



## PRIMARK® (LSE: ABF) FY17 Pre-Close Trading Update: Soft Comps and Aggressive Store Expansion

- Associated British Foods reported an FY17 pre-close trading update for the 52 weeks ended September 16, 2017. This report focuses on the results for Primark, the company's retail division.
- Primark reported that FY17 revenues increased by 20% year over year and by 13% on a constant-currency basis. The company increased its selling space by 13% and comparable store sales saw a 1% increase year over year.
- The margin erosion experienced at the beginning of the year seems to have been halted, as the company expects the operating margin for FY17 to be higher than the 10.0% reported in 1H17.

Associated British Foods reported FY17 results for the 52 weeks ended September 16, 2017. This report focuses on the results for Primark, the company's retail division.

**Revenues:** Primark reported that FY17 revenues increased by 20% year over year on a comparable-week basis (FY16 was 53 weeks); revenues climbed by 13% on a constant-currency and comparable-week basis. Sales growth was driven by a strong increase in selling space and a 1% increase in comparable store sales.

UK revenues increased by 10% year over year in FY17, on a comparable-week basis, and management says the company continues to significantly grow its share in the UK apparel market.

**Selling space:** Primark has added 1.5 million square feet of selling space since the beginning of the fiscal year. It now operates 13.9 million square feet of selling space across a total of 345 stores.

**New stores:** In FY17, the company opened 11 new UK stores, three each in Spain, France, the Netherlands, Italy and the US, for a combined total of 26 new stores.

**Operating margin:** Primark's 1H17 operating profit margin contracted by 170 basis points year over year to 10.0%, reflecting the effects of the weak British pound and the strong US dollar on input costs. However, as a result of improved input margin mitigation and lower markdowns, the company expects FY17 operating margin to be higher than in 1H17.

**FY18 outlook:** In FY18, the company plans to add over 1.2 million square feet of selling space, representing an increase of 8.6% year over year. Primark will open 19 new stores, with the most space added in the UK, France and Germany.



FLASH REPORT

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