



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.

**Deborah Weinstig, CPA**

Managing Director

FGRT

New York: 917.655.6790

Hong Kong: 852.6119.1779

China: 86.186.1420.3016

deborahweinstig@fung1937.com

Eva Kubicka

Senior Research Associate

Hong Kong:

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2

800 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