



FLASH REPORT

PRIMARK® (LSE: ABF) 9M17 Trading Update: Sequential Sales Improvement and Containment of Profit Margin Erosion

- **Associated British Foods reported 9M17 results for the 40 weeks ended June 24, 2017. This report focuses on the results for Primark, the company's retail division.**
- **Primark reported that its 9M17 revenues increased by 21% year over year and by 13% on a constant-currency basis. Primark increased its selling space by 13% year over year in the period. In 3Q17, revenues increased by 21% on a reported basis and by 15% on a constant-currency basis.**
- **In 1H17, Primark's operating profit margin contracted by 170 basis points, to 10.0%. Management had previously forecast further margin declines for 2H17, but now expects the FY17 operating margin and the rate of decline to be in line with those seen in 1H17.**

Associated British Foods reported 9M17 results for the 40 weeks ended June 24, 2017. This report focuses on the results for Primark, the company's retail division.

Primark reported that its 9M17 revenues increased by 21% year over year and by 13% on a constant-currency basis. Primark increased its selling space by 13% year over year in the period. The company did not report comparable store sales.

In 3Q17, Primark's revenues increased by 21% on a reported basis and by 15% on a constant-currency basis, marking a sequential improvement from 1H17. In 3Q17, sales were particularly strong in the lead-up to Easter, benefiting from easy comps last year that were affected by poor weather and an earlier Easter holiday.

UK revenues increased by 9% year over year in 3Q17 and the company stated that Primark continues to gain share in the UK apparel market.

The company has added 1.3 million square feet of selling space since the beginning of the fiscal year. Primark now operates 13.6 million square feet of selling space across a total of 339 stores.

Primark expects to add a further 0.2 million square feet of selling space during 4Q17, which would bring the total new selling space added in FY17 to 1.5 million square feet. The company plans to open four new UK stores in 4Q17.

Primark's 1H17 operating profit margin contracted by 170 basis points year over year, to 10.0%, reflecting the effects of the British pound's weakness and the US dollar's strength on input costs.

Management had warned in its 1H17 release that it expected even greater operating margin deterioration in 2H17. However, due to the benefit of improved input margin mitigation and lower markdowns, the company now expects FY17 margin contraction to remain in line with that seen in 1H17.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Eva Kubicka

Senior Research Associate

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 18th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com