FLASH REPORT

PRIMARK® (LSE: ABF) 1H16 RESULTS: REVENUES RISE, BUT MARGINS TAKE A DIP

- **Primark's revenue was £2,667 million for 1H16 (ended February 2016), up 4.7% from 1H15. Its interim operating margin fell by 91 basis points year over year, to 11.7%.**
- **Primark's parent firm, Associated British Foods (ABF), reported adjusted basic and diluted EPS of 46.1 pence for the period, unchanged from 1H15 but above the consensus estimate of 42 pence.**
- **The company noted that Primark has been well received by customers in the US since its launch in the country in September 2015. Management said that "footfall and sales density have increased steadily as awareness of the Primark brand…continues to grow."**

1H16 RESULTS

As Primark is a subsidiary of the ABF conglomerate, the interim numbers reported for it are relatively few. ABF noted that Primark's sales were £2,667 million for 1H16 (ended February 2016), up 4.7% from 1H15 at current exchange rates. Growth was driven by an increase in retail selling space during the period.

Primark opened a net six new stores in the first half, including its second store in the US, following its US debut in September 2015. At constant currency, revenue for Primark rose by 7.0% year over year.

The operating margin fell by 91 basis points, impacted by currency exposure, as Primark buys the majority of its inventory in US dollars and sells it in euros and British pounds. The company noted that this margin decline was smaller than expected because of strategic buying and a lower level of markdowns during the period.

ABF's adjusted basic and diluted EPS was 46.1 pence for the period, unchanged from 1H15 but above the consensus estimate of 42 pence.

COMPARABLE SALES GROWTH BY REGION

- Northern Europe saw comparable sales fall by about 1% year over year. The company noted a strong performance in the region at the start of the fiscal year, but said it saw weaker sales in the weeks leading up to and over the Christmas holiday, due to unseasonably warm weather.
- In France, Primark noted strong comps from its stores "despite the very high sales densities achieved in their first year of trading last year."
- In Germany and the Netherlands, the company noted that the impact of new store openings on the comps of existing stores had eased from previous periods.
- In the US, Primark has been well received by customers in early trading. Management said that "footfall and sales density have increased steadily as awareness of the Primark brand…continues to grow."

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GUIDANCE

ABF said that it intends to accelerate Primark's expansion through the second half of FY16. The company stated that it is also investing heavily in Primark's warehouse infrastructure and that, by the end of the year, it will have doubled its capacity since 2013.

The company expects a limited currency impact on Primark's margins through the rest of the fiscal year, as it has already secured the foreign exchange rates on its purchase orders. It added that it now anticipates the group's full-year adjusted EPS to decline only marginally.

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