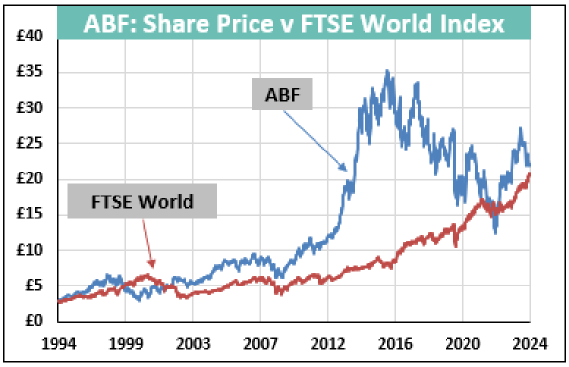
Gillen MARKETS

Associated British Foods

Date: 6th December 2024

Summary View **Ticker: ABF LN** **Price: £21.95**

Since we initiated coverage of ABF in August 2018 the shares have delivered a return of just 0.2% compound *per annum* (inc. dividend income) compared to 11.2% for the FTSE World Index.



Earnings growth over this 6-year period has been respectable at 6.5% *c.p.a.* and only modestly below ABF's long-term average. A de-rating of the shares from 18 times earnings in mid-2018 to 11.2 times today explains the underperformance.

ABF is a conglomerate with operations in Retail (Clothing), Grocery, Bakers Ingredients, Sugar and Agriculture Feeds. However, Retail (52%) and Grocery (26%) account for 78% of operating earnings (before central costs) and both are growth businesses. In Retail, Primark has a competitive advantage with its low-cost offering and although online retailing has increased the competitive backdrop (Primark does not sell online), the business has defended its position well with astute digital marketing and, more recently, a 'Click & Collect' offering (in the UK initially). ABF's Grocery business addresses the breakfast, lunch and snacking categories and owns strong international and regional food and beverage brands. Twinings, as an example, is the fastest growing Tea brand in the US and is the no. 1 selling tea brand online on Amazon. The Mazola brand is the leader in corn oil in the US market. The strong competitive positions in Retail and Grocery are reflected in exceptionally high pre-tax returns on equity of 33% and 24%, respectively, and explain ABF's ability to both pay special dividends and buy back its own shares as well financing the ongoing growth of its businesses.

Despite an expected 2% dip in earnings for FY 2025 on the back of weak EU sugar prices (the impact of which should reverse in FY 2026), ABF looks well positioned for long-term growth. The roll out of Primark stores continues in Central Europe, eastern Europe and the US. In Grocery, the strategy of product innovation and acquisitions should continue to drive growth.

Since 1996, growth in ABF's earnings (7.4% *c.p.a.*) has been modestly better than that of the S&P 500 Index (6.3% *c.p.a.*) and only modestly behind over 5- and 10-year timelines. Yet, ABF's shares trade on 11.2 times historic earnings compared to 27.8 times for the S&P 500 Index (a 60% discount in favour of ABF). Despite the disappointing performance since mid-2018, the shares offer excellent value and retain their place in the **Lump-sum Growth and Income Portfolios**.

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A Common Framework for Assessing Stocks

The common framework for assessing risk in companies used by GillenMarkets includes understanding:

- **The business risk:** the risk that the business model has deteriorated, and past levels of profitability are unlikely to be achieved again in the future.
- **The financial risk:** the risk of inappropriate financing and debt levels, which exposes the company to failure and investors to a potential total loss.
- **The valuation risk:** the risk of overpaying for the shares, which will lower the future returns.

All the data for analysing Associated British Foods plc has come from the company's Annual Reports and investor presentations.

Business Risk

Company Description

Associated British Foods (ABF) is a diversified Food, Sugar, Agriculture feedstuff, Bakery Ingredients and Fast Fashion & Beauty Retail (Primark/Penneys) group operating in 55 countries across Europe, southern Africa, the Americas, Asia and Australia. The group is listed on the London Stock Exchange and with 738 million shares in issue and at the recent share price of £21.95 it has a market capitalisation of £16.2 billion.

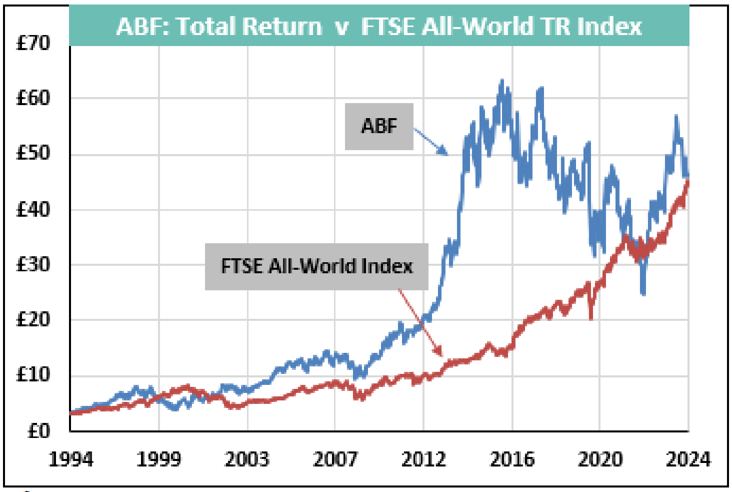

Chart 1

Wittington Investments owns 60% of the outstanding shares and is a holding company owned by the Garfield Weston Foundation (79.2% shareholder in Wittington), one of the UK's largest grant-making trusts, and the Weston family (20.8%), one of Canada's wealthiest families, and children/grandchildren of Garfield Weston, the founder of Associated British Foods. So, the free float of shares in ABF is just 40% of the shares in issue and reducing with the ongoing share buybacks. That said, liquidity in the shares is still good for retail investors.

Group Strategy

The group's strategy is to provide safe, nutritious and affordable food and clothing that is great value for money. The group operates a devolved management structure through five strategic business segments – Grocery, Sugar, Agriculture Feedstuff, Bakery Ingredients and Retail[1].

[1] A fuller analysis of each division – Grocery, Sugar, Agriculture, Ingredients & Retail is outlined in Appendix 1.

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Grocery and Retail are the two largest divisions and accounted for 68% of revenues and 81% of operating profits in FY 2024 (year to end September & before central overheads).

Based on FY 2024 numbers, Europe (ex-UK) & Africa accounted for 39% of revenues, the UK 36%, the Americas 13% and Asia Pacific 12%.

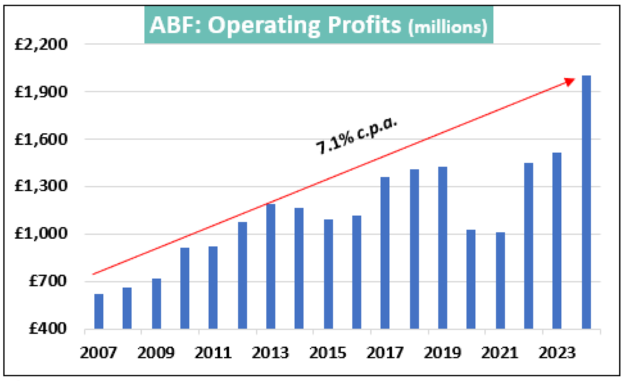

Chart 2

Over the 17-year period from 2007 to 2024 inclusive, operating earnings have grown 7.1% compound *per annum*.

The Retail Business: 55% of Operating Earnings in FY 2024

Primark (Penneys in Ireland) accounted for 55% of group operating earnings in FY 2024. Primark operates a low-cost, fast-fashion clothing and beauty business model with any scale benefits from further store openings being reinvested back into lower prices for consumers, which with time has become a competitive advantage over other clothing retailers. In effect, Primark operates a cost-plus model. Traditionally, the company had no need to advertise, relying instead on its low prices to market for it, leading to well-above-average footfall at its physical stores and an excellent social media following.

Growth is principally driven by Primark's steady store opening programme and its store network is up to 451 today with 194 stores in the UK, 38 in Ireland, 178 in central Europe, 14 in Eastern Europe and 27 in the US. Primark's store estate has grown by 6.5% compound *per annum* since 2000. Selling space, however, has grown by a larger 11.4% compound *per annum* since 2000, reflecting larger store sizes in the past decade.

While Primark does not sell online (and few online retailers can match its prices), it has a significant and growing social media presence principally on Instagram, Facebook and TikTok (an estimated 20 million followers at the time of writing). In addition, Primark has a database of 3 million customers. Using

ABF: Revenues & Earnings Year to Sept 2024		
Revenues:	**£m**	**%**
Retail	9,448	47%
Grocery	4,242	21%
Ingredients	2,134	11%
Sugar	2,599	13%
Agriculture	1,650	8%
Total	**20,073**	**100%**
Operating Profit:	**£m**	**%**
Retail	1,108	55%
Grocery	511	26%
Ingredients	233	12%
Sugar	205	10%
Agriculture	41	2%
Central Costs	-100	-5%
Total	**1,998**	**100%**
Revenues (Regional Split)		
	£ m	
Europe & Africa	7,830	39%
The UK	7,297	36%
The Americas	2,513	13%
Asia Pacific	2,433	12%
Total	**20,073**	**100%**

Table 2

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its database and social media profile, Primark markets its new clothing ranges alongside hundreds of 'Influencers'. Its licensed merchandise ranges include Disney, Netflix, Warner Bros, NBA & NFL among others and they continue to drive growth in sales.

Primark is investing heavily in its digital marketing capabilities knowing that in the online retailing era it is at a disadvantage in terms of adapting to consumer preferences. That said, Primark has tested a Click & Collect service in parts of the UK over the past two years and is sufficiently confident in the customer response that it is now rolling out the service nationwide in the UK. As with everything ABF does, it takes a cautious approach to new initiatives.

ABF's Grocery (Food): 26% of Operating Earnings in FY 2024

ABF's grocery businesses are mostly customer facing and manufacture and sell well-known brands[2] in the UK and internationally and address the breakfast, lunch and snacking categories. Ovaltine and Twinings are two substantial international brands and combined are the largest contributors to earnings in this division.

The food business also makes and sells spices, sauces, flours, cooking oils, cereals and savoury snacks, breads, bakery products and more. Other leading brands include Mazola (corn oil in the US), Ryvita (savoury snacks) and Patak's (flavourings). Each of ABF's Grocery businesses pursues an independent strategy; some concentrate on developing brands in their core domestic markets while others aim to extend their reach into new and emerging markets. Growth in the Grocery division is delivered by both bolt-on acquisitions and internal reinvestment.

AB Ingredients: 12% of Operating Earnings in FY 2024

The ingredients business produces yeast, bakery and specialty ingredients for food and non-food manufacturers and has established strong market positions in enzymes, lipids, yeast extracts and cereal specialties. The division is dedicated to understanding key requirements of customers and end-user markets in order to ensure a relevant supply of ingredients, systems, products and technology that create value. AB Ingredients often develops partnership arrangements with customers. The division aims to grow organically and through acquisitions.[3]

ABF's Sugar: 10% of Operating Earnings in FY 2024

The sugar business is made up of the UK's and Iberia's only sugar producers and ABF also owns a leading African sugar producer with a presence in six African countries. All of its sugar businesses aim to be the lowest-cost producers. The UK and European businesses have been hard hit since the planned scrapping of the EU sugar quotas in 2017, which sent the EU sugar prices down towards the lower world sugar prices. Cost cutting and a subsequent full recovery in world and EU sugar prices helped the sugar businesses' earnings start a meaningful recovery in FY 2020. The business is inherently cyclical, and FY 2025 will once again show a significant decline in profitability

[2] Appendix 2 contains a list of the group's brands in Grocery, Agriculture, Ingredients and Retail
[3] Appendix 3 contains a table of acquisitions & disposals from 2011 to 2023

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because sugar prices have been weak in late 2024. That said, ABF's cost base in sugar has been significantly reduced over the 2017 to 2020 period. In addition, contracted sugar beet prices always lag the actual sugar price by a year, so that the likely adjustment downwards to FY 2025's beet contract prices agreed with beet farmers should significantly restore profitability in FY 2026.

AB Agriculture*:* 2% of Operating Earnings in FY 2024

ABF's agriculture feedstuff business supplies high-performance compound feeds to farming (dairy, pig and poultry), feed and food manufacturers, processors and retailers. The division also produces tech-based products and services to these same markets. The business has 27 production sites in the UK, Europe and China and sells into 84 countries. The UK operations remain the largest and the pig sector remains its most important. Nonetheless, the business is increasing its global footprint on technology transfers and acquisitions. Cyclicality in the business reflects the underlying cyclicality of the pig-, cow-, and sheep-producing customer base.

Summary

In summary, ABF's two largest divisions, Retail (Primark) and Grocery – which accounted for 81% of group earnings in FY 2024 (before central costs) – are exceptionally strong businesses with a low-cost competitive advantage underpinning growth at Primark and top-class consumer brands in Grocery (Twinings, Ovaltine, Ryvita, Mazola, and Patak's among others). Both divisions normally offer defensive growth characteristics notwithstanding the hiatus caused by Covid-19 on the Primark business, which is likely to prove to be a once-off event.

Note: A fuller analysis of each division is included in Appendix 1 at the end of this report.

Returns on Capital & Equity

The signs of a successful business with a competitive advantage either by way of consumer brands with some pricing power (Grocery division) or perhaps a low-cost competitive advantage (Retail division/Primark) and a management team that allocates capital efficiently should be reflected in above-average returns on capital employed and equity.

ABF provides a breakdown of adjusted pre-tax profits, and the net assets employed across its five business segments. ***Table 3*** (next page) highlights the pre-tax returns on the net assets employed in each of the five business segments.

In ABF's case, given that it has substantial operating leases in its Retail business – which are reflected as additional assets on the asset side of the balance sheet and treated as debt on the liability side of the balance sheet – it is better to compute returns on net assets (or net capital employed) rather than gross capital employed as we traditionally do.

The Retail business generated a pre-tax return of 33% on the net assets employed in the Primark business in FY 2024 (year to September).

In other words, the roll-out of the Primark store network is generating pre-tax returns on invested capital of 33% on every pound invested. These are exceptionally strong returns.

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Associated British Foods Adjusted Pre-tax Returns on Net Assets				
	Pre-tax Income FY 2024 (£m)	% Split	Net Assets FY 2024 (£m)	Pre-tax Returns FY 2024
Retail	1,018	52%	2,935	33.2%
Grocery	511	26%	2,170	23.8%
Ingredients	233	12%	1,805	13.2%
Sugar	205	10%	1,868	11.4%
Agriculture	41	2%	597	6.9%
Centre	-39	-2%	1,903	
Minority Interests	0	0%	-92	
Totals	**1,969**	**100%**	**£11,186**	
Shareholders' Funds			*£11,186*	

Table 3

The Grocery business generated the next highest pre-tax & interest return of 23.8% on net assets employed in FY 2024 with returns from the Sugar, Agriculture and Ingredients all lower.

This makes sense to us. Primark has a low-cost competitive advantage and is a disrupter in the traditional clothing retail market and ABF's range of quality consumer brands in Grocery generates customer loyalty and affords it pricing power.

Sugar, Agriculture and Ingredients (yeast), on the other hand, operate in cyclical markets with commodity-like products that generally have little pricing power. That said, the Ingredients business has displayed a more stable earnings profile for several years now and returns on net capital invested have been improving.

Given that the Retail and Grocery businesses now account for 81% of ABF's earnings (before central costs) and growing, the high returns on net assets in these two divisions should continue to lift overall returns.

Associated British Foods					
	Gross Margins	Operation Margins	ROCE	ROCE (x-G'will)	ROE
FY 2011	25.3%	8.0%	12.1%	16.1%	10.6%
FY 2012	25.0%	8.6%	13.6%	17.7%	11.9%
FY 2013	24.9%	8.8%	15.1%	19.2%	13.0%
FY 2014	24.9%	9.1%	15.4%	19.2%	13.1%
FY 2015	24.0%	8.1%	14.6%	18.1%	12.6%
FY 2016	23.6%	7.9%	14.7%	17.8%	12.5%
FY 2017	23.7%	8.5%	16.5%	19.9%	13.0%
FY 2018	23.3%	8.7%	15.7%	18.9%	12.1%
FY 2019	23.3%	8.6%	15.0%	18.2%	11.6%
FY 2020	22.9%	6.9%	9.6%	11.3%	6.8%
FY 2021	22.9%	6.7%	8.5%	9.8%	6.6%
FY 2022	22.5%	7.7%	11.0%	12.6%	9.7%
FY 2023	21.3%	7.0%	10.8%	11.3%	9.8%
FY 2024	24.5%	9.3%	14.0%	16.1%	13.3%

Table 4

These high pre-tax returns on net capital employed (or net assets) at Retail and Grocery don't show up in the group pre-tax returns on Equity (or net assets) numbers in ***Table 4***, which is the traditional way that we compute and display returns on capital/equity. This reflects the fact that

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the group's net cash balances and defined benefit pension surplus are included as assets but clearly bank deposits earn much lower returns while defined benefit pension assets contribute no return to the group.

More recently, of course, net cash balances are being redeployed as special dividends and share buybacks which are an excellent use of spare resources. Share buybacks at current share price levels boost earnings and cash flow growth at the per-share level.

Track Record of Growth

ABF's profile has been one of steady growth over the long-term. Again, due to the once-off impact of Covid-19 on the Retail business in FY 2020, FY 2021 and into the first quarter of FY 2022, ABF's growth was negatively impacted for that period. But the group has enjoyed a full recovery (and more) by end September 2024.

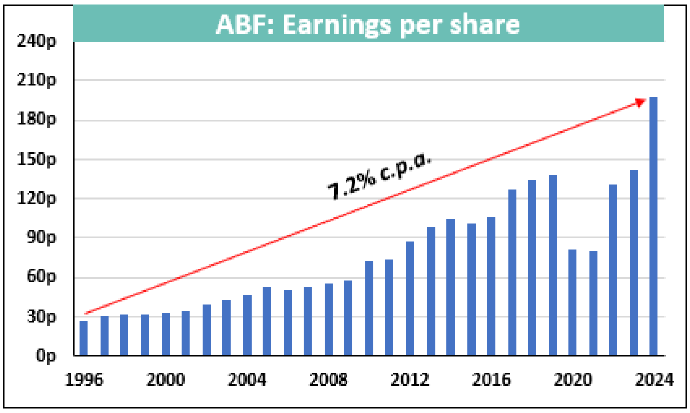

Chart 3

As ***Table 5*** highlights, Associated British Foods earnings growth has matched that of the S&P 500 Index over the medium- to long-term. From FY 1996 to FY 2024 ABF has grown earnings per share at a 7.4% compound *per annum* rate. In contrast, earnings for the S&P 500 Index have grown at 6.3% over the same 28-year timeline.

ABF's growth has modestly lagged that of the S&P 500 Index over the past 5- & 10-year periods. Strong growth in ABF's earnings over the past year and 3 years principally represents recovery and is less meaningful in terms of comparison.

Growth & Value Comparison		
	ABF	S&P 500 Index
1-Year	38.9%	12.3%
3-Years	35.0%	3.0%
5-Years	7.4%	9.2%
10-Years	6.6%	7.8%
1996-2024	7.4%	6.3%
P/E Ratio (2024)	11.2	27.8

Table 5

Yet, ABF's shares trade on an historic 11.2 times 2024 earnings compared to 27.8 times for the S&P 500 Index. That represents a 60% discount valuation in favour of ABF.

Looking Forward

Post the Covid-19 hiatus and given that Primark's base in the US is more established (and profitable for the first time in FY 2024) and that the group's pre-tax returns on net capital employed are exceptionally strong (24-33%) in the two divisions that now account for 81% of earnings, we believe there is good reason to expect the rate of annual earnings growth to at least match this historic 7.4% rate in the years ahead.

Dollar Exchange Rate a Swing Factor at Primark

At Primark, the Group's largest business, buying costs are largely in dollars whereas the group primarily sells in sterling and euros.

Hence, a strong dollar creates a headwind for Primark's margins. And as the chart highlights, the dollar (trade-weighted) index has generally been rising since late 2011 and has also been rising of late. So, on average dollar strength has been a headwind for Primark over the past 13 years.

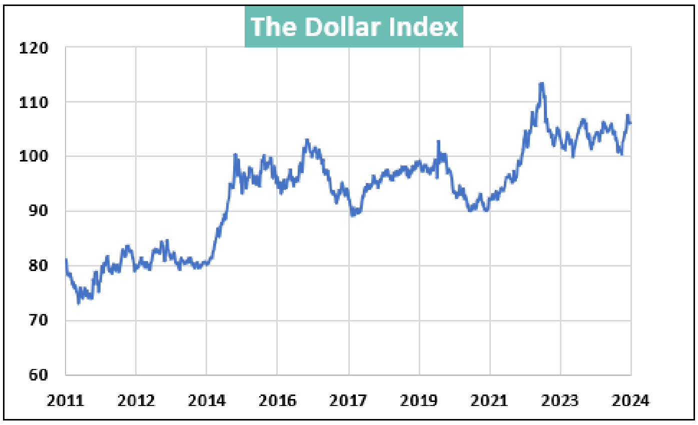

Chart 4

Historic Growth Has Largely Been Organic

ABF's model for growth looks sustainable. As ***Table 6*** highlights, reinvestment into existing businesses (capital expenditure) of £10.3 billion from 2011 to 2024 inclusive has considerably outpaced net acquisition spend of £1.1 billion over the same timeline.

ABF's highly successful Primark retail business offers a consistent growth opportunity for years to come in both the US and Eastern Europe.

If Ireland can take 38 Primark stores and the UK 194 stores, then central Europe (178 stores) and Eastern Europe (14 stores) can surely handle a lot more stores in time. And the opportunity in the US for Primark must be just as good on a medium- to long-term view, even though it is a more competitive market.

Associated British Foods

	Acquisitions (Net spend) £ m	Capex £ m
FY 2011	-50	-826
FY 2012	-21	-708
FY 2013	-41	-601
FY 2014	7	-691
FY 2015	-47	-551
FY 2016	-10	-777
FY 2017	373	-817
FY 2018	-207	-845
FY 2019	-78	-725
FY 2020	-76	-592
FY 2021	-113	-530
FY 2022	-250	-604
FY 2023	-170	-887
FY 2024	-407	-1,141
Total (FY 11 - FY 24)	**-£1,090**	**-£10,295**
Capital Employed (Sept-24)		**£14,449**

Table 6

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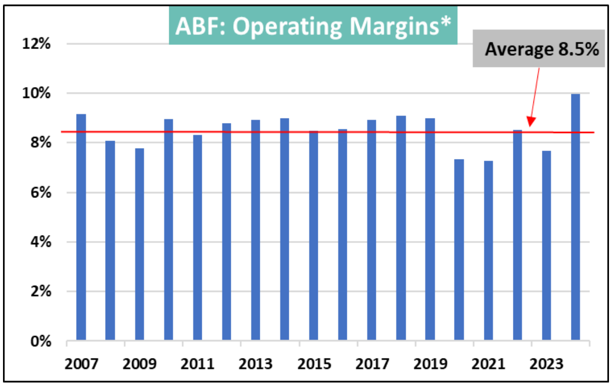
Year to September 2024 and Outlook for FY 2025



Revenues increased 2%, or 4% on a constant currency basis, in FY 2024.

Like-for-like sales growth across Primark's store network was a modest 1.2% in FY 2024 with stronger like-for-like sales in H1 offset by weather-related weakness in the UK and Ireland in H2.

However, it was a year of margin recovery at Primark and Grocery in particular with group margins recovering to 10.0% from 7.7% in FY 2023. Indeed, when calculated before central costs, ABF's operating margins reached a new high in FY 2024 of 10.0%.

FX headwinds knocked £97 million, or 4.8% off earnings in FY 2024. Exceptional costs were very modest with the difference between GAAP earnings and adjusted earnings being just 2%.

For FY 2025, Davy Stockbrokers is forecasting earnings per share of 192p, a modest 2% dip on FY 2024 levels and largely reflecting the expected impact on Sugar earnings following reduced European sugar prices in late 2024. However, as these lower sugar prices are likely to be passed back to beet farmers in FY 2025, Sugar earnings should substantially recover the following year.

Longer-term Growth Outlook

With a long runway for expansion of the Primark store network in the Retail division, excellent consumer brands in the Grocery division, high returns on invested capital in both of these divisions and the combined divisions now accounting for 81% of group earnings (before central overheads) and an ongoing share buyback programme that is absorbing spare cash, the odds remain high that ABF can sustain the high-single-digit annual growth in earnings in the years ahead.

ESG Credentials

In 2013, Primark introduced its Sustainable Cotton Programme to train cotton farmers in India, Pakistan and China to use less water and chemicals in cotton processing and to provide full traceability. This programme has been significantly upgraded in recent years with the aim of including many more cotton farmers. The programme aims to improve farmers' lives and to improve consumers' confidence in Primark's cotton products.

In July 2020, Primark announced the roll-out of its UK recycling cloths programme inviting customers to donate their pre-loved clothes, textiles, footwear and bags from any brand. Collection boxes are now available in all UK stores and donated items will be reused, recycled and repurposed with nothing going to landfills. Profits from the scheme will go to UNICEF, Primark's global charity partner in support of education programmes for vulnerable children around the world. Elsewhere, Primark remains focused on cutting emissions through efficiency and energy saving

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measures at supply factories.

More recently, in September 2021, Primark unveiled a wide-ranging new sustainability initiative, pledging to make more sustainable fashion choices affordable to all. The initiative is designed to reduce fashion waste, halve carbon emissions across the value chain by 2030 and improve the lives of people who make Primark products. It's a 9-year programme that includes:

- A commitment to ensure all Primark clothing is made from recycled or more sustainably sourced materials by 2030.
- An elimination of all single-use plastics in Primark's own operations by 2027.
- A commitment to pursue a living wage for workers in the Primark supply chain by 2030.

At Twinings, its 'Source with Care' programmes have helped more than 350k people in supplier communities to enjoy better lives. The programmes have three pillars: (i) improving life opportunities by empowering women and young people through health and education training; (ii) improving living standards; and (iii) boosting livelihoods by protecting workers' rights and improving incomes. In Kenya, Malawi and Sri Lanka, for example, the group runs educational programmes in tandem with local not-for-profit community-care organisations.

In its Sugar operations, in 2019 ABF partnered with Water Aid and the University of Cambridge's centre for Industrial Sustainability to seek new ways of reducing irrigation water loss in sugar and beyond. The initial focus is on 'Smart' irrigation systems that aim to provide real-time data to estate managers and small farmers to assist them to make more informed decisions on water usage and irrigation schedules. A programme for the decarbonisation of British Sugar is ongoing. Energy usage has been cut sharply through ESG-focused investment and to date carbon emissions have been cut by 30,000 tonnes annually. ABF is committed to reducing end-to-end supply chain water and CO_2 usage by 30% by 2030.

In Ingredients, AB Mauri is continuing to improve the way it recycles and manages affluent water. Some 84% of water used in the production of yeast is now treated and returned safely to the environment.

In its Agriculture division, ABF launched its 'Target Zero' programme, which - through educational health and safety awareness programmes - promotes and focuses on the business' existing zero harm policy to ensure no harm comes to its people, products and environments in which it operates.

Management Incentives & Alignment with Shareholders

The group operates fairly standard short-term and long-term incentive programmes for top management.

The short-term incentive plan facilitates awards of cash and share bonuses up to 200% of salary based on meeting pre-approved targets on several financial measures (weighting of 85%) and ESG targets (weighting of 15%). In FY 2024, the CEO and Finance Director reached 82% of targets.

The long-term incentive plan is paid through restricted shares and can be up to 125% of salary for top management and 200% of salary among other members of the senior management team. For the past 3-year plan target (FY 2021 to FY 2024) achieved was 97%.

The CEO and Finance director must hold a minimum of 250% of salary by way of shares and must hold them for 2 years following their departure.

All in all, and despite lacking an online offering in Retail, we see few business risks in ABF's business model.

Financial Risks

Table 7 offers a quick view of the group's financial position. At the end of September 2024, ABF had net cash of £0.7 billion. Including operating leases, net debt shows at £2.7 billion.

In ABF's case, it leases a proportion of its stores which were capitalised at £3.1 billion at end September 2024. Leases, of course, are not the same as debt. They expire over time and can be renegotiated, so that they do not carry the same level of financial risks as actual bank debt.

ABF: Financial Risk (Sept-24)	£ m
Cash	1,323
Short-term Debt	-159
Long-term Debt	-454
Leases	-3,065
Net Debt/Cash	**-2,355**
Operational Cash Flows*	2,897
Annual Dividend	469

Table 7 *after interest & tax, before capex

Operational cash flows (after interest & tax but before capital expenditures) were £2.9 billion for the full year to September 2024. Once-off working capital reductions added to cash flows in FY 2024, so that the run rate for FY 2025 and onwards is likely to normalise below FY 2024 levels. Nonetheless, it is clear that ABF is a prodigious generator of cash reflecting its well above average returns on capital in the Primark and Grocery businesses (77% of earnings).

Working Capital Trends

As highlighted in ***Table 8***, we calculate that net working capital days were 31 at end September 2024, and well below the more bloated levels of FY 2022 and FY 2023, which were impacted by Covid-19 related supply chain issues. Current working capital days look to be back in line, or thereabouts, with the medium-term trend pre-Covid.

Working Capital Days	Sep-18	Sep-19	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Stock Days	67	72	73	73	90	75	71
Debtor Days	34	33	35	36	38	33	31
Trade Creditor Days	-77	-77	-79	-81	-86	-69	-71
Working Capital Days	**23**	**28**	**29**	**28**	**42**	**39**	**31**

Table 8

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Generating more cash than it needs

The strong cash-flow-generating capabilities of ABF's businesses means that the group is likely to remain in a net cash position (excluding leases) for the foreseeable future. The Board has recognised this and implemented share buyback programmes as well as introducing special dividends.

Financial risks are extremely low at ABF.

Valuation Risk

At the current share price of £21.95, ABF is trading on 11.4 times expected FY 2025 earnings per share of £1.92 (Davy forecasts).

This rating is near the lows reached in early 2000 (when only tech stocks were in vogue), in late-2008 (Global Financial Crisis) and late-2022 when investors feared the impact of both Covid-19 and online retailing on Primark's ability to compete.

Chart 6

Earnings in FY 2025 are expected to be modestly below FY 2024 levels reflecting the (temporary) impact of lower EU sugar prices on Sugar earnings.

As ***Chart 6*** highlights, in the 1996 to 2011 period ABF's price-to-earnings ratio was in the 10-15 range. In our view, this lower valuation range was appropriate back then given the dominance of the more mature and cyclical businesses of Grocery, Sugar, Agriculture and Ingredients in the late 1990s and early 2000s. In 2007, for example, these four business segments accounted for *circa* 68% of ABF's operating earnings with the faster-growing Retail business accounting for just 32% at that time.

Following Primark's move into Europe in the mid-2000s, investors took greater notice and on the expectations of a faster roll-out of the Primark retail business model the shares were re-rated and by late-2015 they were trading on a price-to-earnings ratio of just over 30. However, ABF is run quite conservatively and the roll-out of the Primark retail concept was steady rather than spectacular. Investor realisation of this may well have given investors pause for thought and led to a more realistic assessment of the pace of growth.

Other issues also started to impact on the valuation of ABF's shares including: (i) Brexit in 2016 may have been responsible for a modest contraction in like-for-like sales in the UK over the next few years; (ii) operational issues at Primark's German store network; (iii) the Covid-19 hiatus; (iv)

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some attendant concerns regarding Primark's ability to compete in an online retailing world; and (v) ESG concerns surrounding fast fashion retailing.

Most of these issues have been successfully resolved and with a stronger than expected recovery at Primark evident from the second half of FY 2023, the valuation of the group's shares has improved from very oversold (cheap) levels.

The Retailing and Grocery businesses within ABF are expected to account for *circa* 80% of operating earnings in FY 2025. Primark, in particular, has a long and visible runway for growth and both divisions are earnings pre-tax returns on capital employed in the 23-33% range and thus likely to fuel above average earnings growth into the future.

These characteristics support an above average valuation for the group, in our view. Against this should be weighed the fact that ABF has a history of exceptional items, which are excluded from adjusted earnings, and we use adjusted earnings in ***Chart 6***.

Valuation risks look extremely low today at ABF.

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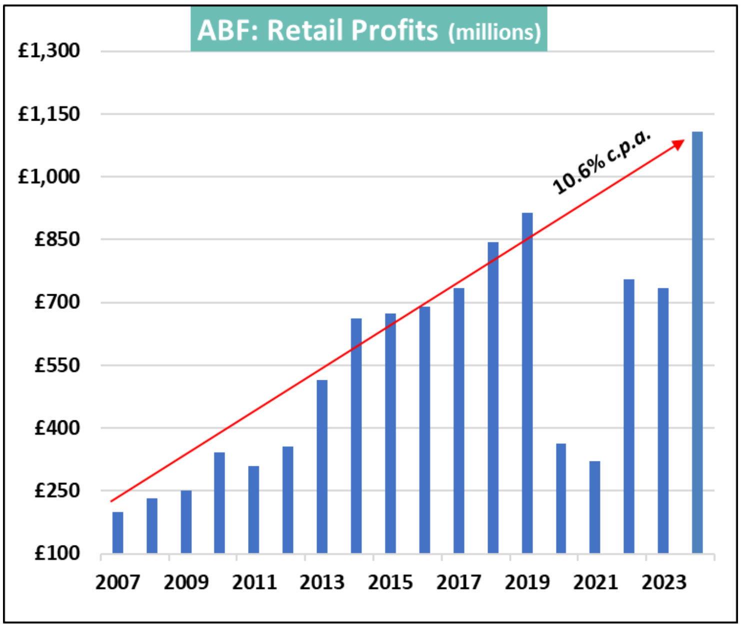
Appendix 1

Divisional Analysis

Retail: (FY 2024 - 47% of group revenues and 55% of operating profits)

ABF operates retail stores under the Primark brand (Penneys in Ireland) and is one of the largest clothing retailers in Europe. Primark's vision is to provide a wide choice of great-quality essential clothing and fashion at prices that are affordable to as many people as possible.



Starting with one store in Ireland in 1969, Primark/Penneys had 451 stores in 17 countries by end September 2024. Management is aiming to grow the store network by 4-5% annually.

Retail accounted for 47% of group revenues and 55% of group operating earnings in FY 2024. Pre-tax returns on net capital employed (after lease financing) jumped to a new high of 33% (or 15% before lease financing).

Primark offers quality, up-to-the-minute fashion clothing at value-for-money prices and its ranges include womenswear, menswear, sportswear, childrenswear, lingerie, hosiery, footwear, accessories, beauty and homeware.

As the Table below outlines, at end FY 2024, Primark had 194 stores in the UK (43%), 38 in Ireland (8%), 178 in continental Europe (39%), 14 in eastern Europe (3%) and 27 in the US (6%). The group operates a combination of owned stores and leased stores. Following changes to the property rental market in recent years all Primark store leases are being signed with 5-year break clauses and rents in general are well below previous levels on new lease deals.

Gaining a Competitive Advantage

The production of goods for Primark is outsourced, but there is rigorous product testing, and the group buys in bulk, delivering high quality products, keeping overheads low, passing on cost savings to customers and operating state-of-the-art logistics to ensure stock is replenished regularly at stores ensuring quick turnaround of new fashion styles in 6-week cycles. Cheap prices attract customers thus avoiding expensive advertising. This emphasis of passing on scale benefits (cost savings) to customers reinforces Primark's advantage as the business grows and underpins the growth in demand at its stores on a medium- to long-term view.

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Primark Stores: Regional Breakdown											
	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
UK	164	164	171	182	185	189	190	191	191	192	194
Spain	40	40	41	44	45	46	48	52	56	59	64
Ireland	37	36	36	37	37	37	36	36	37	37	38
Germany	13	19	20	22	27	30	32	32	32	30	27
France	5	5	8	11	13	15	19	20	20	24	27
US		1	5	8	9	9	9	13	13	21	27
Netherlands	8	12	15	18	19	20	20	20	20	20	20
Italy			1	4	4	4	5	7	11	15	17
Portugal	7	8	9	9	10	10	10	10	10	10	10
Belgium	1	4	4	5	6	7	8	8	8	8	8
Poland							1	2	2	5	6
Austria	3	4	5	5	5	5	5	5	5	5	5
Romania										2	3
Czechia								1	2	2	2
Slovenia						1	1	1	1	1	1
Slovakia										1	1
Hungry											1
Total no. of Stores	**278**	**293**	**315**	**345**	**360**	**373**	**384**	**398**	**408**	**432**	**451**
No. of Countries	**9**	**10**	**11**	**11**	**11**	**12**	**13**	**14**	**14**	**16**	**17**
Selling Space (Millions SF)	**10.23**	**11.16**	**12.34**	**13.86**	**14.81**	**15.64**	**16.25**	**16.80**	**17.30**	**18.20**	**18.80**
Sales per square foot	**484**	**479**	**482**	**509**	**505**	**498**	**363**	**333**	**445**	**495**	**503**
Like-for-Like Sales Growth	**4.0%**	**1.0%**	**-2.0%**	**1.0%**	**-2.1%**	**-2.0%**	**n/m**	**n/m**	**1.0%**	**8.5%**	**1.2%**
Operating Margins	**13.4%**	**12.6%**	**11.6%**	**10.4%**	**11.3%**	**11.7%**	**6.1%**	**5.7%**	**9.8%**	**8.2%**	**11.7%**

The scale of the savings is significant, and drives footfall through the doors, which in turn allows Primark to place bigger orders with suppliers and leverage its large fixed-cost base, facilitating Primark to pass on further savings to consumers, and so on. This type of moat is difficult to establish, and even more difficult for competitors to overcome as Primark's volumes become self-reinforcing.

Interruptions to Growth at Primark

As noted in the Chart above, Primark suffered a rare dip in earnings in FY 2011 which reflected a decision by the group to absorb high cotton prices and the increase in UK VAT rates during that financial year. The store opening programme was uninterrupted and like-for-like sales growth was a healthy 3% in that year (see table above).

Covid-19 was a calamity for Primark and shut down the retail store network for long periods across FY 2020, FY 2021 and the start of FY 2022. Nonetheless, sales per square foot at Primark stores are back above pre-Covid peaks (see table above).

Succeeding in the Absence of Online Sales

Primark does not have an online presence, and this concerned investors particularly during and just after Covid-19 shutdowns. Management has constantly stated that Primark cannot offer its products online and deliver the same affordable prices that it is famous for.

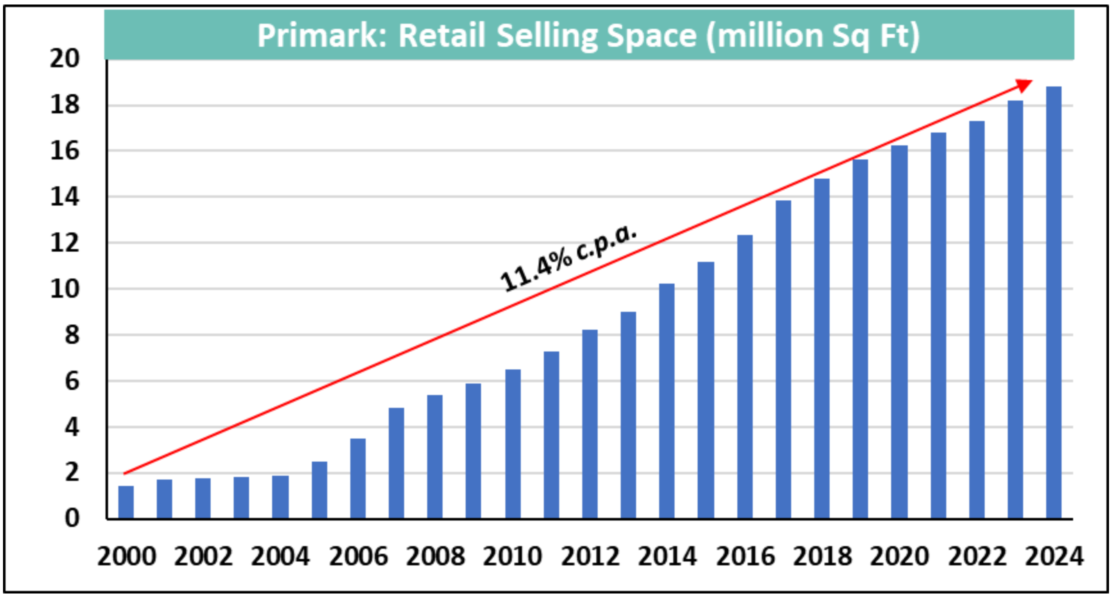
That said, online retailing is real (and still relatively new) and adds a new competitive edge with online retailers gaining an advantage in marketing through consumer data gathered online. Primark has eschewed an online offering claiming that it cannot make money after returns. Indeed, many online clothing retailers have struggled to make money. Nonetheless, buying online offers consumers choice and convenience, so that increased competition for Primark is very real. The group has trialled its Click & Collect offering successfully in pockets of the UK market and is now rolling the Click & Collect offering out across the UK network.

Primark is also investing heavily in its digital marketing capabilities, uses influencers to attract customers online and incorporates key licenced sports brands into its clothing offerings.

Sales Densities & Like-for-like Sales Growth

Sales densities at Primark (i.e. sales per square foot *per annum*), which help drive profitability, are among the best in the industry and were back over £500 per square foot in FY 2024. Low prices drive volumes which deliver high returns on capital invested (akin to the Ryanair model). Even online retailers cannot deliver product at Primark prices.

Expansion is achieved through a combination of like-for-like growth and increasing selling space *via* store expansion with the investment in new freehold and leasehold properties.



While store numbers have grown from 100 at end September 2000 to 451 today (6.5% compound *per annum*) selling space has expanded by a faster 11.4% compound *per annum* over the same period as new store sizes have become larger.

As the Table on the next page outlines, there has been an inconsistent trend in like-for-like sales spanning the FY 2016 to FY 2019 period reflecting a tough retailing backdrop in the UK (Primark's largest market) which possibly reflected the impact of Brexit on the UK economy at that time, along with operational difficulties in its German operations. Actions to address the issues in Germany – which the Board feels reflected management failings – have led to ongoing improvements in that market. The sharp increase in like-for-like sales in FY 2023 reflected a post-Covid recovery while the return to more anaemic like-for-like sales growth in FY 2024 (1%) reflected the impact of poor weather in the UK and Ireland through the last six months.

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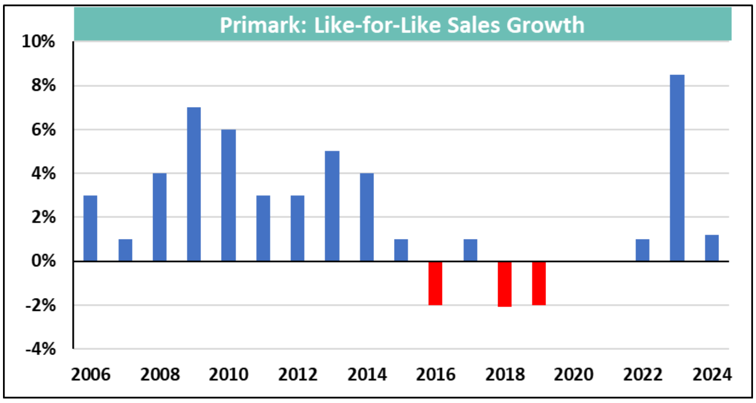

Store expansion in the US continues at a conservative pace (ABF's style) with 27 stores now operational from a standing start in FY 2015. Primark is now profitable in the US although the US fast-fashion clothing retail market is a very competitive one and online retailers have a definite advantage through capturing consumer preference data more quickly compared to Primark. That said, Primark is continuing to invest heavily in its digital marketing capabilities.

Progress in expanding into Eastern Europe is also steady but ongoing with 14 stores now operational from a standing start in FY 2019.

Unseasonal weather can, and does, impact on like-for-like sales trends as well as on margins if surplus stock needs to be discounted. Much of Primark's merchandise is sourced in dollars but revenues are largely received in sterling and euros with the result that margins can vary from one year to the next depending on the $/€ and $/£ exchange rates with a stronger dollar generally acting as a headwind. A stronger dollar, on average, over the past decade has been a headwind for Primark.

Significant Social Media Presence

By launching co-branded ranges (e.g. Disney, Netflix, Warner Bros, NBA and NFL among others) with around 500 high-profile influencers Primark not only gets new innovative ranges into the marketplace, but it connects with influencers' fan bases. More recently, Primark has entered a new collaboration with global style icon, Rita Ora.

While customers cannot buy online, Primark attracts customers by launching attractive and aggressive marketing campaigns on social media sites. In addition, the group has an online website which promotes the group's latest offerings and 'Primania', a platform that allows the everyday customer to post pictures of their Primark looks and styles.

FY 2024 & Outlook

An additional 4.4% stores along with like-for-like growth at existing stores of 1.2% boosted revenues at Primark by 4.9% in FY 2024.

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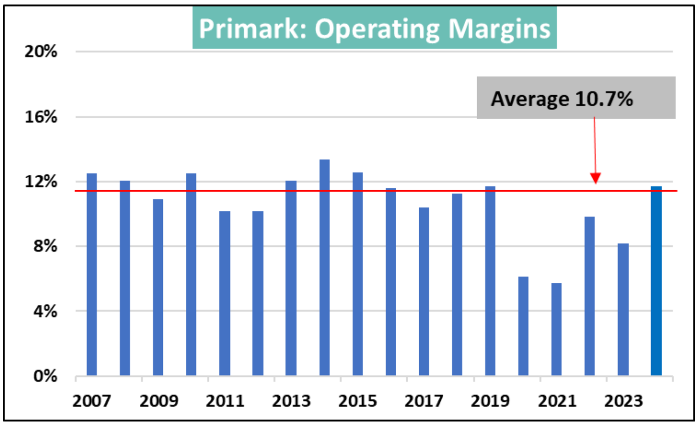
As the Chart opposite highlights, operating margins, however, recovered further to 11.7%. This reflected improved gross margins as material and freight costs abated and the company annualised the benefits of the prior year's price increases. These benefits were partially offset by labour cost inflation and increased investment in digital and data capabilities, technology and branding.

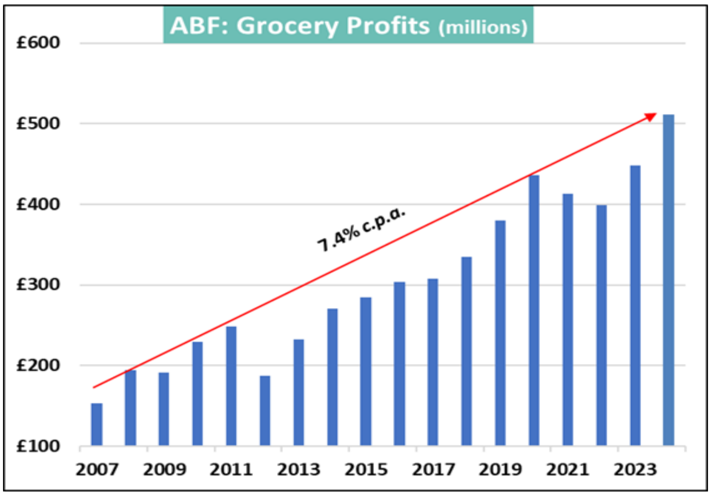


The US store network was profitable in its own right in FY 2024 for the first time, so that despite the very competitive nature of that market one has reason to be confident that Primark can successfully scale up in that market over time. Ongoing store expansion across Primark's estate of 4-5% annually plus even modest levels of like-for-like sales growth suggest annual revenue growth of 5-6% for a long time to come. Improved digital marketing and success with the roll-out of the Click & Collect offering could easily add to that growth rate as well as leading to improved operating margins over time.

Grocery: (FY 2024 - 21% of revenues and 26% of operating profits)

ABF's Grocery businesses are mostly customer facing that manufacture and sell well-known brands in the UK and internationally and address the breakfast, lunch and snacking categories.

For the year to September 2024 the division accounted for 21% of group revenues and 26% of group earnings. Pre-tax returns on capital employed improved further to 23.8%, a new high and very attractive levels.



For the group's international brands – Twinings, Ovaltine, Patak's, Blue Dragon and Jordans – ABF focuses on investing in brand equity and employ regional strategies to drive growth. The group also has a portfolio of more regional brands – including Tip Top bakery in Australia, Mazola vegetable oil in the US and Kingsmill in brad in the UK – where it seeks out leading market positions in the relevant domestic markets.

The Twinings Ovaltine segment is the largest contributor to revenues and earnings in the Grocery Division and has the broadest geographical spread selling premium teas and malted beverages in over 100 countries. Twinings has tapped into the growing market for products that both taste good and do you good with the successful UK launch of Superblends teas and infusions made

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with botanicals, natural flavours and 'super' ingredients to support everyday wellbeing. Twinings continues to demonstrate its ability to extend its range beyond its black tea heritage. Twinings is the fastest growing Tea brand in the US and is the no. 1 selling tea brand online on Amazon.

AB Foods focuses on the development of world flavours and its Patak's and Blue Dragon brands are sold internationally. Acetum, acquired in 2017, is the leading Italian producer of Balsamic Vinegar of Modena, and sells vinegars, condiments and glazes across the globe under the Mazzetti brand.

Westmill Foods specialises in supplying UK restaurants and wholesalers with high-quality ethnic foods including rice, spices, sauces, oils, flour and noodles under such brands as Tolly Boy, Rajah, Lucky Boat and Elephant.

In the better-for-you cereal and savoury biscuits space the group has brands such as Ryvita and Jordans. Allied Bakeries is a UK focused business producing a range of bakery products under the Kingsmill, Sunblest, Allinson and Burgen brands. The retail sugar business is the market leader in the UK with brands such as Silver Spoon and Billingtons.

In the US, its Mazola brand is the leader in corn oil, and it sells baking brands through retail and food service channels. In Mexico, Capello has a leading market position in canola oil. Anthony's Foods was acquired in 2019 and produces and sells specialty bakery ingredients.

In Australia, the group sells ham and bacon products under the Don and KRC brands and its Tip Top brands produce and sell a well-known range of breads and baked goods. Yumi's was acquired in September 2018 and manufactures and distributes premium chilled dips & snacks in Australia.

Growth in Grocery is driven by the acquisition of new brands, product extensions, reformulations of existing products and product development that aim to continually align the group's products with consumer preferences and trends. Examples of new product developments include (i) the 2008 introduction of Ryvita Thins, which created a whole new 'dipping' category in snacking (ii) Kingmills Sandwich Thins in 2014 aimed at the lunchtime market and involved the development of a light-textured, pre-sliced bakery sandwich-type product and (iii) the more recent introduction of a new range of 'Cold Infuse' flavoured teas at Twinings.

In 2020, ABF ran a marketing campaign in the US highlighting that corn oil (Mazola brand) is significantly better than extra virgin olive oil at lowering 'bad' cholesterol. Twinings launched its Infusion brands (healthy teas) in France.

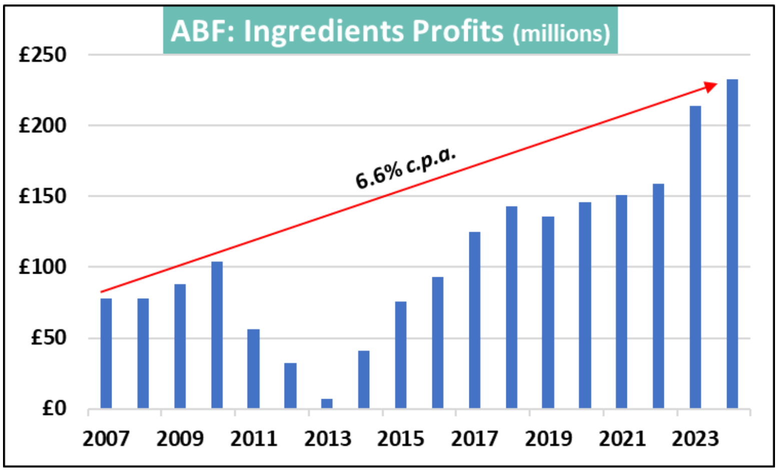
Each of ABF's Grocery businesses pursues an independent strategy; some concentrate on developing brands in their core domestic market while others aim to extend their reach into new and emerging markets.

FY 2024

Revenues were up a modest 1% to £4,242 million but operating earnings rose 14% reflecting an easing of cost pressures, much reduced losses at the UK's Allied Bakeries, a strong performance from US-focused businesses partially offset by an increase in marketing spend.

Ingredients: (FY 2024 – 10.4% of group revenues and 12% of operating profits)

AB Ingredients provides yeast, bakery and specialty ingredients to food and non-food manufacturers and has established strong market positions in enzymes, lipids, yeast extracts and cereal specialties. The division serves over 50 countries and has manufacturing and R&D facilities in 15 countries.



In FY 2024, the division accounted for 10.4% of group revenues and 12% of earnings and earned a decent pre-tax return on capital employed of 13.2%.

The division is dedicated to understanding key requirements of customers and end-user markets in order to ensure a relevant supply of ingredients, systems, products and technology that create value. AB Ingredients often develops partnership arrangements with customers.

AB Mauri has a global presence in bakers' yeast with strong positions in the Americas, Europe and Asia. It is a technology leader in, and supplier of, bread improvers, dough conditioners and bakery mixes to industrial and craft bakers. Yeast is also supplied to producers of alcoholic beverages and bioethanol. Mauri ANZ offers similar services and solutions in Australia and New Zealand.

SPI Pharma is a leader in custom formulation solutions for pharmaceutical and nutraceutical manufacturers and makes antacids, excipients and drug delivery systems for tablets and specialises in dry development services.

Severe competition in the global yeast market and an inability to recover cost increases saw operating profits reduce to near zero in the Ingredients division over the 2011 and 2013 period. A return to more normal market conditions along with the benefits of the closure of its Italian yeast plant and the start-up of the new low-cost Mexican yeast plant saw profits recover substantially over the 2013 to 2015 period with investment and product innovation driving profits to new peaks and sustaining continued recovery and further growth since then. The Ingredients business appears to be more diversified and offering more bespoke ingredients solutions today than in 2011.

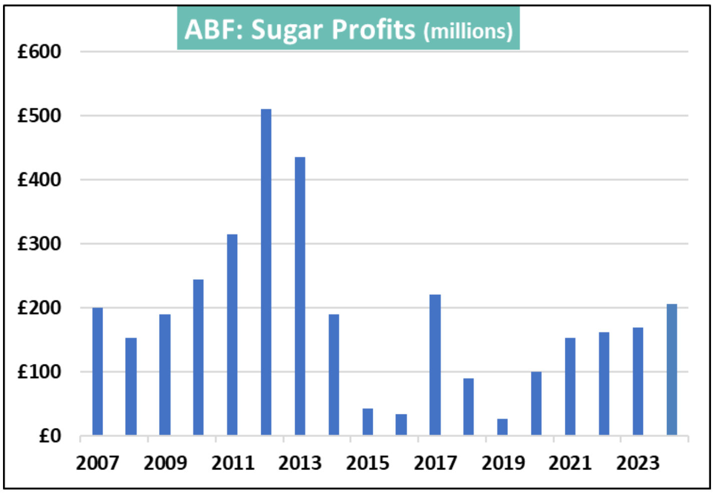
Year to Sept 2024

Revenues were down 1% in FY 2024 reflecting weaker volumes, but the full-year impact of price increases put through in FY 2023 led to improved margins, so that operating earnings rose 9% to a new peak of £233 million. on the back of improved pricing and a more modest boost from a weaker sterling exchange rate.

The Ingredients business made two acquisitions in FY 2024 – Omega Yeat Labs LLC in the US and Mapo in Italy.

Sugar: (FY 2024 - 13% of revenues and 10% of operating profits)

ABF produces sugar and sugar-based products with 19 plants in 8 countries. The division accounted for 13% of group revenues and 10% of group earnings in FY 2024. Pre-tax returns on capital employed were a lowish 11.4% in FY 2024.



Material changes to the EU Sugar Regime that came into force in October 2017 and saw the abandonment of production quotas, the removal of minimum beet prices and the abolition of the distinction between sugar sold as food and industrial applications.

These changes left the EU Sugar industry with significant over capacity, and EU sugar prices reverted to closer to World sugar prices. On the flip side, the World Trade Organisation's export constraints no longer apply to European producers, so that European producers can now compete in international markets. Nonetheless, the change has a material adverse impact on the profitability of ABF's UK and Iberian sugar businesses. The group focused on cost cutting and plant rationalisation to realign the cost base in its European sugar business. A subsequent recovery in EU sugar prices has seen a partial recovery in profitability but it's fair to say that previous profit levels are unlikely to e re-attained anytime soon.

ABF has dominant positions in sugar in three distinct regions. British Sugar is the sole producer in the UK, while Azucarera is the largest producer in Iberia (Spain). Illovo is the largest producer in Africa with plants in six African countries including Eswatini, South Africa, Zambia, Mozambique, Malawi and Tanzania and packing facilities in Rwanda. The group also has a sugar beet business in northeast China that competes with sugar cane producers and a 42.5% ownership in Czarnikow Group Limited (CZ), a global supply chain management and advisory company specialising in the food and beverage sector.

The African business operates an integrated business model, and both produces the sugar as well as selling it direct to consumers using its own highly regarded Illovo brand (selling into multiple African markets, the Bwana Sukari brand in Tanzania and the White Spoon brand in Zambia. As a consequence, Illovo has some pricing power at the consumer end and its earnings have proven to be far more defensive compared to British Sugar or Azucarera.

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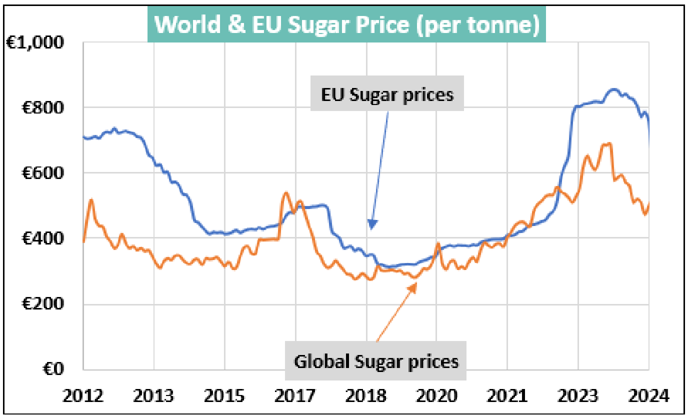
The group has 4.5 million tonnes of sugar producing capacity and sells into the food & drinks, pharmaceutical, industrial, agriculture, power and energy sectors. Capacity utilisation, however, is currently well below peak levels and was at relatively subdued levels.

The global sugar market exhibits commodity-like characteristics and ongoing profitability will be attained by the lowest cost producers. Illovo is a low-cost producer in Africa while British Sugar is the lowest cost producer in the EU.

The group is an advanced producer and has a simple vision to be a world-leading sugar business through the application of new technologies and the achievement of cost leadership. So, despite the reduced level of profits over the past eight years, the Board is committed to the business evidenced by significant ongoing investment into the African business with the construction of a new plant in Tanzania aimed at doubling capacity to 270,000 tonnes of sugar output a year.

FY 2024 & Outlook

Global and EU Sugar prices rose significantly through 2023, but costs also rose, so that previously peak profitability remains elusive. In FY 2024, sugar earnings rose 21% to £205 million. The group benefitted from the stronger pricing in Europe in HI FY 2024.



Note: Sugar prices represent contracted prices and lag the spot price

Illova in Africa again achieved good revenue and earnings growth in local currency terms, but earnings declined on FY 2023 levels when translated back to sterling reflecting currency devaluations in some African countries (Zambia).

Weakness in EU sugar prices from June to September 2024 led to a poor last quarter and management expects Sugar earnings to be materially lower in FY 2025 (in the £50-75 million range). That said, the lower EU market prices will be reflected in lower sugar beet contract prices for farmers thus underpinning a partial recovery in Sugar profitability the following year.

Vivergo, the UK bio-ethanol plant, made materially reduced losses and took a further £18 million impairment charge.

AB Agriculture: (FY 2024 - 8% of revenues and 2% of operating earnings)

The agriculture division supplies high-performance compound feeds to farming (dairy, pig and poultry), feed and food manufacturers, processors and retailers. The division also produces tech-based products and services to these same markets. The business has 29 production sites in the UK, Europe and China and sells into 84 countries.

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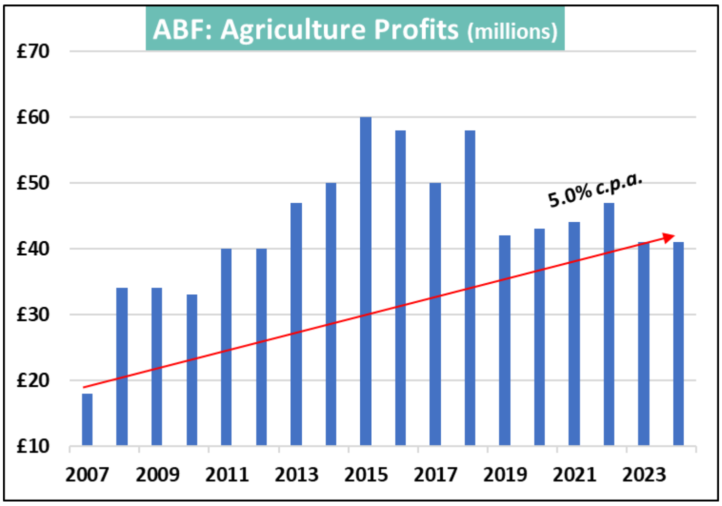
Agri accounts for 8% of group revenues but just 2% of group operating earnings and earned low pre-tax returns on capital employed of just 7% in FY 2024.



Across the agricultural supply chain, ABF's products, data insight and technology innovations are aimed at enabling customers to produce and process high-yielding, safe and nutritious animal feedstuffs in a responsible way using a minimum of chemicals and antibiotics, safeguarding natural resources while creating less waste and carbon emissions.

Cyclicality in the business reflects the underlying cyclicality of the pig, beef and sheep producing customer base.

For AB Agri, the UK operations remain the largest and the pig sector remains its most important. Nonetheless, the business is increasing its global footprint on technology transfers and acquisitions.

The division also has a 50% ownership in Frontier, the UK's leading provider of grain marketing and crop production services to customers in the UK. It supplies seed, crop protection products and fertiliser to farmers, as well as providing specialist agronomy advice.

FY 2024 Outcome

In FY 2024, revenues were down 10% to £1,650 million and operating earnings flat £41 million. Lower sales in its largest business, the UK compound feed business into the pig and beef industries, reflected reduced commodity prices and continued soft demand in the UK and China, which offset decent progress elsewhere. Grain marketing and crop production services (Frontier JV) were significantly impacted by prolonged wet weather in the UK in late-2023 which impacted FY 2024 revenues and profits.

Progress in Agriculture has been hampered in the past few years by a variety of issues. In FY 2023 improved pricing was not enough to overcome lower volumes in the UK reflecting disease-driven interruptions to demand in Europe as well as cost inflation, which left earnings down on FY 2022 levels.

On a more medium-term view, the decline in earnings in this division from the higher 2015-17 levels reflects the loss of high-margin co-products from the Vivergo bioethanol plant, which was closed FY 2019, and persistently lower margins in UK animal feed. The Vivergo bioethanol plant was re-opened in FY 2021 but now resides within the Sugar division. Reduced beet availability as a raw material for certain feed production has also impacted earnings over a number of years.

Overall, Agriculture is a tough, commodity-type business. Nonetheless, ABF continues to invest for the long-term with the ongoing build of new premix plants in Vietnam and China.

Appendix II

ABF: Key Brands
Retail
Primark (UK, continental Europe & US) - Pennys in Ireland
Grocery
…..International
Twinings (Premium Teas)
Ovaltine (Malted beverages & snacks)
Patak's, Al-Fez (flavours for authentic Indian foods - 50% UK, 50% Int'l)
Jordan's (wholegrain breakfast cereals)
Blue Dragon (flavours, ingredients for dshed from China, Thailand, Japan & Vietnam)
Mazzetti (Italian balsamic vinegar of Modena)
…..Australia
Tip Top (baked goods)
Don, KR Castlemaine (bacon, hams & meats)
Yumi's (vegatable dips, hommus & snacks)
….. North America
Mazola (leading US corn oil brand)
Capullo (premium canola oil in Mexico)
Fleischmann (yeast, Karo corn, syrups)
Karo & Argo (corn syrups & startches)
Anthony's Goods (natural flours, meats)
Stratas Foods (leading US supplier of packaged oils, Mayonnaise & sauces for food service industry
…..Principally UK
Ryvita (crispbreads)
Rajah, Lucky boat, Tolly Boy, Elepahnt Atta (Rice, spices, sauces, oils, flours & noodles)
Dorset (cereals)
Kingsmill, Sunblast, Allinson's, Beurgen (breads, bakery products)
Allied Mills (flours & semonila)
Speedibake (own-label bakery goods)
Silver Spoon & Billington (UK retail sugar brands)
Askeys & Crushna (desert toppings, syruos)
HIGH5 & Reflex Nutrition (sports nutrition, protein supplements, recovery gels & drinks)
Capsicana (range of Latin American products - tortillas, pastes, seasoning mixes)
Ingredients
AB Mauri (global presence in bakers' yeast - Americas, Europe, Asia)
Mauri ANZ (bakers ingredients - Australia, NZ)
New Food Coatings (50% JV: Supplier of breaders, batters, sauces & ingredients - Aus, NZ & SE Asia)
Sugar
British Sugar (UK)
Azucarera (Iberia)
illova (Africa)

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Appendix III

Principle Acquisitions/Disposals		£ m
FY 2006	illova (Sugar - Africa)	-382
	Grocery, Ingred, Animal Feed	-114
FY 2007	Patak	-132
	Other	-25
FY 2008	Merger of Ryvita & Jordans Gilde Balery Ingredients (Europe) 11 Sugar factories in north east China KR Castlemaine meat (Australia)	-294
FY 2010	Polish Sugar & agril assets in S. Africa	126
FY 2012	Elephant Atta (ethic flour brand - UK)	-34
FY 2015	Dorset Cereals	-60
	BP's 47% Interest in Vivergo Fuels	
	Closure of several China sugar facilities	3
FY 2016	2 European agricultural businesses	-8
	illova (Sugar - Africa) - purchase of minorities	-292
FY 2017	US Spices & Herbs (Grocery)	294
	South China Cane operations	194
	2 small UK grocery & a US Ingredients deals	-85
FY 2018	Acetum (Italy, Balsamic Vinegar of Modena)	-284
FY 2019	Yumi (chilled foods, Australia) Anthony's Foods (US Specialty Baking Ingred)	-96
FY 2020	Al'Fez (Middle Eastern food brand)	-19
FY 2021	DR Healthcare Espana (enzymes producer)	-14
	Wilmar China JV (Ingredients)	-43
	Bakery & Ingredients - sold to Wilmar China JV	34
FY 2022	Fytexia - B2B specialty ingredients	-154
	Other	-96
FY 2023	National Milk Records	-48
	Vital Solutions - German specialty ingredients	-32
	Other	-77
FY 2024	Omega Yeast - Ingredients	-36
	Capsicana - Grocery	-54
	TAG - Australia (Grocery) - Baked Goods	-35
	Total (2006 - 2024)	**-£1,763**
	Total (2011 - 2024)	**-£942**

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Appendix IV

ABF: Analysis of Exceptionals (Sterling p)										
Year	EPS GAAP	EPS Norm	Difference	Asset Disposals	Sale & Closure of Businesses	Impairments	Amortisation of Intangibles	Other	Tax Offsets	Total
30-Sep-11	68.7	74.0	-5.3	0.6			-10.5	1.4	3.2	-5.3
30-Sep-12	70.3	87.2	-16.9	-0.8	-1.1	-12.4	-12.7	2.0	8.1	-16.9
30-Sep-13	74	98.1	-24.1		-16.2		-11.7	0.9	2.9	-24.1
30-Sep-14	96.5	104.1	-7.6	-1.4	-0.3		-9.1	0.6	2.6	-7.6
30-Sep-15	66.8	101.5	-34.7	1.0	-21.7	-12.4	-7.0	2.0	3.4	-34.7
30-Sep-16	103.4	106.2	-2.8	1.4	-1.8	-0.6	-2.6	0.1	0.7	-2.8
30-Sep-17	151.6	127.1	24.5	0.8	37.0		-3.5	-0.6	-9.2	24.5
30-Sep-18	127.5	134.9	-7.4	0.8	-4.3		-5.2	-3.2	4.5	-7.4
30-Sep-19	111.1	137.5	-26.4	0.5	-11.9	-10.0	-6.0	-2.2	3.2	-26.4
30-Sep-20	57.6	81.1	-23.5	2.3	-1.8	-19.7	-7.5	-2.2	5.4	-23.5
30-Sep-21	60.5	80.1	-19.6	0.5	2.5	-19.1	-6.3	-0.2	3.0	-19.6
30-Sep-22	88.6	131.1	-42.5	0.9	-2.9	-26.1	-6.0	-1.4	-7.0	-42.5
30-Sep-23	134.2	141.8	-7.6	3.6	-0.4	-14.0	-5.3	-1.0	9.5	-7.6
30-Sep-24	193.7	196.9	-3.2	2.1	3.5	-4.6	-5.4	-0.1	1.3	-3.2
Cumulative	**1,404.5**	**1,601.6**	**-197.1**	**12.3**	**-19.4**	**-118.9**	**-98.8**	**-3.9**	**31.6**	**-193.9**
Difference		**-14.0%**		**0.9%**	**-1.4%**	**-8.5%**	**-7.0%**	**-0.3%**	**2.2%**	**-14.0%**

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