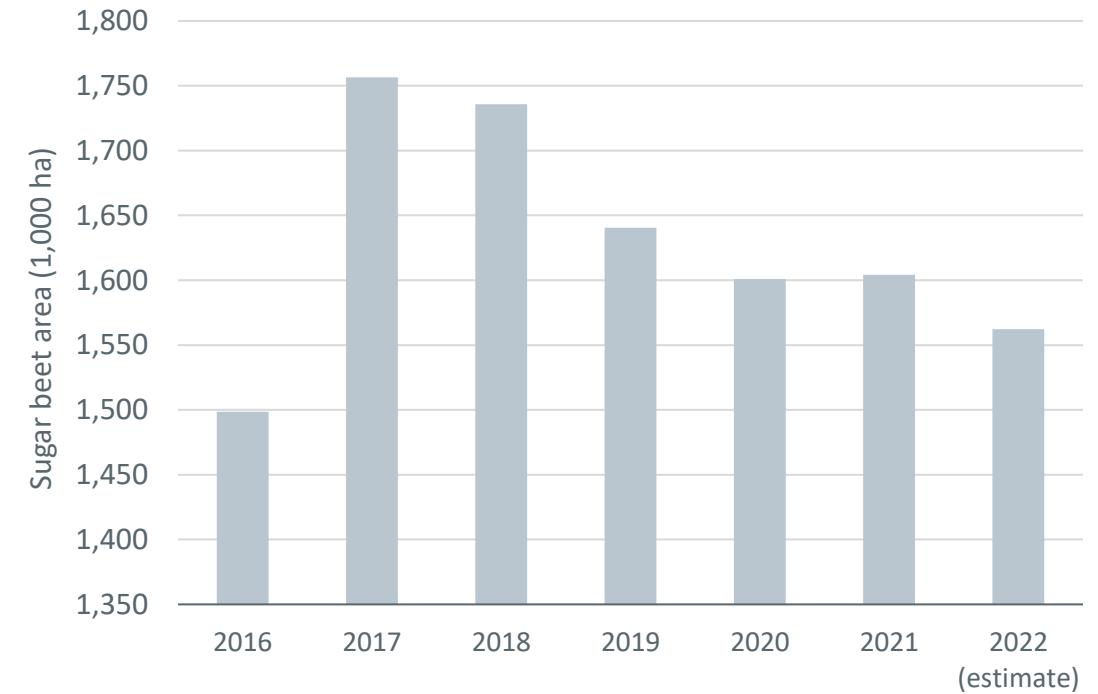
Tightening of European sugar market

European markets consume more than they produce...



Source: Oct to Sep, 2016-2022 European Commission, 2022/23 ABF forecast

... reduced beet crop acreage further limits future supply



Source: Jan to Dec, 2016-2021 Eurostat: EU 27 + UK, 2022 ABF estimate



Sugar operations

- UK
 - 2021/22 campaign
 - 1.03m tonnes sugar production, up from 0.9m tonnes in prior year
 - good growing conditions supporting higher yields and mitigating reduced acreage
 - 2022/23 campaign forecast
 - 1.05m tonnes production with excellent growing conditions
- Spain
 - production significantly higher than last year, driven by higher refined cane volumes
- China
 - production volumes down



- higher sugar and co-product pricing
- further progress developing domestic brands, regional sales
- co-products increasingly important
- construction of sugar factory in Tanzania has begun
- full year production volumes expected in line with last year
despite some disruption to production in half year





Community support after Malawi flooding

- cyclone Ana flooding aftermath
- provided immediate shelter and supply of potable water
- worked with government to restore power
- repair of local roads





Momentum in co-product contribution



- bioethanol
- electricity
- animal feed
- pharmaceutical

- anaerobic digestion
- betaine
- raffinate
- topsoil
- limex

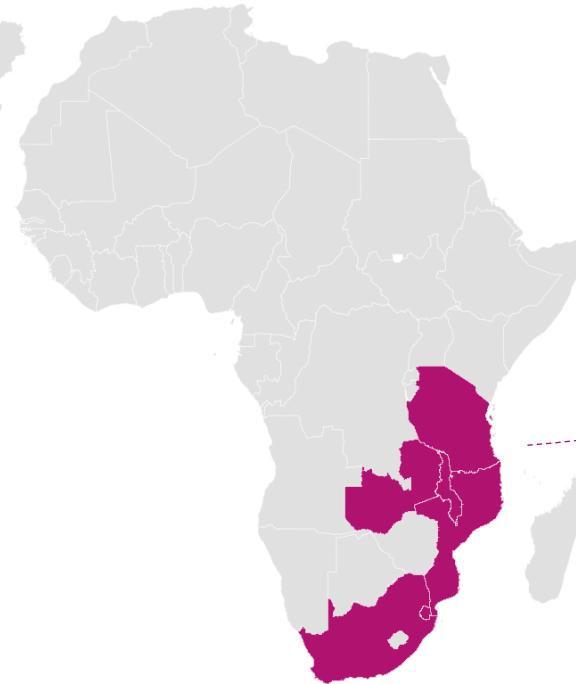


- animal feed
- electricity
- fertilisers
- molasses



- furfural
- potable alcohol

- electricity
- lactulose
- molasses





Grocery

	2022	2021	Change actual fx	Change constant fx
Revenue £m	1,821	1,834	-1%	+2%
Operating profit £m	175	199	-12%	-9%
Margin	9.6%	10.9%		
ROCE	26.6%	29.9%		

- sales growth in Twinings Ovaltine, Tip Top, Westmill, Stratas, ACH
- some product volumes normalised post COVID
- Allied Bakeries exit from Co-op contract in 2021
- COVID-related operational challenges, especially Australasia
- supply chain disruption





Grocery

	2022 £m	2021 £m
Revenue	1,821	1,834
Operating profit	175	199

- Twinings Ovaltine
 - sales and profit ahead
 - increased marketing investment
- Twinings
 - Wellbeing ranges performing well
- Ovaltine
 - Thailand sales recovery
 - growth in Germany and Switzerland





Ovaltine growth in Switzerland and Germany





Grocery

	2022 £m	2021 £m
Revenue	1,821	1,834
Operating profit	175	199

- Acetum
 - Mazzetti international brand development
- AB World Foods
 - Patak's, Blue Dragon and Al'fez sales growth
- Westmill Foods
 - strong sales recovery in restaurant and takeaway
- Jordans Dorset Ryvita
 - Jordans and Ryvita brand re-design





Grocery

	2022 £m	2021 £m
Revenue	1,821	1,834
Operating profit	175	199

- Allied Bakeries
 - revenue and volumes well below last year
 - cost reductions following Co-op contract exit
 - impacted by input cost inflation: gas, wheat, logistics
 - significant pricing actions taken





Grocery

	2022 £m	2021 £m
Revenue	1,821	1,834
Operating profit	175	199

- Stratas
 - profit well ahead
 - good raw material procurement
- ACH
 - revenue growth driven by vegetable oil price increases last year
 - higher commodity costs
 - normal retail yeast volumes post COVID





Grocery

	2022 £m	2021 £m
Revenue	1,821	1,834
Operating profit	175	199

▪ George Weston Foods

- profit ahead
- Tip Top traded well, successful product launches
- Don volumes recovering, lower than last year, but improved margins
- COVID-related operational disruption
- brand development and new product launches at Yumi's
- acquisition of Dad's Pies



new gluten free range



Dad's Pies



Ingredients

	2022	2021	Change actual fx	Change constant fx
Revenue £m	798	735	+9%	+12%
Operating profit £m	63	78	-19%	-17%
Margin	7.9%	10.6%		
ROCE	12.7%	17.7%		

- AB Mauri
 - sales ahead, profit decline
 - price rise benefit in the second half
 - normal consumer demand for high margin retail yeast post COVID
 - specialty yeast plant in UK nearing completion





Ingredients

	2022	2021	Change actual fx	Change constant fx
Revenue £m	798	735	+9%	+12%
Operating profit £m	63	78	-19%	-17%
Margin	7.9%	10.6%		
ROCE	12.7%	17.7%		

■ ABF Ingredients

- revenues significantly ahead: volume recoveries, price increases
- strong momentum in all enzyme categories
- recovery in extruded protein crisps
- progress in meat alternative flavours and textures
- acquisition of Fytexia Group



enhancing texture in meat alternatives



- fast-growing life science company based in France and Italy
- attractive dietary supplements segment
- product benefits backed by clinical studies
- polyphenol-based active ingredients
 - extracted from botanicals and bee propolis
 - high growth and margin
- route-to-market for our existing health and nutrition ingredients



Agriculture

	2022	2021	Change actual fx	Change constant fx
Revenue £m	809	746	+8%	+9%
Operating profit £m	15	19	-21%	-17%
Margin	1.9%	2.5%		
ROCE	6.9%	9.1%		

- higher prices reflect commodity inflation
- phasing of price actions impacted profit
- strong UK feed volumes
- strong start for crop inputs at Frontier
- new feed mill in China successfully commissioned



Retail





Retail

	2022	2021	Change actual fx	Change constant fx
Revenue £m	3,540	2,232	+59%	+64%
Operating profit £m	414	43	+863%	+781%
Margin	11.7%	1.9%		
ROCE	14.4%	1.5%		

- strong recovery in sales and profit
- improvement in UK and Ireland
- weak footfall in Continental Europe
- autumn supply chain issues much improved
- inflation to date broadly mitigated: cost reduction, favourable US dollar
- margin of 11.7% broadly in line with pre-COVID levels
- Oracle implemented, transforming digital capability, new website launched
- US growth potential



Rotterdam Forum, The Netherlands



Drivers of growth

- return to normal trading
- development of customer proposition
- acceleration of selling space expansion in major growth markets

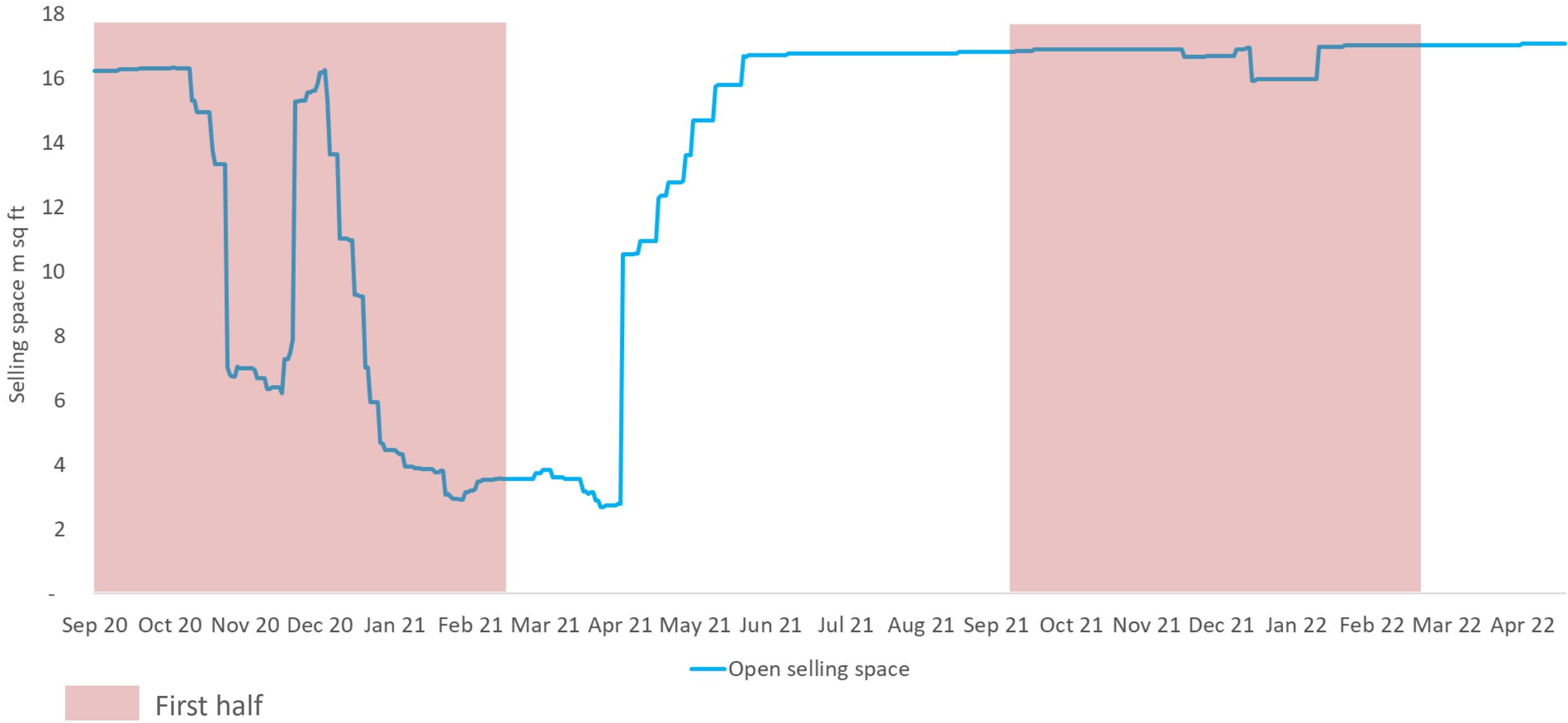


Drivers of growth

- return to normal trading
 - shopping behaviour
 - tourism and holidays
 - supply chain
- development of customer proposition
- acceleration of selling space expansion in major growth markets



All stores remained open, with minor exceptions in Austria and The Netherlands





Current COVID restrictions

	Masks in retail	Masks on public transport	Social distancing
Republic of Ireland			
US			
UK			
Netherlands			
Belgium			
France			
Italy			
Spain			
Portugal			
Germany			
Austria			
Poland			
Slovenia			
Czech Republic			

No
Yes



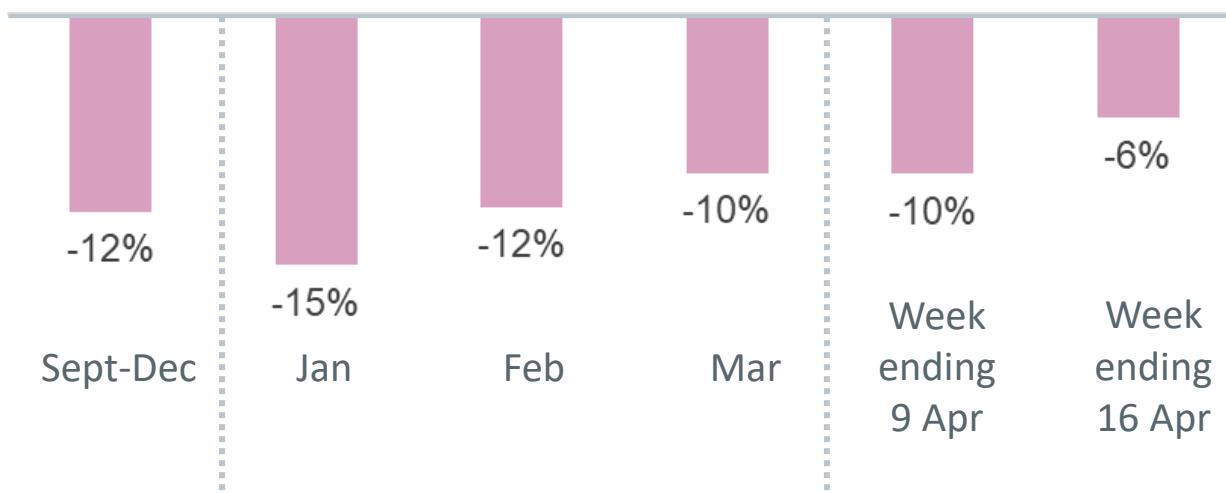
2 year like-for-like sales

- Group -10%, significant improvement on final quarter of 2021 financial year
- UK -8%
 - retail park and town centre stores continue to outperform
 - increasing footfall in destination city centre stores
 - more customers return to office and socialising
 - performance much improved after period end
- Continental Europe -14%
 - slower recovery with restrictions and mask wearing persisting for longer
- US +1%
 - trading well despite continued consequences of COVID
 - store model and market profitable



Destination stores

Difference in 3 year like-for-like transactions between destination city stores and other store types

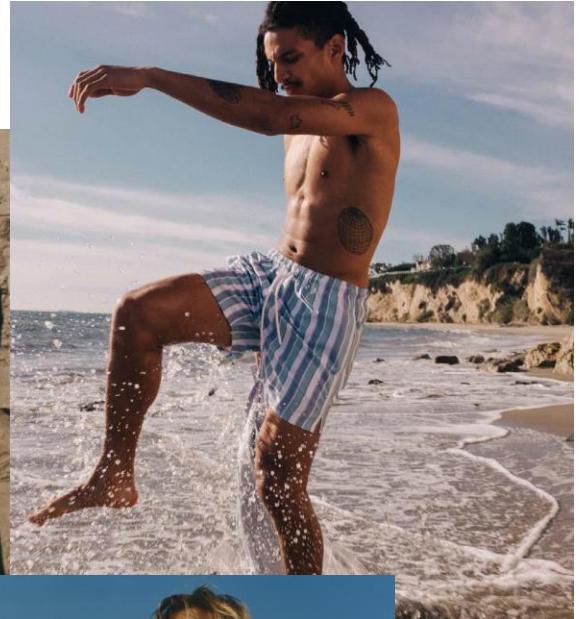
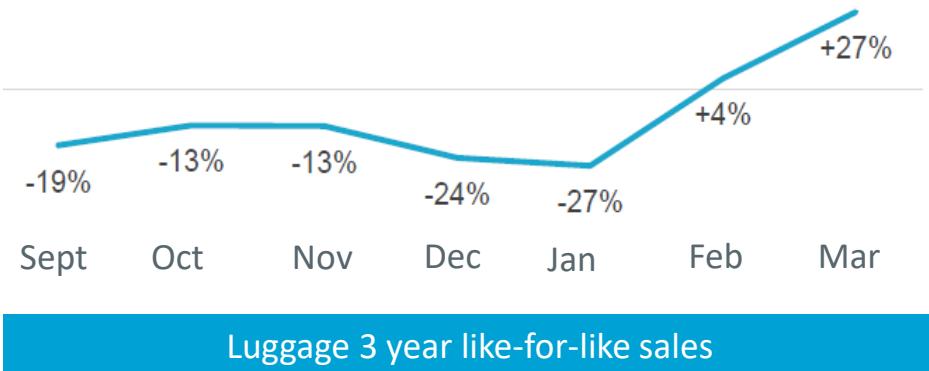


Store	Country
Damrak, Amsterdam	NL
Den Haag	NL
Alexander Platz, Berlin	DE
Frankfurt Zeil	DE
Gran Via, Madrid	ES
Mary Street, Dublin	IE
O'Connell Street, Dublin	IE
Oxford Street East, London	UK
Oxford Street West, London	UK
Manchester	UK
Birmingham	UK
Lisbon	PT
Antwerp	BE
Brussels D'Ixelles	BE
Brussels Rue Neuve	BE
Boston Downtown Crossing	US



A return to travel boosts demand for holiday essentials

- very strong sales of luggage
- holiday essentials popular
 - swimwear
 - sandals
 - travel accessories





Customers return to socialising



Smart casual, tailored clothing



Lashes and nails



Home entertainment
new ceramics range



Drivers of growth

- return to normal trading

- development of customer proposition

- acceleration of selling space expansion in major growth markets



Drivers of growth

- return to normal trading

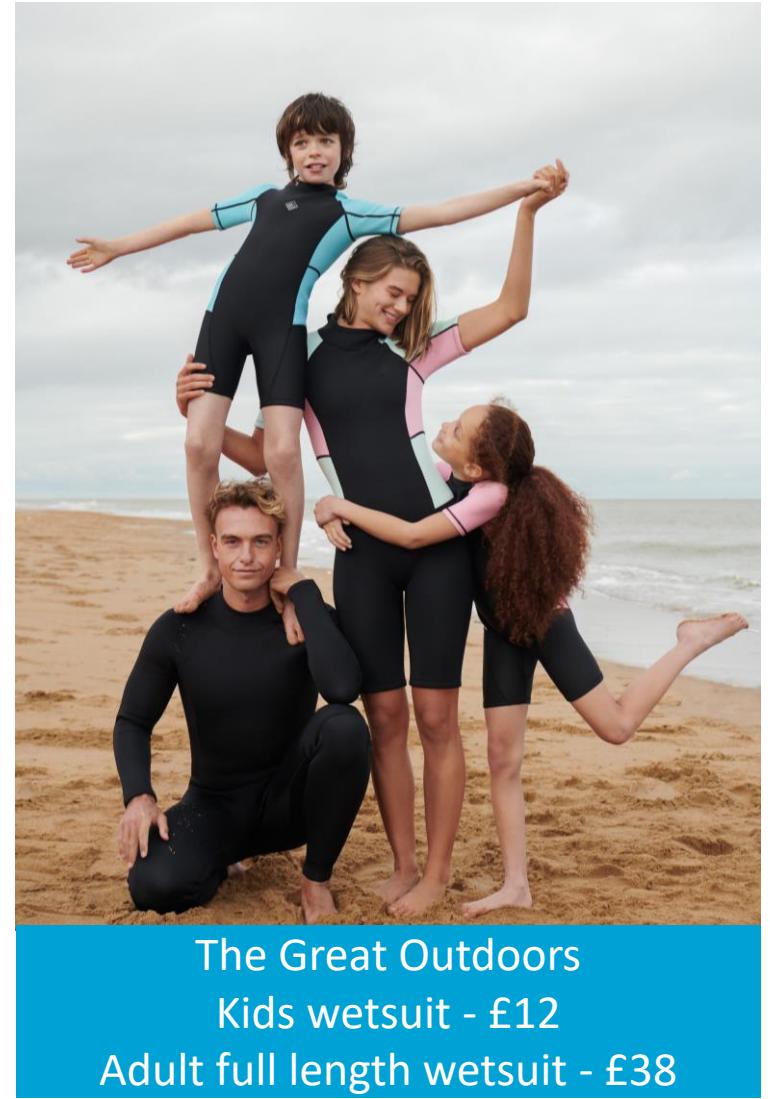
- development of customer proposition
 - innovation in core product categories and extensions into new areas
 - delivery of our commitment to make more sustainable fashion affordable for all
 - investment in digital platform to drive increased footfall to store
 - ensuring price leadership and everyday affordability

- acceleration of selling space expansion in major growth markets



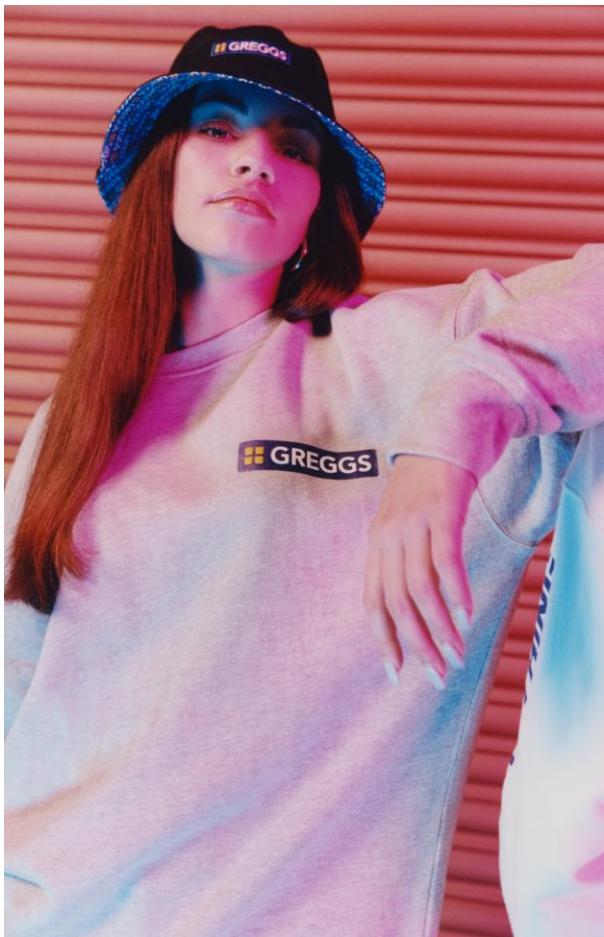
New ranges proving popular

- development of ranges
 - The Edit: quality investment pieces
 - The Great Outdoors: high performance clothing and accessories





Greggs x Primark





Primark Cares

- progress since launch in September 2021
 - 39% of all clothes sold in first half made from recycled or more sustainably sourced materials (25% at launch)
 - 33% of cotton is organic, recycled or sourced from the Primark Sustainable Cotton Programme (27% at launch)
 - trained some 150,000 farmers in more sustainable farming practices, well placed to reach 160,000 by end of 2022



Transforming digital capability

PRIMARK®

WOMEN MEN **KIDS** BABY HOME BEAUTY COLLABS

Girls Boys Toys & Stationery Browse By Product

Kids / Girls / Girls' Clothing / Dresses

Cotton Jersey Dress

A cotton dress wonderful for every occasion!

£2.50

Ref# 991019041006

Primark Cares

Colour: Ivory

Size (UK):

Size Guide

Please select

CHECK AVAILABILITY IN STORE

Share



Transforming digital capability

- very positive initial customer response to new website functionality
- modern and flexible technology architecture
- roll out to all markets by autumn
- customer experience improvements to come
 - ability to create personal profile
 - ability to create wishlist of favourite products
 - closer integration with Primark social channels
- investment in digital capability and internal expertise
 - capture customer data
 - more targeted marketing

The image shows a screenshot of the Primark website. At the top, there's a navigation bar with categories like WOMEN, MEN, KIDS, BABY, HOME, BEAUTY, and COLLABS. Below that is a secondary navigation bar with links for Girls, Boys, Toys & Stationery, and Browse By Product. The main content area features a product page for a 'Cotton Jersey Dress'. The product title is 'Cotton Jersey Dress' with the subtitle 'A cotton dress wonderful for every occasion!'. The price is listed as £2.50. There's a 'Primark Cares' badge and a note about the colour being Ivory. A dropdown menu for size selection is open, showing options like 'Please select'. Below the product details are two photographs of a young girl wearing the yellow dress with colorful polka dots. The left photo shows her from the front, smiling and holding a small toy. The right photo shows her from the back, twirling. At the bottom of the page is a black button labeled 'CHECK AVAILABILITY IN STORE'.



Technology enabling growth

- Oracle in all stores and depots
 - integrated order and inventory management system
 - improved analytics to support trading decisions
 - enables digital access to stock availability by store
 - enables easier new market entry
- roll out of new state of the art point-of-sale terminals by calendar year end



Pricing actions

- commitment to price leadership and everyday affordability
- inflation in cotton and other fabrics, freight and energy, and US dollar strengthening
- selective price increases across some autumn/winter stock



Drivers of growth

- return to normal trading
- development of customer proposition
- acceleration of selling space expansion in major growth markets



New stores opened in first half



Vigo, Spain



Catania, Sicily, Italy



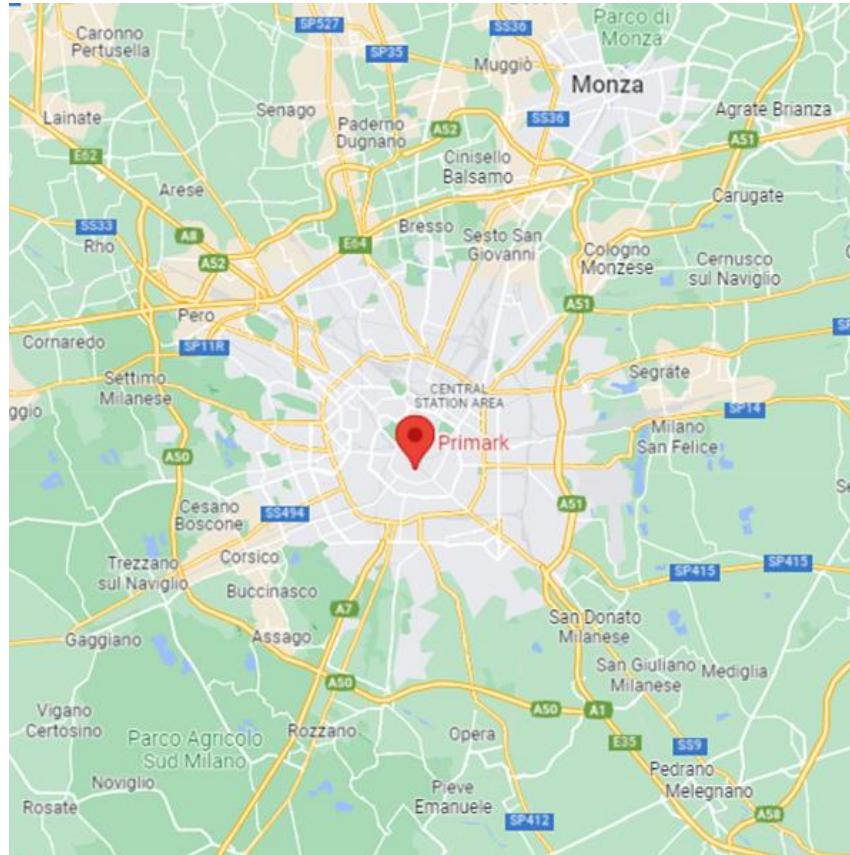
Girona, Spain



San Fernando, Spain



Via Torino Milan, Italy





Second half new stores

- expect to add a total of 0.5m sq ft of selling space this financial year
- following Via Torino Milan, a further 5 new stores planned in second half
 - Chieti, Italy
 - Jamaica Avenue, Queens, New York, USA
 - Gran Reno, Bologna, Italy
 - Brno, Czechia
 - Tallaght, Ireland



Store pipeline

- good progress with new store signings
- ambition to grow to 530 stores over next five years
- particular focus on growth markets of the US, France, Italy and Iberia
- expect strong opening programme next financial year
 - many scheduled in the run up to Christmas 2022
 - two new markets: Slovakia and Romania
- US: focus on store roll out east of the Mississippi
 - six new leases already announced
 - three additional leases now signed for
 - Walden Galleria, Buffalo, New York
 - Jersey Gardens, Elizabeth, New Jersey
 - Woodfield Mall, Chicago, Illinois
 - already planning extension to Sawgrass Mills, Florida

Outlook



**Associated
British Foods
plc**

Full year outlook

Food

- commodity and energy prices have increased further following the Russian invasion of Ukraine
- full margin recovery now expected next financial year
- continue to expect profit improvement for Sugar for full year

Primark

- second half expectation
 - sales to be ahead of pre-COVID second half 2019
 - operating profit to be ahead of same period last year
- expect full year margin to be some 10%

Group

- expect growth in adjusted operating profit in the second half
- expect significant progress in adjusted operating profit and adjusted earnings per share for full year

ESG investor briefing on 18 May focusing on environmental factors most material for the Group

Review of interim results for 24 weeks ended 5 March 2022

26 April 2022



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Appendix 1 – Primark selling space at half year

	HY 22		HY 21	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	191	7,620	190	7,552
Spain	55	2,261	50	2,050
Germany	32	1,841	32	1,841
Republic of Ireland	36	1,076	36	1,076
France	20	1,044	20	1,044
Netherlands	20	1,016	20	971
USA	13	564	11	547
Italy	8	407	6	307
Belgium	8	403	8	403
Portugal	10	383	10	383
Austria	5	242	5	242
Poland	2	77	1	40
Czechia	1	50	-	-
Slovenia	1	46	1	46
	402	17,030	390	16,502

Appendix 2 – Financial leverage

- Group's net debt : EBITDA ratio to be well under 1.5 times each half-year and year-end reporting date
- IFRS 16 basis
- net debt is net cash including lease liabilities
- EBITDA based on rolling prior 12 month period, excluding exceptionals

Appendix 3 – Capital allocation policy

- priority always to invest in our businesses, both organically and by acquisition
- investment at appropriate pace and wherever attractive returns on capital can be generated
- considerable opportunities, both over the short and medium-term in all our businesses
- from time to time, the Board may conclude it has surplus cash and capital
 - financial leverage consistently below 1.0x and substantial net cash balances at both half and full year ends
 - surplus capital may be returned to shareholders by special dividend or share buy-backs

Appendix 4 – Exchange rates

	2022	2021
Average rates used to translate the income statement		
US \$	1.35	1.34
Euro	1.18	1.11
South African rand	20.75	20.68
Australian \$	1.86	1.79
Closing rates used to translate the balance sheet		
US \$	1.32	1.40
Euro	1.21	1.15
South African rand	20.41	21.15
Australian \$	1.80	1.81

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