

Retail & consumer

ABF to widen Primark's US horizons

SCHEHERAZADE DANESHKHU
CONSUMER INDUSTRIES EDITOR

UK fast-fashion chain Primark is to expand in the US with a store in Florida next year, its first outside the country's north-east, indicating growing confidence in its newest market.

Associated British Foods, Primark's parent, made the announcement yesterday as it reported a rise in the retailer's half-year profits, which bucked the UK high street trend as more customers were lured into its stores by budget prices.

Though well-flagged, the news was less sweet in ABF's sugar unit, which reported a 27 per cent drop in operating profits in the 24 weeks to March 3, as it was hit by a fall in world sugar prices.

George Weston, ABF's chief executive, said of Primark: "In the UK, con-

sumers have been very cautious with inflation running ahead of pay rises. But our performance has been good and Primark has increased market share in all [its] 10 European markets."

Mr Weston, part of the family that has a controlling stake in ABF, also said that the group would be interested in acquiring Horlicks, the beverage that is under "strategic review" by GlaxoSmithKline, the pharmaceutical group – but thought it would be outbid. "Horlicks is a lovely business but we'd expect it

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to sell at a very high price," he said.

Primark's adjusted operating profit of £341m was up 6 per cent – or 4 per cent at constant rates – year on year, while sales of £3.5bn were 7 per cent higher at constant currencies.

In the UK, which accounts for about half of Primark's sales, like-for-like sales increased 3 per cent, despite the lack of an online sales capability. Overall, total same-store sales fell 1.5 per cent, which ABF blamed on unseasonable weather.

Shares in ABF rose 4.1 per cent to £26.90p at close of trading but have lost 25 per cent of their value over the past

six months on fears of lower profitability at Primark – the group's main profits motor, accounting for 46 per cent of sales but 57 per cent of operating profits.

Primark's operating profit margins of 9.8 per cent were similar to the 10 per cent in the first half of 2017, which the group described as "remarkable" because costs were driven higher by the pound's weakness against the dollar.

That currency pressure is forecast to ease in the second half, when the group said it expected Primark's profits growth to accelerate. However, it also expected "a more normal level of mark-downs, compared to the very low level achieved last year".

Sofie Willmott, retail analyst at consultancy GlobalData, said Primark had benefited "as shoppers with squeezed disposable incomes trade down, and [is] stealing share from its high street competitors including New Look and H&M, whose customers have become disillusioned with lacklustre product ranges".

The decision to open a store in Florida in a new type of mall indicated growing confidence in the US, which Primark entered in 2015.

Operating profits at ABF's sugar unit were £90m, 27 per cent down on last year but higher than analyst forecasts.

Pre-tax profits in the half-year of £603m were 30 per cent lower than last time when they were flattered by gains on disposals. Adjusted for these gains, profits of £628m were 1 per cent higher.

