

Smiths News

H125 results

EPS up 10%; new MD for recycling appointed

H125 EPS grew 10% despite some revenue pressure on the core business as non-core revenue streams increased, cost savings were generated and finance costs declined. Furthermore, the company has appointed a new MD for Smiths News Recycle, which is a strong endorsement for its final-mile growth prospects. The addressable non-core 'early morning' market is sizeable and has a profit opportunity of c £160m, which implies that there is potential to more than offset the decline seen in the core operations and could lead to long-term profit growth. This in turn underpins the cash generation and the dividends, and could see further distributions if investment for growth is not required. We maintain our full year forecasts and our 93p/share valuation.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
8/23	1,091.9	32.3	11.25	4.15	5.0	7.4
8/24e	1,103.7	33.2	10.61	7.15	5.3	12.8
8/25e	1,037.5	33.0	10.99	5.15	5.1	9.2
8/26e	1,006.4	32.9	10.95	7.15	5.1	12.8

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

H1 results were robust with revenue declining marginally to £536.4m (down 0.6% vs H124), with underlying news and magazine revenue slipping 3.1%, offset by the annualisation of previous contract wins (1.6%), growth in collectables of 4.3% and 25% growth in the non-core early-morning supply chain initiatives.

Smiths News continues to focus on operational efficiencies and was able to generate savings in the period of £3.0m (H124: £3.1m), which, along with the growth mentioned above, led to an increase in adjusted operating profit of 3.2% to £19.4m. This implies that the adjusted operating margin edged up to 3.6%.

Further down the income statement, finance charges fell from £2.9m to £1.7m as both average net debt and debt margins were more favourable, which contributed to an 11% increase in profit before tax and a 10% increase in EPS to 5.4p. The dividend was unchanged at 1.75p.

Free cash flow amounted to £13.3m (H124: £4.2m) and was particularly strong due to higher operating profit (£1.2m), a smaller working capital outflow (£4.8m lower), lower interest costs (£0.8m) and income of £2.3m from adjusting items, offset by some small outflows. Average daily net debt in the period fell from £12.5m to £1.1m.

Smiths News made good progress on the non-core growth initiatives, especially within Smiths News Recycle, where customer numbers increased 5% from the year end in August. It is also making progress with trials on some other non-core growth initiatives. Importantly, Smiths News has appointed a new managing director for its recycling activities from one of the largest players in waste recycling, endorsing the potential of the opportunity.

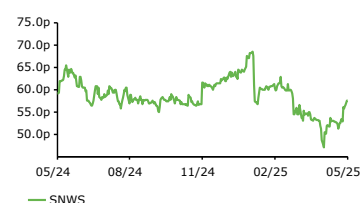
Management outlook is encouraging and revenue, adjusted operating profit and cash generation are all in line with expectations. The growth initiatives are advancing and the company hopes to give a more comprehensive update with the full-year results in November.

Industrial support services

7 May 2025

Price	56.00p
Market cap	£139m
Net cash/(debt)	£(12.4)m
Shares in issue	247.7m
Code	SNWS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Smiths News is the UK's largest newspaper and magazine distributor with a c 55% market share covering 24,000 retailers in England and Wales. It has a range of long-term exclusive distribution contracts with major publishers, supplying a mix of supermarkets and independent retailers.

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