



Review of interim results for 24 weeks ended 4 March 2023

25 April 2023

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John Bason



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First half business highlights

- better performance than anticipated last September
- extreme and volatile costs in all our markets
 - considerable cost mitigation and pricing actions
- resilience in Food businesses overall
 - exceptional performance in Ingredients
- Primark sales up 19% driven by footfall and pricing
 - volume growth despite difficult consumer conditions
 - decision not to fully recover input cost inflation
 - successful new store opening programme
- increased investment and innovation

First half financial highlights

	2023	Change
Group revenue	£9.6bn	+17% *
Adjusted operating profit	£684m	-7% *
Adjusted profit before tax	£667m	in line
Adjusted earnings per share	62.0p	-3%
Interim dividends per share	14.2p	+3%
Gross investment	£527m	+17%
Net cash (before lease liabilities)	£0.6bn	
Net debt (including lease liabilities)	£2.6bn	

* at constant currency

Income statement

	2023 £m	2022 £m	Change actual FX	Change constant FX
Revenue	9,560	7,882	+21%	+17%
Operating costs before exceptional items	(8,949)	(7,237)		
Share of joint ventures and associates	50	37		
Profits less losses on disposal of non-current assets	2	4		
Operating profit	663	686		
Adjusted operating profit	684	706	-3%	-7%
Profits less losses on disposal of non-current assets	2	4		
Amortisation of non-operating intangibles	(20)	(20)		
Acquired inventory fair value adjustments	(2)	-		
Transaction costs	(1)	(4)		

Income statement

	2023 £m	2022 £m	Change
Operating profit	663	686	-3%
Loss on sale and closure of businesses	(2)	(11)	
Net interest expense	(37)	(44)	
Other financial income	20	4	
Profit before tax	644	635	+1%
Tax	(102)	(151)	
Profit after tax	542	484	
Adjusted profit before tax	667	666	in line

Tax

	2023 £m	2022 £m
Underlying charge	165	24.7% 155 23.2%
Credit on intangible amortisation	(5)	(3)
Increase in deferred tax asset	(58)	-
Other credits and charges	-	(1)
Reported charge	102	15.8% 151 23.8%

Earnings and dividends per share

	2023	2022	Change
Weighted average number of shares	786m	789m	
Adjusted earnings per share	62.0p	63.8p	-3%
Earnings per share	67.0p	60.3p	+11%
Interim dividends per share	14.2p	13.8p	+3%

Balance sheet

	2023 £m	2022 £m
Intangible assets (including goodwill)	1,901	1,756
PP&E and other non-current assets	6,148	5,701
Right-of-use assets	2,386	2,511
Working capital	2,533	1,566
Biological assets (current)	129	115
Current tax	(49)	(67)
Net cash	586	1,476
Lease liabilities	(3,187)	(3,141)
Other net financial assets	(42)	106
Deferred tax	(389)	(265)
Provisions	(88)	(115)
Net pension asset	1,363	797
Net assets classified as held for sale	66	-
Net assets	11,357	10,440
Equity shareholders' funds	11,257	10,356
Non-controlling interests	100	84
	11,357	10,440

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Cash flow	2023 £m	2022 £m
Adjusted operating profit (before joint ventures and associates)	633	668
Depreciation and amortisation of operating intangibles	406	387
Working capital	(703)	(452)
Provisions	(20)	13
Capital expenditure – Primark	(229)	(99)
– Food	(215)	(173)
Purchase of intangibles	(54)	(64)
Tax	(148)	(150)
Net interest and other income	(35)	(44)
Pension cost less contributions	(2)	3
Dividends received from joint ventures and associates	43	45
Payment of lease liabilities	(135)	(131)
Share buyback	(140)	-
Other	(21)	(51)
Free cash flow (after lease liability payments)	(620)	(48)
Dividends	(235)	(271)
Dividends paid to non-controlling interests	(5)	(6)
Acquisitions	(25)	(114)
Net cash flow before financing	(885)	(439)

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Segmental analysis

By business	Revenue		Profit		Margin		ROCE (annualised)	
	£m	2023	£m	2023	2022	%	2023	%
	2023	2022	2023	2022	2023	2022	2023	2022
Grocery	2,105	1,821	173	175	8.2	9.6	22.9	26.6
Sugar	1,189	914	86	77	7.2	8.4	9.9	10.3
Agriculture	950	809	12	15	1.3	1.9	4.8	6.9
Ingredients	1,088	798	102	63	9.4	7.9	15.4	12.7
Retail	4,228	3,540	351	414	8.3	11.7	12.4	14.4
Central costs			(40)	(38)				
Total	9,560	7,882	684	706	7.2	9.0	12.7	14.2



 **Retail**

	2023	2022	Change actual fx	Change constant fx
Revenue £m	4,228	3,540	+19%	+17%
Operating profit £m	351	414	-15%	-16%
Margin	8.3%	11.7%		
ROCE	12.4%	14.4%		

- trading significantly better than expected
 - footfall increased in UK and Europe
 - operating profit margin 8.3%, higher than expected
- successful new store opening programme
- digital development
 - rollout of improved website
 - UK Click and Collect trial to be extended
- German restructuring and growth plan
- US: expansion into southern states, anchored by new warehouse



Nave de Vero, Venice, Italy



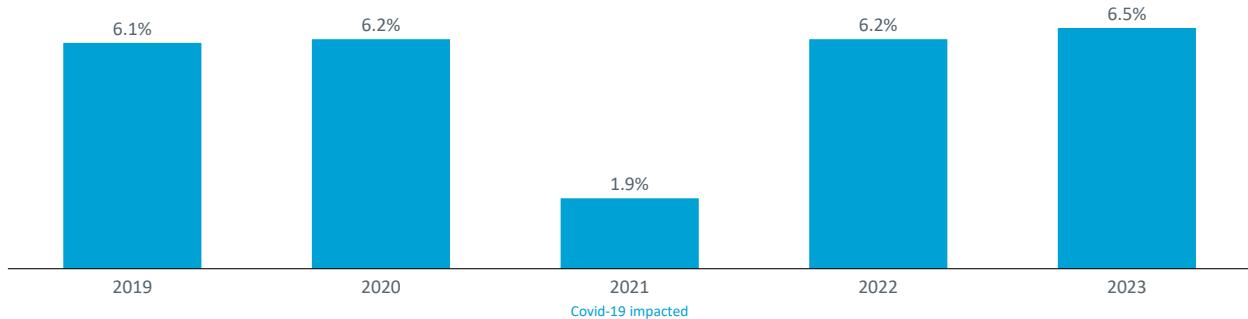
Sales performance

- Primark
 - like-for-like sales +10%
 - higher average selling prices, higher unit volumes, higher footfall
- UK
 - like-for-like sales +15%
 - footfall significantly better in destination city stores and strengthened on high streets and in retail parks
 - value market share increased from 6.2% to 6.5%
- Europe, excluding the UK
 - like-for-like sales +8%
 - higher average selling prices and footfall
 - much improved performances in Spain, France and Germany
- US
 - sales 11% higher



UK clothing, footwear and accessories market

Primark UK Market Share – Value



Source: Kantar – 12 weeks to March 2019-2023

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Germany

- strong recovery, like-for-like sales +13%
- website rolled out
- selling space optimisation and closure of some existing stores
- committed to growth plan
 - new stores in areas currently not served
 - smaller stores with targeted merchandise

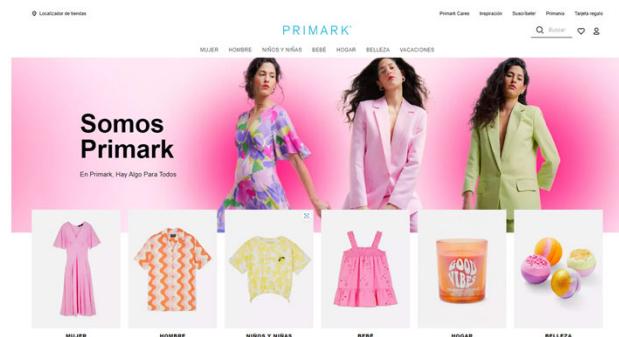
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Primark digital

- website rollout continues, contributing to like-for-like growth
 - live in UK, Republic of Ireland, Germany and Spain
 - increase in customer traffic
 - significant use of the stock checker facility
 - all remaining markets to follow over the summer
- encouraging results for UK Click and Collect trial
 - 25 stores in the north of England and Wales
 - children's products
 - extension of trial expected this year





Digital engagement





Best sellers in the first half



cold weather essentials
recycled cable knit pom beanie £4, €5, \$6



early holiday buying
bikini top £8, €9, \$10 bottom £5, €6, \$7



health and beauty
SPF30 moisturising serum drops £4.50, €5, CZK130



Extending our offer



The Edit
printed skirt £16, €18, \$20



Kem
ecru shacket £35, €40, \$45



Paula Echevarría
oyster satin dress £20, €22, \$25



Primark Cares

- launch of our first Circular collection
- some 50% of clothing unit sales in the period contained recycled or more sustainably sourced materials, up from 39% over the same period last year
- expansion of Primark Sustainable Cotton Programme into Turkey
- first annual Sustainability and Ethics Progress Report published



first Circular collection
wide leg jean made using Sustainable Cotton
£18, €20, \$22



13 new stores in the period



Le Gru – Turin, Italy



Saint-Étienne, France



Bucharest, Romania



Jamaica Avenue – Queens, NY, USA



Roosevelt Field – Garden City, NY, USA



City Point – Downtown Brooklyn, NY, USA



US expansion

- three new stores opened in the period
- five stores to open in the second half
 - Buffalo, Albany and Green Acres Mall, New York;
 - Baltimore, Maryland; Jersey Garden Mall, New Jersey
- two new leases signed in the period
 - Orlando, Florida; Jersey City, New Jersey
- expanding into further southern states including Texas
- second US distribution centre in Jacksonville, Florida,
construction progressing well



construction of distribution centre in Jacksonville, Florida, USA



Primark second half outlook

- expect second half adjusted operating margin to be similar to first half
 - benefits from reducing sea freight and energy costs
 - cost of bought-in goods higher than same period last year
- expect like-for-like sales growth to moderate against a tougher comparator
- remain cautious about consumer spending



Food

 Sugar

	2023	2022	Change actual fx	Change constant fx
Revenue £m	1,189	914	+30%	+27%
Operating profit £m	86	77	+12%	+5%
Margin	7.2%	8.4%		
ROCE	9.9%	10.3%		

- higher sugar and co-product prices in Africa and Europe
- increased costs for beet, cane and energy
- higher volumes in Illovo
- lower UK production following adverse weather conditions
- substantial trading loss at Vivergo





Sugar operations

- UK
 - 2022/23 campaign: 0.74m tonnes sugar production, down from 1.03m tonnes in prior year
 - difficult processing conditions
 - significantly higher gas costs offset by higher energy revenues
- Spain
 - sugar production reduced by some 11%
 - benefit of higher sugar prices more than offset by higher energy costs
- China
 - lower pricing following reduction in demand due to pandemic-related restrictions on hospitality venues



- profit significantly ahead
- improved sugar prices
- increased production, especially in Malawi and Zambia
- South African industry challenging
- severe flooding to Mozambique cane estate
- construction of new Tanzanian plant progressing



construction of Tanzanian sugar mill underway



Vivergo Fuels

- plant demonstrated ability to operate well
- negative industry margins for part of period
 - high energy costs
 - high wheat costs
 - low bioethanol price
- remain confident in the prospects of this business





Grocery

	2023	2022	Change actual fx	Change constant fx
Revenue £m	2,105	1,821	+16%	+10%
Operating profit £m	173	175	-1%	-10%
Margin	8.2%	9.6%		
ROCE	22.9%	26.6%		

- pricing actions building during period to recover cost inflation
- beneficial effect of pricing on margin expected in second half
- outstanding performance of US businesses
- increased brand investment





Twinings Ovaltine

- Twinings
 - revenues ahead
 - increased marketing investment
 - continued growth of Wellness teas
 - good performances in the US and Australia

- Ovaltine
 - revenues behind
 - strong performance in Switzerland and Brazil
 - lower powder sales in Thailand
 - market disruption in Myanmar and China



UK Grocery

- higher sales through pricing to recover inflation
- increased marketing investment in AB World Foods brands,
Jordans, Dorset, Ryvita, and Mazzetti





Jordans TV commercial



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UK Grocery

- higher sales through pricing to recover inflation
- increased marketing investment in AB World Foods brands,
Jordans, Dorset, Ryvita, and Mazzetti
- Allied Bakeries
 - significant pricing secured
 - trajectory of performance is encouraging
 - more to be done





ACH and Stratas

- ACH
 - strong trading performance
 - market share growth for Mazola and Fleischmann's
 - pricing actions to cover inflationary costs

- Stratas
 - trading very strongly
 - benefitting from market switch to own label





George Weston Foods

- Tip Top

- traded well with growth in sales led by pricing
 - inflationary pressures in wheat
 - investment in Western Australian bakery underway

- Don KRC

- good sales growth
 - production increased as labour availability improved
 - new piggeries investment improving animal welfare





Ingredients

	2023	2022	Change actual fx	Change constant fx
Revenue £m	1,088	798	+36%	+27%
Operating profit £m	102	63	+62%	+48%
Margin	9.4%	7.9%		
ROCE	15.4%	12.7%		

■ AB Mauri

- strong sales and adjusted operating profit growth
 - successful actions on pricing
 - resilient volumes
 - North America and Brazil particularly impressive
- significant investment in new plant



Calsa fresh yeast – celebrating 100 years



Investment in AB Mauri



specialty yeast plant in the UK



effluent treatment capacity increase in Brazil



Ingredients

	2023	2022	Change actual fx	Change constant fx
Revenue £m	1,088	798	+36%	+27%
Operating profit £m	102	63	+62%	+48%
Margin	9.4%	7.9%		
ROCE	15.4%	12.7%		

- ABF Ingredients
 - good profit growth
 - investment in R&D and sales capability at AB Enzymes
 - significant investment in Ohly plant underway
 - Fytexia performing well



 Agriculture

	2023	2022	Change actual fx	Change constant fx
Revenue £m	950	809	+17%	+15%
Operating profit £m	12	15	-20%	-25%
Margin	1.3%	1.9%		
ROCE	4.8%	6.9%		

- revenues ahead reflecting higher commodity costs
- good grain trading and fertiliser demand at Frontier
- lower UK feed volumes with weaker pig and poultry markets
- slow recovery in China following pandemic disruptions





Western Australian feed mill



animal feed mill in Hope Valley, Western Australia

Group Outlook



Full year outlook

Food

- adjusted operating profit modestly ahead of prior year
- Ingredients well ahead
- reduced profit in Sugar from much lower UK sugar production
- Grocery slightly ahead with benefit of pricing actions

Primark

- second half adjusted operating profit to be ahead compared to prior year second half
- full year adjusted operating profit margin to be similar to first half

Group

- full year adjusted operating profit and adjusted earnings per share to be broadly in line with prior year

Summary

- better first half performance than anticipated last September
- full year guidance unchanged
- decision taken to expand Primark footprint in southern states of the US
- increased investment and innovation



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Appendix 1 – Primark selling space at half year

	HY 23		HY 22	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	191	7,688	191	7,620
Spain	56	2,304	55	2,261
Germany	31	1,783	32	1,841
France	23	1,151	20	1,044
Republic of Ireland	37	1,136	36	1,076
Netherlands	20	1,016	20	1,016
USA	16	700	13	564
Italy	14	697	8	407
Belgium	8	403	8	403
Portugal	10	383	10	383
Austria	5	242	5	242
Poland	4	157	2	77
Czechia	2	88	1	50
Slovenia	1	46	1	46
Romania	1	40	-	-
	419	17,835	402	17,030

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

	2023	2022
Average rates used to translate the income statement		
US \$	1.18	1.35
Euro	1.14	1.18
South African rand	20.83	20.75
Australian \$	1.77	1.86
Closing rates used to translate the balance sheet		
US \$	1.20	1.32
Euro	1.13	1.21
South African rand	21.79	20.41
Australian \$	1.78	1.80

Appendix 5 – Segmental analysis

<i>By geography</i>	Revenue £m		Profit £m		Margin %	
	2023	2022	2023	2022	2023	2022
United Kingdom	3,590	2,951	261	288	7.3	9.8
Europe & Africa	3,508	2,902	235	255	6.7	8.8
The Americas	1,219	919	160	107	13.1	11.6
Asia Pacific	1,243	1,110	28	56	2.3	5.0
Total	9,560	7,882	684	706	7.2	9.0

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