

Primark bounces back: Associated British Foods plans major US and European expansion and launches special divi

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PRIMARK declared a return to form today after a tricky pandemic, with shareholders to enjoy a special divi and shoppers to see new stores springing up.

The fast fashion house, which famously doesn't sell on the internet, suffered as much as any retailer with critics increasingly questioning its business model.

Today George Weston, CEO of parent ABF, said his confidence in Primark is "unaltered".

The group plans to open another 132 stores in the next five years, with the US, France, Italy and Iberia the markets most ripe for expansion.

There will also be growth in the UK, though there are already 192 stores here.

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The London stores, Weston noted, are lagging the recovery in the rest of the group due to the lack of tourists.

Primark sales are still down 12% on pre-pandemic levels, but the shops made a profit of £415 million for the year to September, a 15% rise on last time.

ABF did not pay a divi last year to conserve cash. Today it announced a final divi of 20.5p and a special divi of 13.8p, which leaves the payout still shy of pre-Covid, but not far off.

Across the group including food, profits rose 2% to £1.01 billion, with profits down 1% at £908 million.

Weston is optimistic. "Things have been bumpy but are gradually getting better. London feels a lot busier than it was, we are getting towards the tail end of the pandemic," he said.

The shares jumped 122p, 6.5%, to 1980p.

Some critics remain unconvinced.

Dan Lane at Freetrade said: "Shareholders might be able to shrug off this morning's results as another virus-hit set of numbers but the simple example of failing to adapt when it was needed most will have them thinking how management could tackle future issues. First on the list are the joint headaches of supply chain disruption and a huge hike in shipping costs. But after that investors will want to know why online sales jumping around the high street wasn't good enough for them too."

Veteran retail analyst Nick Bubb said: "There is no sign of ABF wanting Primark to move into ecommerce, as they say

“our confidence in the Primark business model is unaltered”, even though they admit that “There is no doubt that Primark, with its reliance on a highly efficient store retail model, has been seen to be vulnerable to the pandemic”.