Smiths News

FY26 preliminary results

Go National: The foundation for growth

Industrial support services

17 November 2026

Smiths News' FY26 preliminary results were robust. Adjusted operating profit of £38.7m was 4% ahead of company consensus and the positive start to FY27 was reiterated. Following recent transformational contract wins supporting the development of a national footprint, management provided financial guidance for the three phases (Build, Transition, Scale) of the Go National programme. The majority of the investment and cost falls into the Build phase in FY27, with £12–18m of additional profit expected in the Scale phase from FY29. We believe the current share price reflects the impact of the initial Go National investment, while future benefits are reflected in our updated 109p (96p previously) DCF valuation, offering c 60% upside.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
8/25	1,064.0	39.1	11.14	8.55	6.1	12.6
8/26	1,036.2	38.7	11.29	5.65	6.0	8.3
8/27e	1,023.9	26.8	7.36	5.40	9.2	7.9
8/28e	1,213.7	36.0	9.79	5.40	6.9	7.9
8/29e	1,277.2	43.8	12.42	6.30	5.5	9.3

Note: PBT is equivalent to adjusted operating profit, EPS is on a company reported, adjusted basis. FY25 DPS includes a special 3.0p dividend.

Robust FY26, positive start to FY27

FY26 revenue of £1,036m was down 2.6% y-o-y, with newspapers and magazines revenue down 3.9%, collectables up 31.9% (boosted by the FIFA Men's World Cup and Pokémon, as flagged in the October trading statement) and growth initiatives up 31.3%, including recycling revenues up 52% y-o-y. Adjusted operating profit of £38.7m was down 1.0% y-o-y and 4% ahead of company consensus. Adjusted profit after tax and EPS were up 1.5% and 1.8% y-o-y, respectively. Healthy free cash flow (FCF) of £24.1m supported FY26 year-end net cash of £3.9m and a 5.65p dividend.

Go National: Investment in FY27, profits in FY29

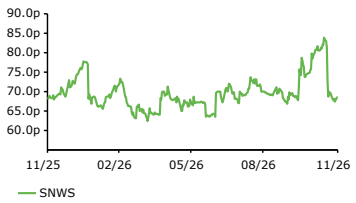
Management provided Go National (Exhibit 2) financial guidance as promised. 23 new depots, 700 new routes and around 1,000 new hires require upfront investment of £21–27m in the FY27 Build phase, split c 50/50 capex/adjusting items with an additional £7–9m net cost through the income statement. Management expects £0–2m of additional net profit in FY28 as contracts go live during the Transition phase, with £12–18m additional net profit guided for the Scale phase from FY29 onwards, supported by c £375m of additional revenues once the national contracts are in force. Go National underpins the potential for additional contract wins and opportunities from new categories, final mile and recycling.

109p DCF implies gains ahead, 7.9% yield supportive

Our estimate changes are summarised in Exhibit 4: FY27 adjusted EPS revised down by 29%, reflecting upfront costs; FY28 EPS revised down by 6%. We see adjusted EPS growth of -35% in FY27, +33% in FY28 and +27% in FY29. After moving into a net debt position in FY27 we expect Smiths News to return to a healthy net cash position in FY29, with dividend guidance suggesting ongoing support from an attractive yield. Our 109p updated DCF valuation (96p) implies c 60% upside.

Price	**68.00p**
Market cap	**£168m**
Net cash/(debt) as at end FY26	£3.9m
Shares in issue	247.7m
Code	SNWS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(9.1)	(4.5)	12.1
52-week high/low		86.0p	56.6p

Business description

Smiths News is the UK's largest newspaper and magazine distributor. It is in the process of expanding its delivery network from 21,000 customers in England and Wales to over 37,000 supported by long-term contracts with major publishers. Service capabilities now extend into new verticals including additional categories and waste recycling. The company is focused on delivering best-in-class service and exploring growth opportunities.

Next events

Trading update	Estimated end-January 2027

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Smiths News at a glance

Smiths News is the UK's largest wholesaler of newspapers and magazines with a 55% market share. The company delivers from its 34 locations every day of the week to more than 21,000 outlets and also collects and credits unsold copies. Returns are processed in a matter of hours and Smiths organises unsold copies for recycling by accredited partners. Smiths News Recycle extends this capability to include paper, cardboard and plastics and positions the company well for potential growth from new recycling initiatives, including the UK Deposit Return Scheme (DRS), and new categories such as vapes, coffee cups and small electricals. Newspapers and magazines accounted for c 90% of revenues in FY26, with this category expected to decline by 3–5% per year. Mitigating this underlying decline is growth from recent transformational national contract wins. These underpin the launch of the Go National programme that accompanied the FY26 results, which spans three phases (Build, Transition and Scale) with upfront investment in FY27 expected to deliver a material profit contribution from FY29. Margin-accretive collectables such as trading cards and stickers, with demand driven by the English Premier League, UEFA Champions League and franchised collections such as Pokémon, also help mitigate the underlying revenue decline. The company has a solid track record of operational improvements of c £4–5m per year. The Go National footprint and expertise in final mile deliveries should support Smiths News' expansion into additional solutions for the B2B sector in categories such as books, greeting cards and optical and hearing care.

The decline of newspaper and magazine distribution is well understood, with the company guiding to a revenue contraction of 3–5% per year. Recent years have seen sensible capital allocation reflected in healthy ordinary dividends, supported by special dividends in FY24 and FY25. We expect the balance sheet to remain relatively healthy with net debt manageable during the Go National investment phase and expect the company to return to a net cash position in FY29e. The shares continue to trade at a significant discount to our updated 109p (previously 96p) DCF valuation, which implies upside of c 60% with additional support from a c 8% FY27e yield. Longer-term opportunities include growth in new verticals such as recycling as well as final mile and new categories. Risks include execution of the Go National programme, including securing operational efficiencies and successfully growing in new verticals, changes in consumer habits affecting the collectables business and the potential impact of the TGJones store rationalisation on newspaper and magazine revenues.

Robust FY26 results

Smiths News delivered a robust set of FY26 preliminary results for the year ending 31 August, which were in line with upgraded market expectations. Revenue of £1,036m was down 2.6% y-o-y with newspapers and magazines revenue down 3.9%, collectables up 31.9% (boosted by the FIFA Men's World Cup and Pokémon, as flagged in the October trading statement) and growth initiatives up 31.3%, including recycling revenues up 52% y-o-y. Adjusted operating profit of £38.7m was down 1.0% y-o-y and 4% ahead of company consensus. Adjusted profit after tax and EPS were up 1.5% and 1.8% y-o-y, respectively, benefiting from lower finance charges and a supportive tax rate. Investment in future technology in the back office, warehouse and transport management continues to support efficiency gains with the company two years into a four-year programme. Operational efficiencies of £4.5m were in line with management expectations and demonstrate continued progress in offsetting the well-flagged long-term decline of the newspaper and magazine market of 3–5% per year, some of which tends to be offset by ongoing cover price inflation. The company has only seen a marginal reduction in the number of retail customers stocking newspapers and magazines. The full impact from TGJones store rationalisation is not yet clear given that underlying trading at TGJones is improving year-on-year and TGJones remains an important customer in magazines in particular.

Collectables demand continues, new product lines added

The good year in Collectables was well flagged. Encouragingly, Pokémon demand continues, underpinned by sustained popularity, albeit no one-off boosts are expected in FY27. New listings in four major supermarkets have expanded the customer base and the company is actively distributing other product lines, including Funko and Bandai. Go National provides an opportunity to further expand collectables activities.

Recycling: Synergy potential if the UK DRS tender is successful

Another area that has the potential to be an increasingly important part of the group is Recycling. Smiths News currently processes c 1.2m bags per year from over 7,000 collection services across its network. Collections are seven days a week, which improves the capacity utilisation of related delivery vehicles. Waste broker relationships remain a key growth channel by supporting new contract wins. The company submitted a bid for the UK DRS in September for the manual collections element of the scheme and expects news on the outcome before the end of CY26. If successful, management expects to see synergy benefits from utilisation of final mile warehousing and delivery routes.

New categories and final mile saw incremental progress in FY26 with book volumes growing and expanded service delivery around books. Greeting cards continue to be well received and are now in c 600 stores. Capital discipline remains in focus with a trial of engineer spare parts completed but no further roll-out expected.

Dividend yield over 7%, positive start to FY27

FCF of £24.1m was strong, and the company ended the year with net cash of £3.9m (FY25: £3.3m). FY26 saw a small working capital outflow due to the strength in collectables, which reversed last year's inflow. Generally, management expects a small working capital outflow given the nature of the business and the working capital cycle tends to be favourable at the time the accounts are closed. The dividend of 5.65p was better than the 5.20p the company had referenced in recent contract win releases and management has guided for a dividend of at least 5.20p in FY27, implying a yield of more than 7%.

We regard the results as robust against the well-known backdrop of a newspaper and magazine market consistently guided by management to decline annually by 3–5%. The company reiterated that it has seen a positive start to FY27.

Go National: Material benefits outweigh short-term impact

Recent contract wins support the transformation

Along with the results, the company, as promised in recent announcements and the FY26 trading update, provided guidance for its transformational Go National programme, which is supported by the recent multiple contract wins. These are expected to deliver c £375m of additional revenue once they are in force and provide visibility out as far as 2037. Potential remains for additional national contract wins from Smiths News' publisher clients as shown in the bottom part of Exhibit 1. This £225m represents the additional incremental revenue potential from new territories. Management expects most remaining contract discussions to conclude within the next quarter, which we take to mean by the end of December 2026, implying that newsflow may follow in late 2026 or early 2027.

It is also worth pointing out that while management guides for a 3–5% annual decline in the newspaper and magazine market, the fact that publishers are signing 10-year distribution contracts and 15-year print contracts could imply that the risk of longer-term decline is reduced. We believe it is possible that the rate of decline could slow or even level off as the process of switching from print to digital reaches saturation. Although this is not included in our forecasts, Exhibit 14 illustrates the sensitivity of our DCF valuation to different terminal growth assumptions.

Exhibit 1: Awarded and potential national contracts

Publisher/distributor	Key titles/distribution activity	Announcement date	Coverage	Estimated incremental new territory revenue pa	Contract start	Contract end	Comments
News UK & Ireland Limited (News UK)	The Times, The Sunday Times, The Sun	17 June 2026	National	£125m	July 2027	July 2037	Transformational contract requiring establishment of a national footprint
Associated Newspapers Limited (ANL)	The Daily Mail, The Mail on Sunday, The i Paper	29 June 2026	National	£105m	Jan 2028	July 2037	News UK plus ANL contracts represent c 36% of the UK market from January 2028
Frontline Limited, Seymour Distribution Limited	Magazines	17 July 2026	National	£105m	April 2030	April 2037	'Taking all four contract awards together, Smiths News has now successfully secured a substantial long-term volume base of the national newspapers and magazines market.'
Telegraph Media Group	Daily Telegraph, Sunday Telegraph	16 October 2026	National	£40m	Oct 2027	Sept 2036	Smiths News has now successfully secured 61% of the national newspapers and magazines market when the contracts commence
Total from national contracts won so far				**£375m**			
Marketforce (UK) Limited				not available		Now to 2029	
Financial Times				not available		Now to 2029	
Reach PLC				not available		Now to 2029	
Guardian				not available		Now to 2031	
Regional Press				not available		Now to 2029	
Incremental new territory revenue from remaining potential national contracts				**£225m**			
Total national revenue opportunity				**£600m**			

Source: Company data, Edison Investment Research

Smiths News used the FY26 preliminary results to explain the Go National financial impacts and timeline, incorporating three phases. We have summarised the details of each phase in Exhibit 2 below. The company has given cost/profit ranges for each phase to reflect the fact that elements such as site rents and fit-out costs have yet to be finalised, and there is also an element of headroom in case of further contract awards. The ranges also assist communication as the company only expects to provide updated financial guidance if it expects to fall outside these ranges. Equally, if the company were awarded additional contracts, this could give the market greater confidence that Smiths News could achieve the upper end of the guided £12–18m range for additional profit in FY29.

23 new distribution centres, c 700 new routes, c 1,000 new positions

Go National involves the addition of 23 new distribution centres, taking Smiths News from 33 to 56 sites, the creation of around 700 new delivery routes and around 1,000 new positions. Management expects this seamless national footprint to not only support the recent transformational contract wins, but also act as a platform for unlocking additional revenue across newspapers, magazines and collectables, and growth verticals including recycling.

Exhibit 2: Go National timeline and details

FY27	FY27	FY28	FY29 +
Build	**<---------- Transition ----------->**		**Scale**
Implementation investment	Early-life impact		Expected additional profit
£21–27m costs	£7–9m net cost	£0–2m net profit	£12–18m net profit
split c 50/50 capex/adjusting items	Initial under-utilisation		
Costs H227 weighted			
Excluded from adjusted operating profit	**Included in adjusted operating profit**		**Included in adjusted operating profit**
Dedicated project team	July 27: News UK titles		Consistent incremental profit from new territories
Sourcing 23 depots		October 27: Telegraph	Only includes news and magazines vertical including collectables
Depot fit outs		January 28: ANL	
Recruit colleagues and contractors			
		Overall operating margin expected to be in the region of 3%	
FY27 dividend guidance maintained: at or above 5.2p consensus			
Within existing cash resources and financial arrangements. FY26 net cash £3.9m (average £15.7m), £40m RCF			

Additional opportunities
Recycling
Final mile
New categories

Source: Edison Investment Research, company data

The key elements of the Go National programme are as follows:

- The Build phase represents implementation investment. It positions the company for the start of the first national distribution contract in July 2027, which requires £21–27m of costs split evenly between capex and one-off adjusting items such as costs relating to the increased headcount required to establish the national network.
- Management expects the Transition phase to reflect the early-life impact of the programme with net costs of £7–9m in FY27 before net profit of £0–2m in FY28. These additional costs reflect under-absorption of network costs.
- The company anticipates a material uplift to profitability of £12–18m in the Scale phase from FY29.

- Net operating margin guidance from the company is in the region of 3% compared to a margin of c 4% currently, with the reduction due to the cost profile associated with more rural territories.
- The company expects margin enhancement over time driven by growth verticals (recycling, new categories, final mile).
- Management has implemented additional governance to oversee the Go National programme, including the appointment of a transformation director, weekly updates to senior management from the programme team and monthly updates to the board.

Future technology investment continues

The company is two years into a four-year technology investment programme, which should deliver improvements in logistics and warehousing operations driven by the implementation of transport and warehouse management systems, a new contact centre platform to strengthen service delivery and back office upgrades, including dynamic labour planning and data processing.

Funding in place, 5.2p dividend floor implies c 8% FY27e yield

Smiths News can fund this investment from existing cash resources and financing arrangements, and has guided for a dividend of at least 5.2p in FY27, implying a yield of 7.9% at the 68p closing price on 12 November. Thereafter, we assume dividend cover rises back towards 2.0x, from 1.6x in FY27 to 1.8x in FY28 and 1.9x in FY29.

We continue to believe the investment in Go National reflects sensible capital allocation by Smiths News as it establishes a national distribution platform to leverage growth opportunities across the existing business as well as in new categories and recycling, and are encouraged to see that the company's capital allocation priorities remain unchanged.

Exhibit 3: Unchanged capital allocation priorities

Priority	Go National
Investment in organic/inorganic growth	• Disciplined approach, always tested against returns hurdle • Organic investment typically lower risk profile than inorganic • Go National focus - strong organic investment opportunity and returns are expected to be substantially ahead of WACC
Ordinary dividend	• Maintain sustainable ordinary dividend at 2x cover • Ordinary dividend to be maintained in FY2027 at or above 5.2p
Return excess cash to shareholders	• Overall 30p/£72m returned to shareholders FY2022-FY2026
Strong balance sheet	• Maintain a strong balance sheet • Net cash moves to net debt with Go National • Leverage remains <1.0x

Source: Smiths News FY26 results presentation, 4 November 2026

Solid foundations

Despite the company flagging multiple times that it would update the market about the financial effects of the Go National programme with the FY26 preliminary results, the market still struggled to digest the short-term reduction in earnings and cash flow. This reduction comes from the additional costs in FY27, namely the £21–27m implementation costs split roughly 50/50 capex/adjusting items, which do not affect adjusted profits, and the £7–9m net cost, which does have an impact on adjusted profit. This investment lays solid foundations for future growth supported by contract awards. The shares fell by c 11% on the day of the results, which we believe reflects the short-term focus on anticipated weaker FY27 results rather than the small guided improvement in FY28 net profit of £0–2m, let alone the material net profit improvement of £12–18m the company guides for in FY29 as the Go National programme enters the Scale phase.

Net debt comfortable, healthy net cash in FY29e

We have updated our estimates to include the financial effects of Go National. We assume FY26 is the base year. Our revenue forecasts for FY27 and FY28 increase as we add in the additional revenue from the new contracts. Our FY27 estimates include the additional net costs included in adjusted operating profit and our cash flow estimates also include the one-off implementation costs. The cash impact from the additional capex and one-off set-up costs of £21–27m plus additional ongoing costs of £7–9m give £28–36m in total, with the middle of this range, at c £32m, and working capital changes accounting for the majority of the reduction in our FY27 net cash estimate. We expect net debt to remain comfortable at £6.5m in FY27 and £1.6m in FY28, before the company returns to a healthy net cash position of £16.7m in FY29.

Changes to estimates

Exhibit 4: Changes to estimates

	FY26		FY27e			FY28e	
£m		Old	New	change	Old	New	change
Revenue	1,036.2	1,000.1	1,023.9	2.4%	979.6	1,213.7	23.9%
Y-o-y % change	-6.1%	-3.2%	-1.2%	-	-2.1%	18.5%	-
EBITDA - Edison basis	42.1	38.1	31.3	-17.8%	38.1	40.5	6.4%
Y-o-y % change	-1.2%	-7.6%	-25.7%	-	-7.6%	29.4%	-
EBITDA - Reported pre IFRS 16	40.2	36.6	30.9	-15.5%	36.6	43.6	19.2%
Y-o-y % change	1.3%	-7.9%	-23.2%	-	0.0%	41.2%	-
Total adjusted operating profit	38.7	35.1	26.8	-23.6%	35.1	36.0	2.6%
Y-o-y % change	-1.0%	-8.2%	-30.8%	-	0.0%	34.4%	-
PBT adjusted, company basis	36.2	32.8	23.8	-27.4%	33.4	31.0	-7.2%
Y-o-y % change	6.2%	-7.7%	-34.3%	-	1.9%	30.3%	-
EPS – adjusted company basis (p)	11.3	10.3	7.4	-28.9%	10.4	9.8	-6.2%
Y-o-y % change	11.2%	-7.5%	-34.9%	-	0.8%	33.1%	-
DPS (p)	8.6	5.3	5.4	2.9%	5.3	5.4	2.9%
Y-o-y % change	19.6%	0.0%	-36.8%	-	0.0%	0.0%	-
Net cash/(debt) (pre IFRS 16)	3.3	32.6	(6.5)	-120%	29.4	(1.6)	-105.3%
Y-o-y % change	N/A	N/A	N/A	-	N/A	N/A	-

Source: Edison Investment Research

While FY27e sees a dip in financial performance, we show the longer-term perspective in Exhibit 5 below based on our forecasts to FY31. Revenues to FY31 incorporate all four of the recent contract wins, as the £105m in annualised revenues from the Frontline/Seymour contract begins in April 2030, resulting in a five-month contribution for the year ending August 2030 and a seven-month contribution for FY31.

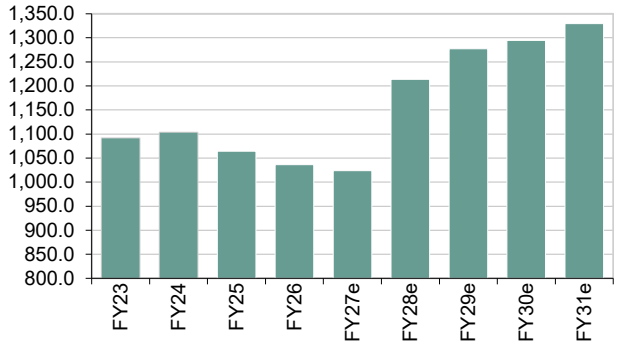
We expect the company to move into a net debt position in FY27, reflecting the majority of the Go National investment, before moving back to a net cash position that continues to build, driven by revenues from national contract wins. While we acknowledge the increased potential variability in long-term forecasts, we believe they are justified in this case given the investment and revenue generation profile.

Exhibit 5: Smiths News – Revenue evolution (£m)

Revenue, £m	FY26	FY27e	FY28e	FY29e	FY30e	FY31e
Smiths News – continuing revenue	1,036.2	1,003.0	1,002.9	1,188.8	1,251.0	1,268.2
News UK, £125m from July 27		20.8	104.2			
ANL, £105m from January 28			70.0	35.0		
Frontline/Seymour, £105m from April 30					43.8	61.3
Telegraph, £40m from October 27			36.7	3.3		
Other/annualisation	0.0			50.0		
Total revenue	**1,036.2**	**1,023.9**	**1,213.7**	**1,277.2**	**1,294.7**	**1,329.4**

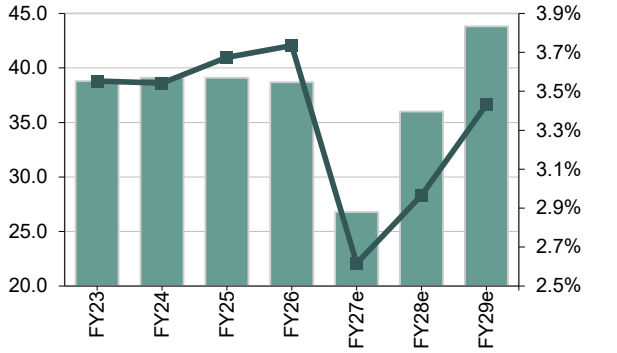
Source: Edison Investment Research, company data

Exhibit 6: Revenue (£m)



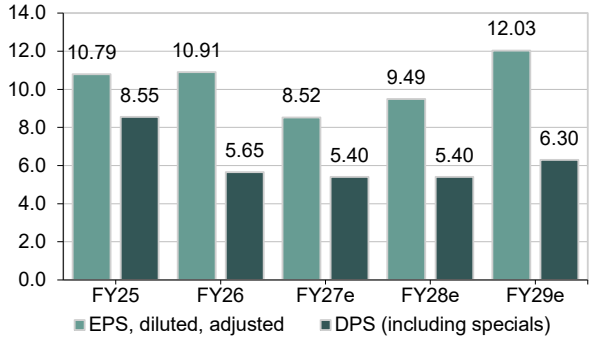
Source: Edison Investment Research

Exhibit 7: Adjusted operating profit (£m, LHS) and adjusted operating margin (%, RHS)



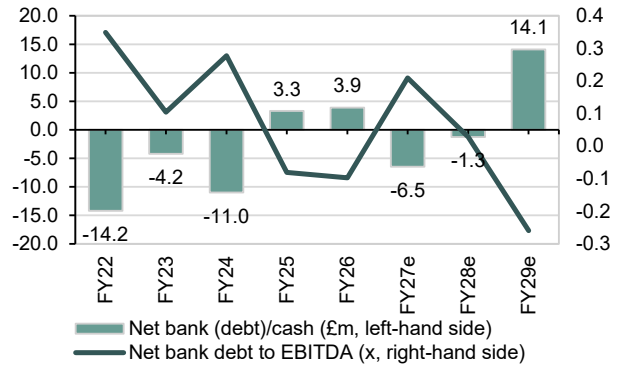
Source: Edison Investment Research

Exhibit 8: EPS (adjusted, diluted) and DPS (including specials), pence per share



Source: Edison Investment Research

Exhibit 9: Net cash/(debt) and net debt/EBITDA



Source: Edison Investment Research

Contracted revenues support robust financials and capital allocation optionality

We believe the key points from the above charts are:

- Revenue growth extends to FY31, driven by contracts already won. There is the potential for additional contract wins as noted above, with the company expecting to have visibility by end-December 2026.
- Adjusted profits dip in FY27 before recovering, supported by the impact of the national contract wins and the falling away of one-off costs.
- EPS recovers above FY26 levels with growth supported by additional contract revenues.
- Forecast cash flow climbs significantly as the business benefits from economies of scale and the lack of repetition of one-off set-up costs (capex, headcount expansion).
- Dividends are well covered. We believe the strong cash flow and improved earnings put the company in a position to consider additional shareholder returns again after paying special dividends in FY24 and FY25.

Recycling, new categories and final mile provide additional potential

Our forecasts do not include any potential uplifts from areas such as the UK DRS or further expansion from new categories and final mile. The Go National programme establishes a national footprint for Smiths News, which puts it in a strong position to expand its national offer. In the tables below, we illustrate the impact on adjusted operating profit of additional incremental revenues at adjusted operating margins of between 3% and 4%, based on adjusted operating profit of £39m, as broadly achieved by Smiths News in FY23, FY24, FY25 and FY26, as well as £45m, reflecting the impact of the larger FY30 P&L once Go National has been implemented. These tables show that adjusted operating

profit could benefit by as much as c 9% based on £100m additional revenues at a 3.5% adjusted margin.

Exhibit 10: Impact on £39m adjusted operating profit of incremental revenues at varying adjusted operating margins

	Adjusted operating margin		
Revenue	3.0%	3.5%	4.0%
£5m	0.4%	0.4%	0.5%
£10m	0.8%	0.9%	1.0%
£20m	1.5%	1.8%	2.1%
£50m	3.0%	3.5%	4.0%
£100m	7.7%	9.0%	10.3%

Source: Edison Investment Research

Exhibit 11: Impact on £45m adjusted operating profit of incremental revenues at varying adjusted operating margins

	Adjusted operating margin		
Revenue	3.0%	3.5%	4.0%
£5m	0.3%	0.4%	0.4%
£10m	0.7%	0.8%	0.9%
£20m	1.3%	1.6%	1.8%
£50m	3.3%	3.9%	4.4%
£100m	6.7%	7.8%	8.9%

Source: Edison Investment Research

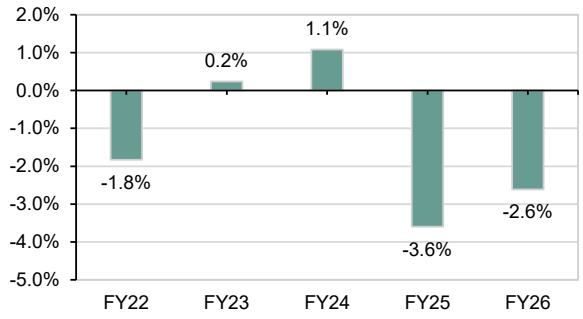
DCF valuation now 109p (from 96p), c 60% implied upside

We continue to value Smiths News on a DCF basis. Our updated valuation incorporates the additional revenues from the announced contract wins and the costs associated with the Go National programme.

Conservative assumptions

We use a conservative 9.4% weighted average cost of capital (WACC). The outer years from FY32 and terminal value year include a -4% growth rate. We believe the -4% is also conservative given the company's five-year track record (Exhibit 12).

Exhibit 12: FY22–26 revenue growth



Source: Edison Investment Research

Additional potential opportunities

Our current forecasts do not include any benefits from additional potential opportunities underpinned by the existing contract wins and the Go National investment. We believe the establishment of a national distribution network puts the company in a strong position to benefit from additional potential opportunities such as:

- new contract awards in the core newspaper and magazine distribution activities;
- expansion of final mile activities and new categories; and
- positive results from the UK DRS tender, with news expected by the end of 2026.

Updated 109p DCF supported by P/E and c 8% yield

We summarise our updated 109p DCF valuation below and include a sensitivity table noting that a 1% slower revenue decline equates to an additional 5p on our DCF, all else being equal. We believe this valuation is supported by an attractive yield and risk-reward profile based on forward P/E mutliples.

Exhibit 13: DCF summary

WACC	9.4%
Present value of cash flows	£167.3m
Terminal value	£103.7m
Enterprise value	£271.0m
plus cash/less net debt, (FY27e)	-£6.5m
Plus associates and JVs (FY26)	£4.5m
Equity value	£269.0m
Number of shares (m)	247.7
Value per share (p)	**109p**

Source: Edison Investment Research

Exhibit 14: DCF: Sensitivity to WACC and terminal growth

		Terminal growth rate (%)						
DCF value	**109p**	**2.0%**	**1.0%**	**0.0%**	**-1.0%**	**-2.0%**	**-3.0%**	**-4.0%**
	10.0%	141p	131p	123p	117p	111p	107p	103p
	9.5%	150p	139p	130p	123p	117p	112p	107p
WACC (%)	**9.0%**	161p	148p	138p	130p	123p	117p	112p
	8.5%	174p	158p	146p	137p	129p	123p	118p
	8.0%	189p	170p	156p	145p	136p	129p	123p

Source: Edison Investment Research

Attractive dividend yield, capital allocation optionality

Smiths News has declared an FY26 dividend of 5.65p, which equates to a yield of 7.9%. Management has committed to a 5.2p dividend floor for FY27, providing a yield of more than 7% at the current price. Based on our cash flow and net debt forecasts (Exhibit 9) we expect the company to continue to maintain an attractive yield, with successful execution providing the potential for management to have capital allocation optionality, including the option to consider additional shareholder returns again in the longer term.

Forward P/E illustrates attractive risk-reward profile

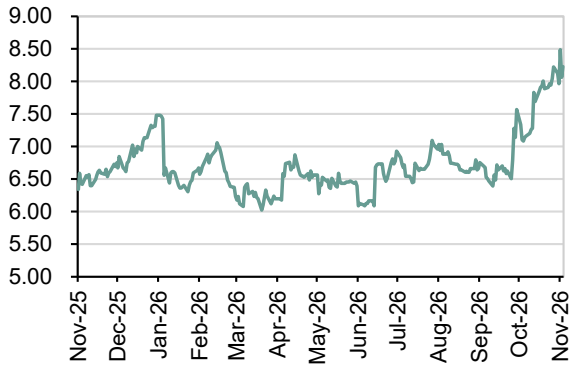
Exhibit 17 below shows the implied P/E for Smiths News based on our updated earnings estimates. We highlighted in our May 2026 note that Smiths News looked undervalued against companies with similar characteristics and offered the potential to re-rate. While recent contract wins have likely supported the re-rating seen in recent months, we think the medium-term financial profile underpinned by Go National justifies a forward P/E in line with current levels of around 8–9x. Consequently, we believe Exhibit 17 illustrates that at 6x FY28e, implied downside is zero, while at 8x implied upside is 33%. These values look more attractive for FY29e and similar to the valuation implied by our DCF.

Exhibit 15: Smiths News – share price (p) since 1 November 2021



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 16: Smiths News – 12m forward P/E (x), one year



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 17: Valuation potential at a range of P/E multiples

	FY27e		FY28e		FY29e	
EPS (p)	7.36		9.79		12.42	
P/E multiple	Implied price (p)	± (%)	Implied price (p)	± (%)	Implied price (p)	± (%)
4.0x	34.0	-51%	46.6	-33%	52.5	-25%
5.0x	42.4	-39%	58.3	-17%	65.6	-6%
6.0x	50.9	-27%	69.9	0%	78.7	12%
7.0x	59.4	-15%	81.6	17%	91.9	31%
8.0x	67.9	-3%	93.3	33%	105.0	50%
9.0x	76.4	9%	104.9	50%	118.1	69%
10.0x	84.9	21%	116.6	67%	131.2	87%
11.0x	93.4	33%	128.2	83%	144.4	106%
12.0x	101.9	46%	139.9	100%	157.5	125%
13.0x	110.4	58%	151.5	116%	170.6	144%

Source: Edison Investment Research

DCF implies c 60% gains ahead

We believe that as Smiths News moves through FY27, where earnings and cash flow are affected by the upfront investment, and into FY28, the market should give the company the credit it deserves for what we believe is sensible capital allocation and the successful execution we expect, given the appointments and operational processes implemented to oversee the Go National programme. While the shares may tread water in the short term as the market continues to digest the results and investment programme, the recent pull-back provides an opportunity for long-term investors who agree with our conclusions and suggested DCF valuation, which implies potential upside of c 60%.

Catalysts include potential additional contract wins in the core business and for the UK DRS and successful execution.

Risks

The main risks relate to execution as Smiths News expands rapidly to achieve a national footprint in a relatively short timeframe. Adding and fitting out 23 depots, recruiting over 1,000 new colleagues/contractors and continuing with IT investment all carry execution risk, albeit management has implemented additional governance for improved risk management. Other risks include potential additional investment related to the UK DRS (although in keeping with the company's track record of capital discipline, we would expect this to have an internal rate of return above group cost of capital) and the potential drag from the TGJones store rationalisation programme.

Exhibit 18: Financial summary

£m	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e	FY29e
Year end 31 August	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**
INCOME STATEMENT											
Revenue	**1,303.5**	**1,164.5**	**1,109.6**	**1,089.3**	**1,091.9**	**1,103.7**	**1,064.0**	**1,036.2**	**1,023.9**	**1,213.7**	**1,277.2**
Cost of Sales	(1,217.5)	(1,091.4)	(1,036.2)	(1,016.6)	(1,019.4)	(1,030.5)	(988.9)	(958.4)	(952.2)	(1,130.6)	(1,183.8)
Gross Profit	86.0	73.1	73.4	72.7	72.5	73.2	75.1	77.8	71.7	83.1	93.3
EBITDA	**60.1**	**40.4**	**44.9**	**42.9**	**42.7**	**42.6**	**42.1**	**41.6**	**31.3**	**42.0**	**51.3**
Normalised operating profit	**44.0**	**35.4**	**40.6**	**39.3**	**39.9**	**40.0**	**39.1**	**38.7**	**26.8**	**36.0**	**43.8**
Share-based payments	(0.4)	(0.3)	(1.0)	(1.2)	(1.1)	(0.9)	0.0	0.0	0.0	0.0	0.0
Total adjusted operating profit	**43.6**	**35.1**	**39.6**	**38.1**	**38.8**	**39.1**	**39.1**	**38.7**	**26.8**	**36.0**	**43.8**
Amortisation of acquired intangibles	(0.1)	(0.2)	0.0	(4.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	(7.2)	(7.8)	(1.9)	(2.5)	0.1	0.0	(1.6)	(2.1)	(2.0)	(1.0)	(1.0)
Impairment	0.0	(6.0)	(1.6)	1.2	0.0	0.9	3.7	0.0	0.0	0.0	0.0
Other financial costs	0.0	0.9	3.5	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	(0.3)	0.0	(0.6)	0.0	0.0	(2.0)	(12.0)	(1.0)	0.0
Reported operating profit	**36.3**	**22.0**	**39.3**	**34.9**	**38.3**	**40.0**	**41.2**	**34.6**	**12.8**	**34.0**	**42.8**
Net Interest	(6.0)	(7.2)	(8.7)	(7.0)	(6.5)	(5.9)	(3.3)	(2.5)	(3.0)	(5.0)	(4.0)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	**38.0**	**28.2**	**31.9**	**32.3**	**33.4**	**34.1**	**35.8**	**36.2**	**23.8**	**31.0**	**39.8**
Profit Before Tax (reported)	**30.3**	**14.8**	**30.6**	**27.9**	**31.8**	**34.1**	**37.9**	**32.1**	**9.8**	**29.0**	**38.8**
Reported tax	(8.4)	(2.8)	(4.3)	(4.5)	(6.7)	(8.6)	(9.6)	(7.7)	(2.4)	(7.3)	(9.7)
Profit After Tax (norm)	**29.6**	**25.4**	**27.6**	**27.8**	**26.7**	**25.5**	**26.2**	**28.5**	**21.3**	**23.8**	**31.1**
Profit After Tax (reported)	**21.9**	**12.0**	**26.3**	**23.4**	**25.1**	**25.5**	**28.3**	**24.4**	**7.3**	**21.8**	**29.1**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Discontinued operations	(53.4)	(18.7)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	**29.6**	**25.4**	**27.6**	**27.8**	**26.7**	**25.5**	**26.2**	**28.5**	**21.3**	**23.8**	**33.1**
Net income (reported)	**(31.5)**	**(6.7)**	**26.2**	**23.4**	**25.1**	**25.5**	**28.3**	**24.4**	**7.3**	**21.8**	**30.1**
Basic average number of shares outstanding (m)	246.4	244.5	243.5	238.5	237.3	240.3	242.4	242.6	242.6	242.6	242.6
EPS - basic normalised (p)	12.01	10.39	11.33	11.66	11.25	10.61	10.81	11.75	8.80	9.79	13.65
EPS - diluted normalised (p)	11.98	10.28	10.83	11.03	10.68	10.16	10.47	11.35	8.52	9.49	13.23
EPS - basic reported (p)	(12.78)	(2.74)	10.76	9.81	10.58	10.61	11.67	10.06	3.03	8.97	12.42
EPS - adjusted, company basis (p)	11.45	9.59	10.32	10.20	10.24	10.28	11.14	11.29	7.36	9.79	12.42
Dividend (p)	1.00	0.00	1.50	4.15	4.15	7.15	8.55	5.65	5.40	5.40	6.30
Revenue growth (%)	N/A	-10.7%	-4.7%	-1.8%	0.2%	1.1%	-3.6%	-2.6%	-1.2%	18.5%	5.2%
Gross Margin (%)	6.6%	6.3%	6.6%	6.7%	6.6%	6.6%	7.1%	7.5%	7.0%	6.9%	7.3%
EBITDA Margin (%)	4.6%	3.5%	4.0%	3.9%	3.9%	3.9%	4.0%	4.0%	3.1%	3.5%	4.0%
Normalised Operating Margin (%)	3.4%	3.0%	3.7%	3.6%	3.7%	3.6%	3.7%	3.7%	2.6%	3.0%	3.4%
BALANCE SHEET											
Fixed Assets	**31.5**	**66.5**	**47.1**	**41.9**	**38.6**	**47.5**	**48.9**	**47.3**	**52.0**	**39.2**	**24.9**
Intangible Assets	10.1	4.0	2.3	1.7	1.9	2.4	2.5	2.3	2.2	2.1	2.0
Tangible Assets	10.9	9.4	9.4	8.6	8.8	9.7	10.7	10.2	22.5	20.8	17.6
Investments & other	10.5	53.1	35.4	31.6	27.9	35.4	35.7	34.8	27.3	16.3	5.3
Current Assets	**181.2**	**165.9**	**139.1**	**147.5**	**156.7**	**132.1**	**125.1**	**129.4**	**119.8**	**138.9**	**163.8**
Stocks	16.2	14.1	13.2	15.6	17.7	18.0	12.6	10.2	16.4	19.4	20.4
Debtors	124.2	101.2	106.6	95.7	101.1	106.2	103.4	115.0	109.6	120.4	129.0
Cash & cash equivalents	24.0	50.6	19.3	35.3	37.3	7.0	8.2	4.0	(6.4)	(1.2)	14.2
Other	16.8	0.0	0.0	0.9	0.6	0.9	0.9	0.2	0.2	0.2	0.2
Current Liabilities	**(229.7)**	**(283.9)**	**(167.5)**	**(157.2)**	**(158.9)**	**(135.3)**	**(133.3)**	**(135.6)**	**(146.2)**	**(154.1)**	**(158.9)**
Creditors	(173.7)	(139.5)	(136.5)	(140.3)	(141.5)	(128.5)	(127.2)	(128.4)	(139.0)	(146.9)	(151.7)
Tax and social security	0.0	(1.7)	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term borrowings	(46.1)	(130.1)	(21.2)	(8.0)	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other	(9.9)	(12.6)	(9.5)	(8.9)	(7.4)	(6.8)	(6.1)	(7.2)	(7.2)	(7.2)	(7.2)
Long-Term Liabilities	**(57.3)**	**(30.1)**	**(76.4)**	**(64.2)**	**(52.7)**	**(47.6)**	**(31.2)**	**(30.4)**	**(23.9)**	**(17.4)**	**(10.9)**
Long-term borrowings	(49.3)	0.0	(50.1)	(39.1)	(30.2)	(17.6)	(1.7)	0.0	0.0	0.0	0.0
Other long-term liabilities	(8.0)	(30.1)	(26.3)	(25.1)	(22.5)	(30.0)	(29.5)	(30.4)	(23.9)	(17.4)	(10.9)
Net Assets	**(74.3)**	**(81.6)**	**(57.7)**	**(32.0)**	**(16.3)**	**(3.3)**	**9.5**	**10.7**	**1.6**	**6.6**	**18.9**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Shareholders' equity	**(74.3)**	**(81.6)**	**(57.7)**	**(32.0)**	**(16.3)**	**(3.3)**	**9.5**	**10.7**	**1.6**	**6.6**	**19.9**
CASH FLOW											
Op Cash Flow before WC and tax	60.1	40.4	44.9	42.9	42.7	42.6	42.1	41.6	31.3	42.0	51.3
Working capital	(3.9)	(5.3)	(1.8)	2.8	(5.5)	(18.4)	4.6	(6.1)	9.9	(6.1)	(4.7)
Exceptional & other	(7.7)	(13.4)	(1.3)	(4.4)	(1.6)	(0.0)	2.1	(4.1)	(14.0)	(2.0)	(1.0)
Tax	(2.6)	0.0	(6.3)	(5.3)	(6.6)	(8.5)	(8.8)	(6.6)	(2.4)	(7.3)	(9.7)
Other	(22.9)	1.7	5.9	13.8	7.4	6.7	9.4	9.8	8.6	12.1	12.1
Net operating cash flow	**23.0**	**23.4**	**41.4**	**49.8**	**36.4**	**22.4**	**49.4**	**34.6**	**33.3**	**38.8**	**48.0**
Capex	(8.1)	5.3	(2.4)	(1.9)	(3.4)	(4.4)	(4.5)	(2.5)	(16.7)	(6.2)	(6.2)
Acquisitions/disposals	0.0	(10.2)	6.5	14.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0
Net interest	(5.1)	(8.0)	(9.4)	(8.0)	(5.3)	(4.5)	(3.0)	(2.3)	(3.0)	(5.0)	(4.0)
Equity financing	0.0	(0.7)	(2.6)	(2.6)	(1.7)	(3.3)	(1.6)	(5.3)	(4.0)	(3.0)	(3.0)
Dividends	0.1	(2.2)	(1.0)	(5.9)	(9.6)	(10.6)	(17.2)	(20.7)	(13.5)	(12.9)	(12.9)
Other	(2.8)	(15.6)	(5.9)	(6.4)	(6.1)	(5.9)	(8.8)	(3.2)	(6.5)	(6.5)	(6.5)
Net Cash Flow	7.1	(8.0)	26.6	39.0	10.0	(6.3)	14.3	0.6	(10.4)	5.2	15.4
Opening net debt/(cash)	**79.3**	**72.1**	**79.7**	**53.2**	**14.2**	**4.2**	**11.0**	**(3.3)**	**(3.9)**	**6.5**	**1.3**
FX	0.1	(0.1)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	0.5	0.1	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)	**72.1**	**79.7**	**53.2**	**14.2**	**4.2**	**11.0**	**(3.3)**	**(3.9)**	**6.5**	**1.3**	**(14.1)**

Source: Edison Investment Research, company data

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