# AB Foods reports mixed half-year results with Primark sales growth amid challenges



Associated British Foods (AB Foods), the parent company of value retailer Primark, has revealed its financial results for the first half of the fiscal year, highlighting mixed performances across its business divisions. Despite ongoing economic challenges, Primark reported a 1% increase in overall sales, totalling £4.47 billion, bolstered by new store openings outside the UK. The retailer operates 187 stores in Britain, which accounted for 46% of its sales during this period. Other key markets contributing to growth included Spain and Portugal, with sales up 18%, the US rising 17%, and central and eastern Europe increasing by 21%.

George Weston, chief executive of AB Foods, spoke to The Herald (Glasgow), providing insight into the company’s pricing strategy, revealing that Primark had maintained price stability for nine years before inflation compelled a change. "We haven’t moved any more prices and are absolutely not planning to move any more. Hopefully we can keep them flat for another eight or nine years," he said. Weston further explained that the company has been "choosing to absorb" rising labour costs, benefitting from a weaker US dollar and relatively stable cotton prices to manage expenses amid inflationary pressures.

The retail sector, particularly clothing and hospitality, has recently been impacted by increased employer national insurance contributions effective from early this month. Many businesses have anticipated raising prices and potential job cuts in response to these rising costs, although Primark has so far refrained from passing these increases directly onto customers.

While AB Foods showed strength in several areas, its sugar division faced significant difficulties. The segment experienced operating losses following a sharp drop in sugar prices, with underlying operating profits decreasing by over £140 million compared to the previous year. Analyst Aarin Chiekrie of Hargreaves Lansdown highlighted the problematic regulatory environment surrounding AB Foods' bioethanol operations, specifically the Vivergo plant in London. AB Foods has reduced production at Vivergo and warned of a potential temporary closure unless the UK government intervenes to amend regulations. The company’s overall group revenues also dipped by 2% to £9.5 billion, with adjusted pre-tax profit falling by 10% to £818 million.

The impact of global trade tensions and tariffs was also noted in the company’s report. AB Foods expressed caution amid the "tariff farrago," pointing to the likely economic repercussions of US trade policies and retaliatory measures by China. The company warned that consumer confidence might decline further as several countries, including the US, face recession risks that could exacerbate debt problems for individuals.

In leadership news, the company announced that the search for a new Primark chief executive is "underway" following the resignation of former CEO Paul Marchant last month. Marchant stepped down after admitting an "error of judgement" related to an allegation concerning his conduct in a social setting.

Market analysts at AJ Bell expressed concerns about Primark’s performance, describing it as "worrying" given the warmer weather conditions that typically encourage higher customer footfall in stores. They suggested that the retailer needs to focus on aligning product placement, pricing, and availability to regain market share. The recent high-profile leadership change adds to the challenges as Primark looks for a permanent CEO to guide its future direction.

In summary, AB Foods is navigating a complex landscape marked by inflationary pressures, trade uncertainties, regulatory challenges in bioethanol production, and leadership transitions at Primark. Despite these headwinds, key segments like grocery, ingredients, and international retail expansions continue to support the group’s resilience during the first half of the financial year.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.reuters.com/business/retail-consumer/ab-foods-keeps-annual-guidance-primark-unit-cuts-sugar-outlook-2025-04-29/> - This article reports that Associated British Foods (ABF) maintained its full-year guidance for its grocery, ingredients, and agriculture segments, despite challenges in the sugar division. It also highlights Primark's resilience, with sales rising 1% to £4.5 billion, driven by new store openings and strategic price adjustments.
2. <https://www.reuters.com/business/retail-consumer/primark-committed-us-expansion-despite-tariff-uncertainty-says-boss-2025-04-29/> - This piece discusses Primark's commitment to expanding its presence in the United States, despite uncertainties surrounding tariffs under President Donald Trump's administration. It mentions that Primark operates 29 stores in the U.S., accounting for about 5% of its total sales, and has signed leases for an additional 18 stores, aiming to reach 60 U.S. locations by 2026.
3. <https://www.ft.com/content/cfd063a8-c89f-4865-a3a8-b27f8ce77068> - This article covers the UK government's recent budget measures, including £25 billion in tax rises and increased national insurance contributions, affecting sectors like retail and hospitality. It notes that retailers, including ABF, anticipate a 10% rise in wage bills, potentially impacting companies like Associated British Foods, Sainsbury’s, Marks and Spencer, and JD Wetherspoon, which may pass costs onto customers.
4. <https://www.reuters.com/business/retail-consumer/primarks-underlying-sales-dip-christmas-quarter-2025-01-23/> - This report details Primark's revision of its annual sales growth outlook for 2025 to 'low-single digit' from the previously forecasted 'mid-single digit' after experiencing disappointing results in the UK and Ireland markets during the Christmas quarter. It mentions that total sales grew by 2% over the 16 weeks to January 4, aided by new store openings, but like-for-like sales fell by 1.9%, with the UK and Ireland seeing a drop of 6%.
5. <https://www.reuters.com/business/retail-consumer/primark-owner-ab-foods-profit-up-32-sugar-weighs-outlook-2024-11-05/> - This article reports that Associated British Foods (ABF), bolstered by Primark's clothing business and its grocery division, reported a 32% rise in full-year profit. The group's adjusted operating profit reached £1.998 billion, surpassing expectations. Revenue also saw a 2% uptick to £20.1 billion. Primark's profits soared by 51%, and the grocery division, including brands like Twinings and Kingsmill, saw a 14% increase in earnings.
6. <https://www.ft.com/content/0ea18cda-db5b-4823-90d8-4f7eb159b61b> - This article discusses how the UK government's recent Budget measures, including increased employers' national insurance contributions and a reduction in the tax threshold, are expected to benefit lower-income consumers. It notes that these changes could lead to increased consumer confidence among less affluent shoppers, potentially boosting sales for Primark during Christmas.
7. <https://www.heraldscotland.com/news/25124346.primark-promises-no-price-hike-despite-rising-costs/?ref=rss> - Please view link - unable to able to access data