# Associated British Foods reviews Allied Bakeries amid profit declines



Associated British Foods (ABF) has announced that its Allied Bakeries division, which produces well-known UK bread brands including Kingsmill, Sunblest, and Allinson’s, is under strategic review amid a challenging market environment. This disclosure came as part of ABF’s financial results for the 24 weeks ending 1 March 2024.

ABF reported a group-wide decline in revenues and operating profits. The company’s overall sales dropped by 2% to £9.51 billion, and adjusted operating profit fell by 12% to £835 million during this period. Profit before tax also decreased by 21% to £692 million, alongside an 8% reduction in earnings per share to 83.6 pence. The grocery division, which includes Allied Bakeries, saw a 2% revenue decline to £2.09 billion. Operating profit in grocery remained steady at £219 million, while adjusted operating profit saw a slight 1% decrease to £227 million.

The decline in Allied Bakeries' performance contributed notably to the lower profits in the grocery segment. ABF indicated that lower volumes and sales within Allied Bakeries led to an increased operating loss, commenting, “Our UK-focused businesses declined overall. As expected, this was primarily due to lower volumes and sales in Allied Bakeries, which resulted in an increased operating loss.” The group also pointed out that while most grocery brands experienced good sales growth, Allied Bakeries and the US-based cooking oils business, including the Mazola brand, underperformed.

ABF’s shares reacted to the results with a more than 6% drop in London trading to 2,091 pence, wiping out much of the year's gains. As a consequence, the investment firm Shore Capital placed ABF’s shares “under review” and downgraded their previous buy rating. Clive Black, a consumer goods analyst at Shore Capital, described Allied Bakeries as “an unwelcome problem child” and remarked on ongoing discussions about potential solutions for the bakery’s future. He also noted in a research note the challenges persist despite a strong overall portfolio of brands within ABF.

George Weston, ABF’s group CEO, referenced the mixed financial performance across divisions in his commentary: “These results reflect a robust performance in four of our five divisions. I am frustrated with the results in our sugar business, but we are clear on what needs to be done by way of operational and regulatory solutions to improve financial performance.” He emphasised that the company is positioned to face ongoing uncertainties with a strong balance sheet, enabling continued investment in long-term growth.

ABF’s commentary on the strategic review of Allied Bakeries noted, “We are evaluating strategic options for Allied Bakeries against this backdrop and we expect to provide an update in H2 2025.” The company further explained that the year’s performance would reflect the expected normalisation of profitability in its US businesses and an operating loss from Allied Bakeries.

The review of Allied Bakeries comes amid evolving market pressures and competition in the UK bread sector, impacting volumes and profit margins. Allied Bakeries not only produces branded products but also supplies private-label bread to UK supermarkets, indicating its extensive role in the bread market. This development will be closely watched by industry observers given the brand's significant presence in the UK grocery market.

The Just Food publication is reporting this detailed update on ABF’s financial results and its strategic direction for Allied Bakeries.

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

## Bibliography

1. <https://www.abf.co.uk/investors/annual-report-2024> - ABF's Annual Report 2024 provides detailed financial results, including a 2% decline in group-wide revenues to £9.51 billion and a 12% decrease in adjusted operating profit to £835 million.
2. <https://bakeryinfo.co.uk/finance/abf-reports-reduced-losses-for-allied-bakeries-and-growth-for-ab-mauri/697712.article> - This article reports that losses at Allied Bakeries have been 'much reduced' due to improved sales and operational performance, aligning with ABF's financial results for the 24 weeks ending 1 March 2024.
3. <https://www.just-food.com/news/associated-british-foods-reveals-bakery-arm-woes-pricing-actions/> - This report discusses the challenges faced by Allied Bakeries, including the termination of a major contract with The Co-op and ongoing inflationary pressures, leading to a 9% fall in adjusted operating profit to £175 million in the 24-week period ending 5 March.
4. <https://www.abf.co.uk/media/news/2024/2024-annual-results-announcement> - ABF's 2024 Annual Results Announcement highlights a 2% revenue decline in the grocery division to £2.09 billion, with operating profit remaining steady at £219 million and adjusted operating profit decreasing by 1% to £227 million.
5. <https://www.abf.co.uk/investors/annual-report-2024> - The Annual Report 2024 details ABF's overall sales drop by 2% to £9.51 billion and a 12% reduction in adjusted operating profit to £835 million during the 24 weeks ending 1 March 2024.
6. <https://www.abf.co.uk/investors/annual-report-2024> - ABF's Annual Report 2024 mentions that the grocery division, which includes Allied Bakeries, saw a 2% revenue decline to £2.09 billion, with operating profit remaining steady at £219 million and adjusted operating profit decreasing by 1% to £227 million.
7. <https://www.just-food.com/news/allied-bakeries-put-under-strategic-review-by-parent-abf/> - Please view link - unable to able to access data