



PRIMARK® (LSE: ABF) FY16 PRE-CLOSE TRADING STATEMENT: NEGATIVE COMPS AND MARGIN COMPRESSION EXPECTED AT PRIMARK

- Primark's owner, Associated British Foods (ABF), reported a pre-close trading statement for its FY16 results, the period ending September 17, 2016. Detailed full-year results are expected to be announced on November 8, 2016.
- Primark revenues are expected to increase 9% year over year at constant currency for FY16 and reported sales are expected to increase 11% year over year. Comparable store sales are expected to decrease by 2% year over year in FY16.
- Primark's FY16 operating profit margin is expected to be close to that achieved in 1H16, which was 11.7%, down 90 basis points from 12.6% in FY15.

Conglomerate ABF posted a pre-close trading statement for FY16; our analysis focuses on its Primark segment. Primark revenues are expected to increase 9% year over year at constant currency for FY16. Reported sales are expected to increase 11% year over year. The company increased selling space by 9% year over year.

Primark's comparable store sales are expected to decrease 2% year over year in FY16. Comparable sales were negatively affected by unseasonable weather, including warmth before Christmas and very cold temperatures in March and April.

Strong sales performance was reported in Ireland, Spain, France and Austria. The Netherlands and Germany businesses also improved. The UK performance was in line with trends witnessed in the rest of the chain; good sales are reported during periods characterized by more typically seasonal weather.

Primark opened 22 new stores in FY16, including 16 in 2H16. This brings the total store count to 315. New stores opened include the first Primark store in Italy, a Spanish flagship on Gran Via in Madrid, three stores each in France and the Netherlands, seven in the UK, four in the US northeast and a store each in Germany, Portugal and Austria.

Primark continues to grow in the US market and the brand has been well received with very positive customer feedback. Primark is encouraged by recent openings in Philadelphia, Connecticut and New Jersey.

The FY16 operating profit margin is expected to be close to that achieved in 1H16, which was 11.7%, down 90 basis points from 12.6% in FY15. The devaluation of sterling against the US dollar following the EU referendum will have no impact on the operating margin in FY16 because the company hedged the effect with forward currency contracts when it placed its garment purchase orders.



FLASH REPORT

OUTLOOK

At current exchange rates and given the weakness of sterling, Primark's operating margin is expected to be adversely affected in FY17.

The company plans to open 11 new stores next year including five stores in Germany, two in Italy and one in Amsterdam. Three more stores will be opened in the northeast US and an extension to the Boston store will increase selling space 20%. The Oxford Street East store will also be extended by Christmas.



FLASH REPORT

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