

Associated British Foods plc

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AB Foods warns of "challenging" trading at Primark in run-up to Christmas

Associated British Foods PLC (LON:ABF) dealt investors a blow on Friday after warning that trading at its Primark stores has been "challenging" in the lead up to the key Christmas period.

The value fashion chain has been AB Foods' star performer in recent years, bailing out the struggling sugar business which has been hit by the sweet stuff's plunging prices.

READ: Primark on track to overtake Next as UK's second-largest clothes retailer

"However, during November Primark trading was challenging, in a tough retail market," read a statement ahead of today's annual general meeting.

Chairman Michael McLintock did add that, as a result of "careful inventory management and improved margins", he still expects the mass-market retailer to post a rise in full-year profits, driven by increased overall selling space.

But a gentle warning from a seemingly infallible business which makes up more than half of AB Foods' annual profits will no doubt worry investors, especially when AB Sugar is showing no signs of improvement.

Full-year guidance reiterated

Sugar prices in the EU have tumbled due to a supply glut, which will result in "significantly lower" profits in that division.

Improved margins and a full-year contribution from its recently-acquired Acetum balsamic vinegar business should result in higher profits in the grocery division, which houses the Twinings brand, among others.

"Taking all of these factors into account, at this early stage, we still expect adjusted earnings per share for the group for this financial year to be in line with the 2018 financial year," said McLintock.

As he repeated the full-year guidance from last month's annual report, he added that trading in the first eight weeks of the new financial year has been in line with expectations.

High street struggles

"Could we about to see a rough ride for retailers over the key Christmas period?" asks Markets.com analyst Neil Wilson.

"We know it's tough out there and share prices across the piece reflect that already to a large degree. But Primark has done better than most and the fact that it too is facing severe headwinds is a concern for the sector as a whole.

"If Primark is struggling, what chance does the rest of the high street have?"

AB Foods shares were down 5% to 2,233p in mid-afternoon trading on Friday.

Price: 2427p

Market Cap: £19213.93M

1 Year Share Price Graph



Share Information

Code: ABF

Listing: LSE

52 week High Low
2,835.00p 2,011.00p

Sector: Food & Beverages

Website: www.abf.co.uk

Company Synopsis:

Associated British Foods is a diversified international food, ingredients and retail group with sales of &#pound;10.2 billion and 97,000 employees in 44 countries.

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