

Smiths News

FY25 results

'Special' dividend for a second year

Smiths News is delivering on its promises, with the core business operating to trend, supported by efficiency initiatives, and with collectables outperforming. This stability, and the receipt of £6.9m of one-offs, has allowed Smiths News to declare a 'special' dividend for the second year in succession. Furthermore, the new verticals are being established as trials prove concepts and new contracts are won. Confidence is building and the outlook for the core business of newspaper and magazines plus collectables is robust, with potential upside from the new verticals adding some gloss. We have lifted our forecasts and raised our valuation to 95p/share.

| Year end | Revenue (£m) | PBT (£m) | EPS (p) | DPS (p) | P/E (x) | Yield (%) |
|----------|--------------|----------|---------|---------|---------|-----------|
| 8/24 | 1,103.7 | 33.2 | 10.28 | 7.15 | 6.7 | 10.5 |
| 8/25 | 1,064.0 | 35.8 | 11.14 | 8.55 | 6.1 | 12.5 |
| 8/26e | 1,032.1 | 34.4 | 10.76 | 7.25 | 6.4 | 10.6 |
| 8/27e | 1,001.1 | 34.2 | 10.68 | 7.25 | 6.4 | 10.6 |

Note: PBT and EPS are on a company reported, adjusted basis.

Operating profit exceeds expectations

FY25 revenue slipped 3.6% (-1.7% on a 52-week basis) but adjusted operating profit was flat at £39.1m, which implied that the operating margin increased 20bp to 3.7%. Smiths generated operational efficiencies of £4.9m, which contributed to the better-than-expected result. Adjusted EPS increased 7.8% to 11.1p, which led to a similar increase in the ordinary dividend to 5.55p, in line with the capital allocation policy. Furthermore, cash generation was strong, which resulted in year-end net cash of £3.3m (FY24: net debt of £11.0m). It also prompted Smiths News to propose a second 'special' dividend of 3.0p/share (FY24: 2.0p/share).

New verticals making progress

Revenue from the developing growth verticals increased 16%, partly due to the increase in the number of recycling customers. The hire of a new industry MD is showing early signs of success and is helping refocus marketing activities including on partnerships with waste brokers. Trials have been executed and new contracts have been won across other new verticals, including books and home entertainment, greetings cards and 'final mile' activities, which look set to contribute increasingly as the new financial year unfolds.

Forecast upgrade and valuation lifted to 95p

The better-than-expected FY25 results and the promising outlook for trading for both the core operations, plus collectables, and the new verticals has prompted us to raise our FY26 and FY27 estimates. We now anticipate total adjusted operating profit of £37.1m and £36.5m in FY26 and FY27, up from £36.1m and £36.0m respectively. In addition, we have introduced another 'special' dividend in FY27e of 2.0p/share, which, when coupled with the ordinary dividend, gives rise to a total dividend of 7.3p. We have updated our discounted cash flow (DCF), which lifts our valuation from 93p/share to 95p.

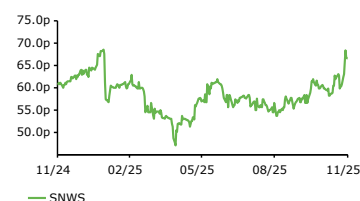
Industrial support services

10 November 2025

Price 68.40p
Market cap £163m

Net cash at end September 2025 £3.3m
Shares in issue 247.7m
Code SNWS
Primary exchange LSE
Secondary exchange N/A

Share price performance



| | | | |
|------------------|-----|-------|-------|
| % | 1m | 3m | 12m |
| Abs | 8.6 | 18.3 | 29.0 |
| 52-week high/low | | 65.8p | 45.2p |

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.

Next events

| | |
|-------------------|------------------|
| Q1 trading update | Mid-January 2026 |
| H1 trading update | End March 2026 |

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Good results and additional cash lead to another ‘special’ dividend

Smiths News reported better-than-expected FY25 results, largely due to a core business that performed as expected, but with an additional and unexpected contribution from collectables. In the event, revenue slipped 3.6% (-1.7% on a 52-week basis) to £1,064.0m and adjusted operating profit was flat at £39.1m, versus our FY25 estimate of £37.0m, which implied that the operating margin increased 20bp to 3.7%. Smiths generated operational efficiencies of £4.9m, which contributed to the better-than-expected result.

Adjusted profit after tax increased £2.3m, or 9.3%, to £27.0m as finance costs fell due to the lower finance fees in the period and lower overall debt. Adjusted EPS increased 7.8% to 11.1p, which led to a similar increase in the ordinary dividend to 5.55p, in line with the two-times cover set out in the capital allocation policy.

Furthermore, cash generation was strong at £36.1m, which included the receipt of £6.9m of additional cash (including £5.4m from the administrators of McColl's Retail Group), and resulted in year-end net cash of £3.3m (FY24: net debt of £11.0m). It also prompted Smiths News to propose a second ‘special’ dividend of 3.0p/share (FY24: 2.0p/share), which will cost a similar figure to the additional cash received.

Exhibit 1: Smiths News full year and half year results summary

| | 2021 | H1 | H2 | 2022 | H1 | H2 | 2023 | H1 | H2 | 2024 | H1 | H2 | 2025 |
|---|----------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|----------------|
| Total revenue | 1,109.6 | 544.8 | 544.5 | 1,089.3 | 550.1 | 541.8 | 1,091.9 | 539.8 | 563.9 | 1,103.7 | 536.4 | 527.6 | 1,064.0 |
| % change | -4.7% | -1.2% | -2.4% | -1.8% | 1.0% | -0.5% | 0.2% | -1.9% | 4.1% | 1.1% | -0.6% | -6.4% | -3.6% |
| Cost of goods sold | (1,036.2) | (508.0) | (508.6) | (1,016.6) | (512.4) | (507.0) | (1,019.4) | (504.9) | (525.6) | (1,030.5) | (499.1) | (489.8) | (988.9) |
| % change | -5.1% | -1.5% | -2.2% | -1.9% | 0.9% | -0.3% | 0.3% | -1.5% | 3.7% | 1.1% | -1.1% | -6.8% | -4.0% |
| Gross profit | 73.4 | 36.8 | 35.9 | 72.7 | 37.7 | 34.8 | 72.5 | 34.9 | 38.3 | 73.2 | 37.3 | 37.8 | 75.1 |
| Gross margin | 6.6% | 6.8% | 6.6% | 6.7% | 6.9% | 6.4% | 6.6% | 6.5% | 6.8% | 6.6% | 7.0% | 7.2% | 7.1% |
| Total admin expenses | (33.9) | (17.9) | (17.1) | (35.0) | (17.4) | (16.4) | (33.8) | (16.2) | (17.7) | (33.9) | (17.8) | (18.1) | (35.9) |
| % change | -11.0% | 5.9% | 0.6% | 3.2% | -2.8% | -4.1% | -3.4% | -6.9% | 7.9% | 0.3% | 9.9% | 2.3% | 5.9% |
| Income from JV | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 0.0 | 0.1 | 0.1 | (0.3) | (0.2) | 0.0 | (0.1) | (0.1) |
| Total adjusted operating profit | 39.6 | 19.1 | 19.0 | 38.1 | 20.4 | 18.4 | 38.8 | 18.8 | 20.3 | 39.1 | 19.4 | 19.7 | 39.1 |
| % change | 12.8% | 1.1% | -8.2% | -3.8% | 6.8% | -3.2% | 1.8% | -7.8% | 10.3% | 0.8% | 3.2% | -3.0% | 0.0% |
| Total adjusted operating profit margin | 3.6% | 3.5% | 3.5% | 3.5% | 3.7% | 3.4% | 3.6% | 3.5% | 3.6% | 3.5% | 3.6% | 3.7% | 3.7% |

Source: Company data and Edison Investment Research

New verticals gaining traction

The new verticals being pursued by Smiths News continued to gain traction with a 16% increase in revenue to £3.0m, although for a number of known reasons, including planned investments and active trials, profits slipped from £2.0m to £1.4m. That said, we believe this result is likely to signal a turning point as we expect the result for FY26 will be no worse than the FY25 result. Thereafter, we expect the performance to improve for a number of reasons listed below.

In recycling, Smiths' volumes increased 49% to 2,550 tonnes. Smiths News was also joined by Adam Wylie as MD (ex Veolia), who brings a wealth of knowledge and experience to this growth initiative. This has already led to the use of partnerships with waste brokers to make introductions rather than the previous, often time-consuming, direct marketing approach. Early signs are encouraging. A recycling trial along existing delivery routes in the Northwest concluded and offered valuable insights, which will be applied to future initiatives. Added tailwinds here include new, already introduced workplace recycling regulations, which require many businesses to separate waste into different streams, and future regulation such as the Deposit Return Scheme, which could generate significant bottle recycling volumes.

A second vertical focuses on the delivery of additional categories to existing customers. This includes books and home entertainment (DVDs for example) to supermarkets and high street retailers. In FY25, Smiths delivered 1.3m books to three supermarket customers with the expectation that other names may follow. It also trialled the delivery of greetings cards for the brand Hallmark, which proved successful, and is now live across 175 stores. In the year, this operation delivered over 63,000 cards and has the potential to be rolled out to hundreds, or even thousands, of other outlets that Smiths News already visits on a daily basis.

Smiths News is also offering a ‘final mile’ services solution, which targets new products to new customers and locations. A small-scale trial of specialist engineering and manufacturing parts was successful and since the period end, Smiths was awarded a three-year, £1m per year contract to deliver volumes across the West Midlands. There are several

differing operating variants being considered for this vertical, with the delivery, for example, of residential satellite TV and white goods spares being potential areas of opportunity. This vertical is thought to have a total market size of c £170m per year, implying that there is upside potential for Smiths if it can demonstrate value to potential clients.

Revised expectations; profits up, plus additional 'special' dividend potential

The better-than-expected FY25 results and the promising outlook for trading for both the core operations, plus collectables, and the new verticals has prompted us to raise our FY26 and FY27 estimates. We now anticipate total adjusted operating profit of £37.1m and £36.5m in FY26e and FY27e, up from £36.1m and £36.0m respectively. In addition, we have introduced another 'special' dividend in FY27e of 2.0p/share, which, when coupled with the ordinary dividend, gives rise to a total dividend of 7.3p. This follows the payments of 'special' dividends in FY24 (2.0p) and FY25 (3.0p), and our previous expectation of a 2.0p 'special' in the current year. We believe this is consistent with the company's existing capital allocation policy.

Exhibit 2: Revised estimates

| | FY25 | FY26 | | | FY27 | | |
|----------------------------------|---------|---------|---------|--------|--------|---------|--------|
| £m | | Old | New | % chg | Old | New | % chg |
| Revenue | 1,064.0 | 1,006.4 | 1,032.1 | 2.6% | 976.2 | 1,001.1 | 2.6% |
| Y-o-y % change | -3.6% | -3.0% | -3.0% | - | -3.0% | -3.0% | - |
| EBITDA - Edison basis | 42.1 | 40.0 | 40.1 | 0.3% | 39.9 | 39.5 | -1.0% |
| Y-o-y % change | -1.2% | -2.2% | -4.7% | - | -0.3% | -1.6% | - |
| EBITDA - Reported pre IFRS 16 | 40.7 | 37.6 | 38.6 | 2.8% | 37.5 | 38.0 | 1.3% |
| Y-o-y % change | 2.5% | -2.3% | -5.1% | - | -0.3% | -1.7% | - |
| Total adjusted operating profit | 39.1 | 36.1 | 37.1 | 2.9% | 36.0 | 36.5 | 1.3% |
| Y-o-y % change | 0.0% | -2.5% | -5.0% | - | -0.3% | -1.8% | - |
| PBT adjusted, company basis | 35.8 | 33.1 | 34.4 | 4.0% | 34.5 | 34.2 | -0.9% |
| Y-o-y % change | 5.0% | -10.2% | -3.8% | - | 4.2% | -0.7% | - |
| EPS - adjusted company basis (p) | 11.1 | 10.6 | 10.8 | 1.5% | 10.9 | 10.7 | -2.0% |
| Y-o-y % change | 9.7% | 2.9% | -3.4% | - | 2.8% | -0.7% | - |
| DPS (p) | 8.6 | 7.2 | 7.3 | 0.7% | 5.2 | 7.3 | 39.4% |
| Y-o-y % change | 19.6% | 38.8% | -15.2% | - | -27.8% | 0.0% | - |
| Net cash/(debt) (pre IFRS 16) | 3.3 | 8.1 | 0.2 | -97.6% | 30.0 | 21.5 | -28.4% |
| Y-o-y % change | N/A | N/A | N/A | - | N/A | N/A | - |

Source: Company data and Edison Investment Research

Exhibit 3: Financial summary

| £m | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e |
|--|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------|
| Year end 31 August | 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 | 1,032.1 | 1,001.1 |
| Cost of Sales | (1,217.5) | (1,091.4) | (1,036.2) | (1,016.6) | (1,019.4) | (1,030.5) | (988.9) | (958.3) | (927.8) |
| Gross Profit | 86.0 | 73.1 | 73.4 | 72.7 | 72.5 | 73.2 | 75.1 | 73.8 | 73.3 |
| EBITDA | 60.1 | 40.4 | 44.9 | 42.9 | 42.7 | 42.6 | 42.1 | 40.1 | 39.5 |
| Normalised operating profit | 44.0 | 35.4 | 40.6 | 39.3 | 39.9 | 40.0 | 39.1 | 37.1 | 36.5 |
| Share-based payments | (0.4) | (0.3) | (1.0) | (1.2) | (1.1) | (0.9) | 0.0 | 0.0 | 0.0 |
| Total adjusted operating profit | 43.6 | 35.1 | 39.6 | 38.1 | 38.8 | 39.1 | 39.1 | 37.1 | 36.5 |
| Amortisation of acquired intangibles | (0.1) | (0.2) | 0.0 | (4.4) | 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) | (1.0) | (1.0) |
| Impairment | 0.0 | (6.0) | (1.6) | 1.2 | 0.0 | 0.9 | 3.7 | 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 |
| Other | 0.0 | 0.0 | (0.3) | 0.0 | (0.6) | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported operating profit | 36.3 | 22.0 | 39.3 | 34.9 | 38.3 | 40.0 | 41.2 | 36.1 | 35.5 |
| Net Interest | (6.0) | (7.2) | (8.7) | (7.0) | (6.5) | (5.9) | (3.3) | (2.7) | (2.3) |
| Joint ventures & associates (post tax) | 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 |
| Profit Before Tax (norm) | 38.0 | 28.2 | 31.9 | 32.3 | 33.4 | 34.1 | 35.8 | 34.4 | 34.2 |
| Profit Before Tax (reported) | 30.3 | 14.8 | 30.6 | 27.9 | 31.8 | 34.1 | 37.9 | 33.4 | 33.2 |
| Reported tax | (8.4) | (2.8) | (4.3) | (4.5) | (6.7) | (8.6) | (9.6) | (8.4) | (8.3) |
| Profit After Tax (norm) | 29.6 | 25.4 | 27.6 | 27.8 | 26.7 | 25.5 | 26.2 | 26.1 | 25.9 |
| Profit After Tax (reported) | 21.9 | 12.0 | 26.3 | 23.4 | 25.1 | 25.5 | 28.3 | 25.1 | 24.9 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discontinued operations | (53.4) | (18.7) | (0.1) | 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 | 26.1 | 25.9 |
| Net income (reported) | (31.5) | (6.7) | 26.2 | 23.4 | 25.1 | 25.5 | 28.3 | 25.1 | 24.9 |
| Basic average number of shares outstanding (m) | 246.4 | 244.5 | 243.5 | 238.5 | 237.3 | 240.3 | 242.4 | 242.4 | 242.4 |
| EPS - basic normalised (p) | 12.01 | 10.39 | 11.33 | 11.66 | 11.25 | 10.61 | 10.81 | 10.76 | 10.68 |
| EPS - diluted normalised (p) | 11.98 | 10.28 | 10.83 | 11.03 | 10.68 | 10.16 | 10.47 | 10.42 | 10.35 |
| EPS - basic reported (p) | (12.78) | (2.74) | 10.76 | 9.81 | 10.58 | 10.61 | 11.67 | 10.35 | 10.27 |
| EPS - adjusted, company basis (p) | 11.45 | 9.59 | 10.32 | 10.20 | 10.24 | 10.28 | 11.14 | 10.76 | 10.68 |
| Dividend (p) | 1.00 | 0.00 | 1.50 | 4.15 | 4.15 | 7.15 | 8.55 | 7.25 | 7.25 |
| Revenue growth (%) | N/A | -10.7% | -4.7% | -1.8% | 0.2% | 1.1% | -3.6% | -3.0% | -3.0% |
| Gross Margin (%) | 6.6% | 6.3% | 6.6% | 6.7% | 6.6% | 6.6% | 7.1% | 7.1% | 7.3% |
| EBITDA Margin (%) | 4.6% | 3.5% | 4.0% | 3.9% | 3.9% | 3.9% | 4.0% | 3.9% | 3.9% |
| Normalised Operating Margin (%) | 3.4% | 3.0% | 3.7% | 3.6% | 3.7% | 3.6% | 3.7% | 3.6% | 3.6% |
| BALANCE SHEET | | | | | | | | | |
| Fixed Assets | 31.5 | 66.5 | 47.1 | 41.9 | 38.6 | 47.5 | 48.9 | 42.4 | 36.4 |
| Intangible Assets | 10.1 | 4.0 | 2.3 | 1.7 | 1.9 | 2.4 | 2.5 | 2.9 | 3.3 |
| Tangible Assets | 10.9 | 9.4 | 9.4 | 8.6 | 8.8 | 9.7 | 10.7 | 10.2 | 10.2 |
| Investments & other | 10.5 | 53.1 | 35.4 | 31.6 | 27.9 | 35.4 | 35.7 | 29.3 | 22.9 |
| Current Assets | 181.2 | 165.9 | 139.1 | 147.5 | 156.7 | 132.1 | 125.1 | 130.9 | 140.5 |
| Stocks | 16.2 | 14.1 | 13.2 | 15.6 | 17.7 | 18.0 | 12.6 | 20.6 | 15.0 |
| Debtors | 124.2 | 101.2 | 106.6 | 95.7 | 101.1 | 106.2 | 103.4 | 101.1 | 95.1 |
| Cash & cash equivalents | 24.0 | 50.6 | 19.3 | 35.3 | 37.3 | 7.0 | 8.2 | 8.2 | 29.5 |
| Other | 16.8 | 0.0 | 0.0 | 0.9 | 0.6 | 0.9 | 0.9 | 0.9 | 0.9 |
| Current Liabilities | (229.7) | (283.9) | (167.5) | (157.2) | (158.9) | (135.3) | (133.3) | (132.5) | (136.2) |
| Creditors | (173.7) | (139.5) | (136.5) | (140.3) | (141.5) | (128.5) | (127.2) | (126.4) | (130.1) |
| Tax and social security | 0.0 | (1.7) | (0.3) | 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 |
| Other | (9.9) | (12.6) | (9.5) | (8.9) | (7.4) | (6.8) | (6.1) | (6.1) | (6.1) |
| Long-Term Liabilities | (57.3) | (30.1) | (76.4) | (64.2) | (52.7) | (47.6) | (31.2) | (27.8) | (21.3) |
| Long-term borrowings | (49.3) | 0.0 | (50.1) | (39.1) | (30.2) | (17.6) | (1.7) | (4.8) | (4.8) |
| Other long-term liabilities | (8.0) | (30.1) | (26.3) | (25.1) | (22.5) | (30.0) | (29.5) | (23.0) | (16.5) |
| Net Assets | (74.3) | (81.6) | (57.7) | (32.0) | (16.3) | (3.3) | 9.5 | 13.0 | 19.4 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity | (74.3) | (81.6) | (57.7) | (32.0) | (16.3) | (3.3) | 9.5 | 13.0 | 19.4 |
| CASH FLOW | | | | | | | | | |
| Op Cash Flow before WC and tax | 60.1 | 40.4 | 44.9 | 42.9 | 42.7 | 42.6 | 42.1 | 40.1 | 39.5 |
| Working capital | (3.9) | (5.3) | (1.8) | 2.8 | (5.5) | (18.4) | 4.6 | (6.6) | 15.4 |
| Exceptional & other | (7.7) | (13.4) | (1.3) | (4.4) | (1.6) | (0.0) | 2.1 | (1.0) | (1.0) |
| Tax | (2.6) | 0.0 | (6.3) | (5.3) | (6.6) | (8.5) | (8.8) | (8.4) | (8.3) |
| Other | (22.9) | 1.7 | 5.9 | 13.8 | 7.4 | 6.7 | 9.4 | 7.6 | 7.6 |
| Net operating cash flow | 23.0 | 23.4 | 41.4 | 49.8 | 36.4 | 22.4 | 49.4 | 31.8 | 53.2 |
| Capex | (8.1) | 5.3 | (2.4) | (1.9) | (3.4) | (4.4) | (4.5) | (4.2) | (4.7) |
| Acquisitions/disposals | 0.0 | (10.2) | 6.5 | 14.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest | (5.1) | (8.0) | (9.4) | (8.0) | (5.3) | (4.5) | (3.0) | (2.5) | (2.1) |
| Equity financing | 0.0 | (0.7) | (2.6) | (2.6) | (1.7) | (3.3) | (1.6) | (1.1) | (1.1) |
| Dividends | 0.1 | (2.2) | (1.0) | (5.9) | (9.6) | (10.6) | (17.2) | (20.6) | (17.5) |
| Other | (2.8) | (15.6) | (5.9) | (6.4) | (6.1) | (5.9) | (8.8) | (6.5) | (6.5) |
| Net Cash Flow | 7.1 | (8.0) | 26.6 | 39.0 | 10.0 | (6.3) | 14.3 | (3.1) | 21.3 |
| Opening net debt/(cash) | 79.3 | 72.1 | 79.7 | 53.2 | 14.2 | 4.2 | 11.0 | (3.3) | (0.2) |
| FX | 0.1 | (0.1) | (0.2) | 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 |
| Closing net debt/(cash) | 72.1 | 79.7 | 53.2 | 14.2 | 4.2 | 11.0 | (3.3) | (0.2) | (21.5) |

Source: Company data, Edison Investment Research

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