



## PRIMARK® PRIMARK (LSE: ABF) FY16 RESULTS: SOFT COMPARABLE SALES AND RAPID SPACE EXPANSION

- Primark's owner Associated British Foods (ABF), reported its FY16 results for the year ended September 17, 2016. This flash report will only focus on Primark, ABF's retail division.
- Primark revenues for FY16 increased 9.0% year over year at constant currency, and reported sales increased 11.0% year over year to £5,949 million. Comparable-store sales decreased by 2.0% year over year.
- For FY16, Primark's operating profit margin was 11.6%, down 100 basis points from 12.6% in FY15, driven by the euro's weakening against the US dollar.

Primark revenues for FY16 increased 9.0% year over year at constant currency, and reported sales increased 11.0% year over year to £5,949 million. The company increased selling space by 9.0% year over year.

FY16 comparable-store sales decreased by 2.0% year over year, negatively affected by unseasonable weather, including warm weather before Christmas and very cold temperatures in March and April.

The UK sales performance was in line with the negative 2.0% comparable sales result for the whole group. Strong sales performance was reported in Ireland and Spain, while France and Austria also delivered good sales. Netherlands and Germany sales were less affected by cannibalization as the year progressed.

Primark opened 22 new stores in FY16, including 16 in 2H16, bringing the total store count to 315. New stores included a first store opening 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 was 11.6%, down 100bps from 12.6% in FY15, driven by the weakening of the euro against the US dollar in early calendar 2015. Primark purchased a substantial proportion of apparel in US dollars and currency hedges were taken out when orders were placed. FY15 results were largely unaffected by euro devaluation and the impact was felt throughout FY16.

### OUTLOOK

The devaluation of the British pound against the US dollar will have an adverse impact in FY17. Although the reaction of UK clothing retailers to this major movement in exchange rates is currently uncertain, Primark is committed to leading the value sector of the market with its on-trend product offering and maintenance of its price leadership position in clothing.

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



FLASH REPORT

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