

Associated British Foods plc

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Weston family to pocket another £50m as AB Foods hikes dividend despite first-half profit plunge

The Weston family is to pocket another £50m from its Associated British Foods PLC (LON:ABF) cash cow after the Primark owner upped its half-year pay-out to shareholders.

Through their Wittington Investments vehicle, relatives of AB Foods' founder, Garfield Weston, own 431.5m shares or 54.5% in the £20bn FTSE 100-firm.

READ: Five things Primark is doing right

On Tuesday, AB Foods increased its interim dividend by 3% to 12.05p a share, meaning the Westons will receive £52m when the divi is paid out in July.

Some of the money will go to the Garfield Weston Foundation, although a chunk will go to the family members themselves.

Group profits slump

The higher pay-out comes despite a 15% dive in group pre-tax profits to £515m (H1 17/18: £603m) in the six months ended 2 March. Revenue edged 1% higher to £7.53bn (H1 17/18: £7.42bn).

Much of the fall was down to a £65m writedown in its Allied Bakeries division following the loss of its largest contract. There was also a £14m charge related to AB Foods' pension scheme.

Allied is part of ABF's grocery division, which posted a 5% jump in adjusted operating profits to £167m (H1 17/18: £159m), with the new Twinings Cold Infuse teas going down well, particularly with shoppers.

Primark bucks high street gloom (again)

The all-important retail business, which is home to ABF's star asset, Primark, posted a 25% leap in adjusted operating profits to £426m (H1 17/18: £341m), thanks to improved margins.

Sales in the UK were 2.3% ahead of the previous year, with like-for-likes up 0.6% as the low-cost clothes retailer bucked the high street gloom once again.

Despite recent conflicting reports about the launch of an online service at Primark, there was no mention of click and collect or anything of that ilk in the result statement.

Growth in those two arms was more than offset by continued falls in sugar, which just about broke-even in the first half (H1 17/18: £106m) as low prices weigh on profitability.

Sugar profits to pick up

There was some good news though: profits from the sugar business are expected to start rising again from now on after months of declines.

Price: £22.96

Market Cap: £18.18 billion

1 Year Share Price Graph



Share Information

Code: ABF

Listing: LSE

52 week	High	Low
	2659	2011

Sector: Food & drink

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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"This is a robust set of results," said chief executive George Weston, who repeated his expectations that full-year earnings will be in-line with 2018.

"Profit at AB Sugar was substantially reduced but, from this period, we expect our sugar profitability to improve. The strong underlying growth in Grocery profits demonstrates good momentum."

He added: "Primark delivered excellent profit growth, driven by further development of our customer experience and selling space expansion."

By late morning trading, shares in AB Foods had gained 2.4% to 2,567p in early deals.

In a note to clients, analysts at Liberum Capital said the group's first-half earnings were solid, broadly in-line with its expectations, notably with Primark performing well in the UK.

Liberum repeated a 'buy' rating and 3,070p price target on AB Foods' shares.

-- Adds analysts comment, updates share price --

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