

Shepherd Neame

Consumer
23 March 2026

Value creation on tap

Shepherd Neame (SHEP) offers a differentiated investment proposition with a vertically integrated brewing model and a mainly freehold pub estate. It has a strong brand heritage in markets in London and the South East, which are characterised by a growing and affluent population. The strategy is centred on being a premium hospitality business. It does this by focusing on owning the best pub estate, with capital directed towards refurbishments, and, where appropriate, food-led offerings and selective expansion of accommodation. This has led to a long-term improvement in the average pub's profitability, which has translated through to a steady increase in NAV. Weak investor sentiment towards the sector means this has not followed through to the share price, with prospective multiples at their lowest levels since FY15. We note the discount to NAV of 64% is the highest it has been, as is the dividend yield of 5.0%.

Maximising the value of the estate

SHEP has three complementary divisions with a brewery, a managed and a tenanted pub estate, and a strategy focused on disciplined capital allocation, maximising the value of the estate and shareholder returns with a progressive dividend policy. The managed estate represents the primary growth engine, with investment directed towards premium pubs in high-quality locations. In parallel, the tenanted estate provides a more stable and profitable income stream. The brewery is strategically important for the brand identity.

Levers to counter inflationary pressures

While the company's revenue recovered to pre-COVID-19 levels pretty quickly after the pandemic, by the end of FY23, elevated inflationary cost pressures and required logistics investment have held back the rate of profit recovery. FY25's operating margin of 8.4% was still some 2pp below FY19 levels, although changes in accounting standards make a direct comparison a little tricky. Management has countered the cost inflation with pricing, mix improvement and operating efficiencies, which are expected to continue and will be required given that inflationary pressures are likely to come to the fore again due to the war in Iran.

Valuation: As attractive as it has been since FY15

Given the changes in the equity capital structure in FY14 we look at SHEP's prospective multiples since FY15. In Exhibit 10 to Exhibit 13 we observe that prospective EV/sales, P/E and P/NAV multiples and the dividend yield suggest the share price is as attractively valued as it has been over that time frame.

Consensus estimates						
Year end	Revenue (pm)	PBT (pm)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
6/24	172.3	7.9	38.44	20.70	11.6	4.7
6/25	164.3	7.6	36.40	21.50	12.2	4.8
6/26e	166.0	7.7	36.43	22.15	12.2	5.0
6/27e	169.6	8.4	40.24	22.81	11.1	5.1

Source: Shepherd Neame, LSEG Data & Analytics

Price 445.00p
Market cap £66m

Share price performance



Share details

Code	SHEP
Listing	AQSE
Shares in issue	14.8m
Net cash/(debt) at 27 December 2025	£(135.6)m

Business description

Shepherd Neame is Britain's oldest brewer and has been based in Kent since 1698. The company brews, markets and distributes its own beers to national and international customers under a range of highly successful brand names, including Spitfire, Bishops Finger, Whitstable Bay and Bear Island.

Bull points

- Premium freehold estate provides strong asset backing.
- Favourable geographic exposure.
- Progressive dividend policy that is typically well covered by free cash generation.

Bear points

- Exposed to changes in consumer sentiment and spending power.
- Low return on equity.
- Affected by inflationary pressures in cost of goods and operating expenses, such as staff costs and utilities.

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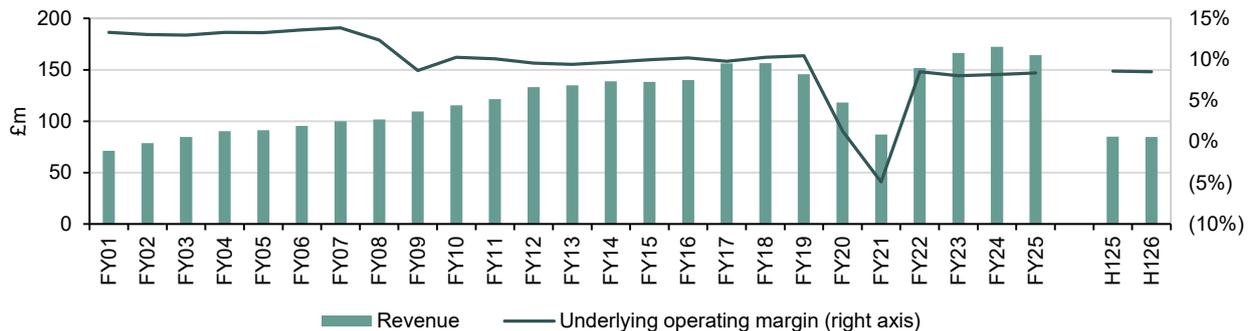
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Strategy has delivered long-term growth

Before we look at the long-term trends of the three complementary divisions, we show in Exhibit 1 that management's strategy has delivered the growth against the backdrop of some structural and occasional cyclical challenges. Over the long-term SHEP has delivered a revenue CAGR of 4% from FY01–25, which includes a c 1% per year reduction in the number of pubs in the estate. Growth in operating profit, with a 2% CAGR, has lagged revenue growth over this period. However, this reflects the more recent dip in profitability as a result of elevated cost pressures, which management has addressed with its ongoing focus on premiumising the estate, price increases (where possible) and cost savings. SHEP's H126 results showed a small decline in revenue and underlying operating profit as growth in Retail Pubs and Hotels was offset by declines in Brewing and Brands.

We should highlight that comparability over the long-term is hampered a little by changes in accounting standards, with the adoption of IFRS in FY21 when FY20 figures were restated, and FRS 102 in FY16 when restated figures for FY15 were provided. The company introduced the current segmental disclosure for its divisions when it adopted FRS 102.

Exhibit 1: Shepherd Neame's revenue and profitability

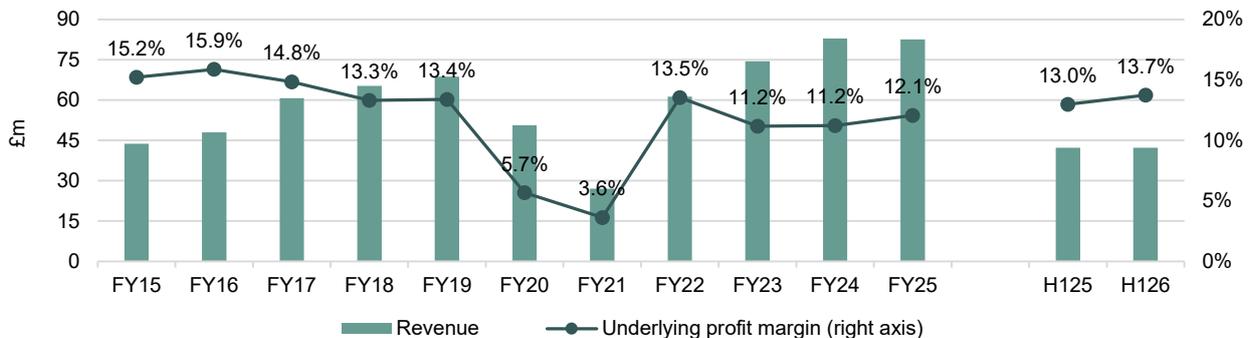


Source: Shepherd Neame, Edison Investment Research

Retail Pubs and Hotels

This division comprises SHEP's directly managed pubs, which typically offer a combination of premium drinks, food and accommodation, positioned in the higher-value segment of the UK pub markets. It is the largest division from a revenue perspective and has been the greatest contributor to the company's growth. However, its profitability in absolute and percentage terms is lower than Tenanted Pubs (see below) as it bears all the operating costs of running the sites.

Exhibit 2: Retail Pubs and Hotels summary financials

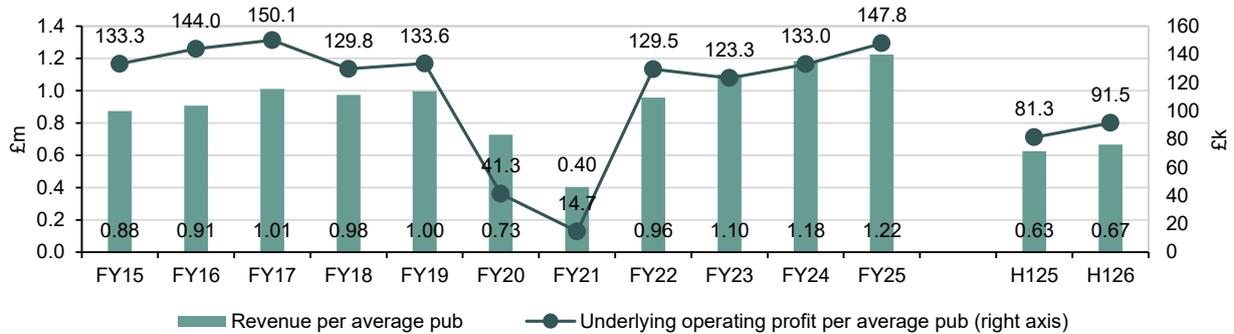


Source: Shepherd Neame, Edison Investment Research

The growth of the division has been driven by sustained capital investment and repositioning toward premium hospitality, which has allowed pubs to transition from tradition drink-led venues to destinations for hospitality. Despite the long-term pressures on alcohol consumption, SHEP has reported like-for-like (l-f-l) growth in drinks sales in every financial year since FY11, except for the COVID-affected years of FY20 and FY21, which is testimony to the appeal of the brands and the estate. The H126 results highlighted the division is trading well with 4.5% l-f-l revenue growth, including 5.6% growth in drinks sales and 4.3% growth in food.

Despite the more favourable demand dynamics and investment, profitability has been pressured in recent years by elevated levels of cost inflation in energy, food inputs and logistics following the COVID-19 pandemic and start of the Ukraine conflict. The greatest pressure has come from staff costs (the most significant operating cost), with higher-than-average increases in the National Living Wage in response to wider inflation pressures. For the group as whole, the pressures are clear with the staff costs-to-sales ratio increasing from c 23% in FY19 to 25% in FY24 and 26% in FY25. SHEP has been able to offset some of these cost pressures with selective price increases, operational efficiencies and continued premiumisation of the offer. Naturally, lower cost inflation would be helpful in growing underlying profitability, which remains below pre-COVID-19 levels. Despite these recent challenges, management has delivered a long-term increase in the revenue and profit generated per pub.

Exhibit 3: Retail Pubs and Hotels unit metrics

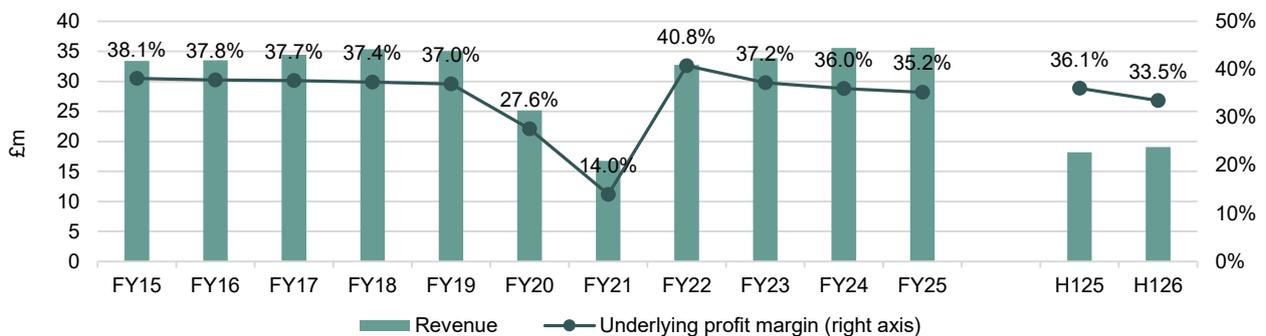


Source: Shepherd Neame accounts, Edison Investment Research

Tenanted Pubs

The tenanted pub estate represents a complementary and relatively low-risk component of the operating model. SHEP owns the property and operational responsibility rests with the independent tenants, who pay rent to and typically purchase all their beverages from SHEP. The typical characteristics of a tenanted pub versus a managed pub are a larger pub with higher revenue, more rural, more seasonal and more food-led, meaning it requires more staff and, therefore, more hands-on management to run them economically. SHEP is less exposed to operating cost inflation in these pubs than in its managed estate and, therefore, the resulting operating margin has been relatively stable over the long-term.

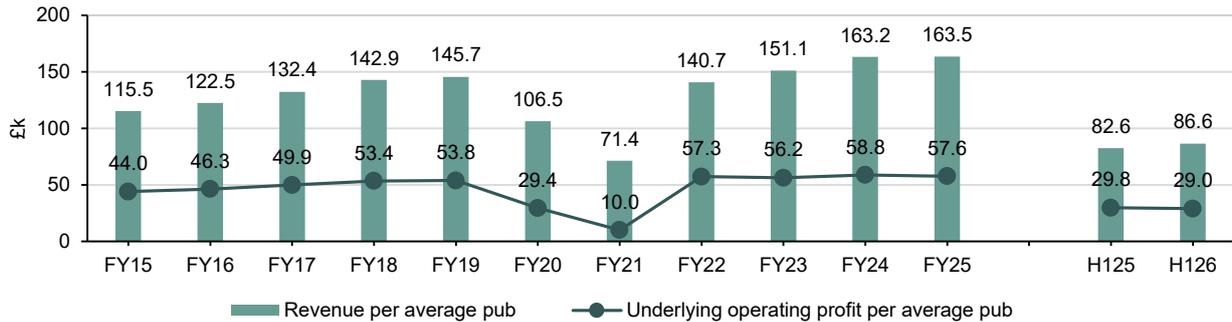
Exhibit 4: Tenanted Pubs summary financials



Source: Shepherd Neame, Edison Investment Research

Changes in the size of the estate, which has been on a downward trend over the long-term, has been driven primarily by portfolio optimisation and targeted investment in properties with strong trading potential, typically to broaden their revenue streams and improve profitability. The strategy has delivered a general long-term increase in the revenue and underlying profit per average pub.

Exhibit 5: Tenanted Pubs operating metrics



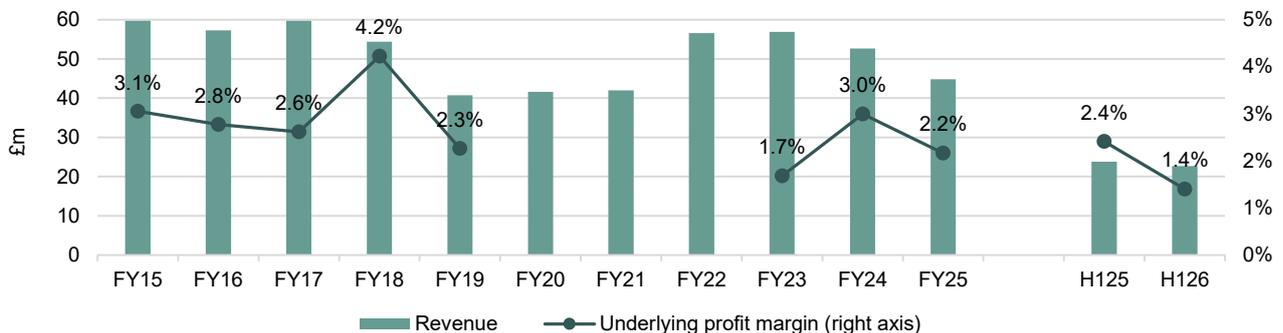
Source: Shepherd Neame, Edison Investment Research

Brewing and Brands

SHEP brews and distributes a portfolio of traditional and modern beers, including well-known brands such as Spitfire, Bishop’s Finger and Whitstable Bay. In addition to its proprietary brands, it produces international beers under licence, including the premium Thai lager, Singha. Historically, brewing was the core of the business, with beer distributed through both the pub estate and external customers across on-trade and off-trade channels. However, the long-term structural decline of traditional cask ales and the rise of craft breweries and international brands has intensified competition. SHEP has responded by diversifying its portfolio of brands in order to appeal to younger consumers. It benefits from a structural advantage compared to many independent breweries with guaranteed distribution through its own pub estate.

Margins across the sector have been under pressure due to cost inflation in raw materials and energy, which has resulted in a number of SHEP’s quoted peers selling their breweries. Therefore, over the long-term, the division has mainly reported a decline in revenue and has low levels of profitability. From FY15–25, the CAGRs for revenue and underlying operating profit have been c -3% and c -6%, respectively. At c 4% of SHEP’s FY25 underlying profit before central costs the division’s contribution is not material to the group.

Exhibit 6: Brewing and Brands summary financials



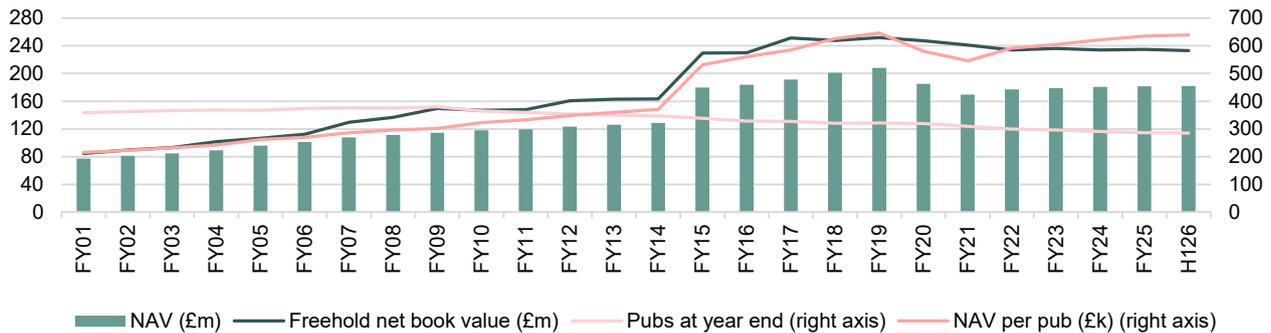
Source: Shepherd Neame, Edison Investment Research. Note: FY20–22 losses are excluded.

Balance sheet has strong asset backing

One of the defining characteristics of SHEP is the strength of the balance sheet, which is underpinned by a large portfolio of freehold properties that have typically represented 85% or more of the estate over the long term. The leasehold pubs are mainly in Central London. Our analysis of the managed and tenanted estates has indicated that management’s strategy has delivered both higher revenue and underlying profit per pub over the long-term against a background of a gradual reduction in the number of pubs.

Exhibit 7 shows that, over the long-term, the estate’s higher profitability has been rewarded with a 4% CAGR in the freehold value and NAV from FY01–25 and a 5% CAGR in the NAV per pub.

Exhibit 7: Shepherd Neame's freehold and net assets



Source: Shepherd Neame, Edison Investment Research

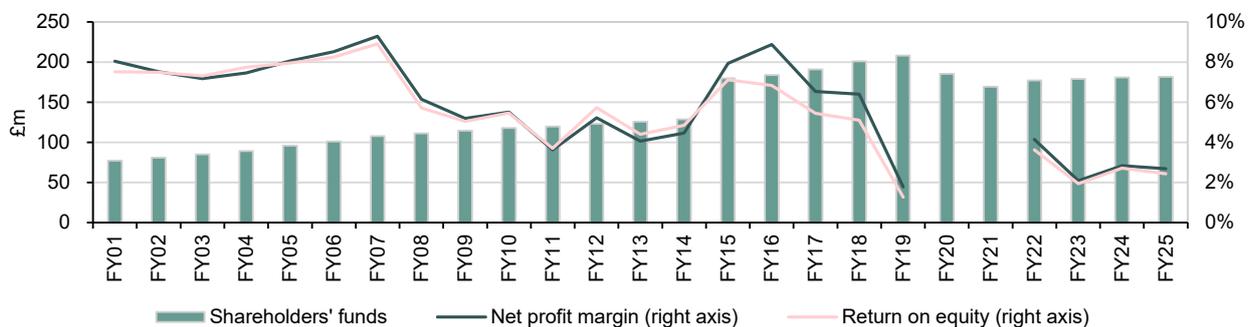
All three metrics peaked in FY19 but they have been on an improving trend to a greater or lesser extent as revenue has recovered following the pandemic. Despite the lower profitability, not helped by the adoption of IFRS, H126's NAV per pub of £639k was at a modest 1% discount to FY19's c £646k.

SHEP carries out a revaluation of its estate every four years, with an initial assessment performed internally by its professionally qualified valuers and a sample subsequently appraised by external valuers. The last valuation was completed in FY25 and indicated a surplus over book value of c £53m, equivalent to £3.56 per share.

The freehold value is comfortably higher than the NAV, indicating the company operates with a meaningful level of leverage, with net debt excluding leases at £81–96m since FY19 and IFRS 16 liabilities of c £50m at the end of H126. Gross debt grew through the COVID-19 pandemic as SHEP was the only quoted pub company not to issue equity and has since remained higher than targeted as the estate required some catch-up capital investment, which was managed carefully during the pandemic. Management is confident free cash generation will lead to a reduction in the gross debt profile to its target of 3x EBITDA on a pre-IFRS 16 basis. For FY25, this would have equated to £64.5m versus the actual position of £83.7m.

The strong asset backing combined with the pressures on profitability have led to a deterioration in the company's post-tax return on equity.

Exhibit 8: Return on equity and drivers



Source: Shepherd Neame, Edison Investment Research. Note: FY20 and FY21 excluded because of the COVID-19 pandemic.

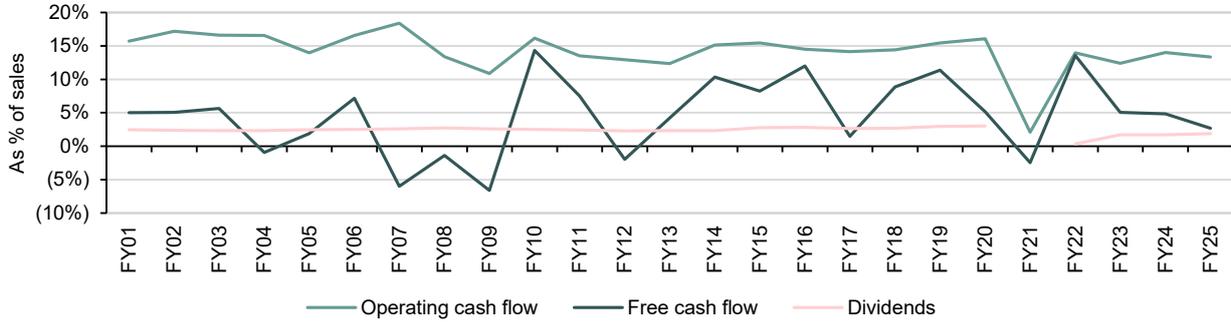
Cash flow: Investing in the estate and shareholder returns

SHEP's operating cash flow as percentage of revenue has been in the mid-teens over the long-term, with the recent move down to c 12–14% reflecting the inflationary cost pressures on margins. Free cash flow has been a little more variable, mainly due to the fluctuations in capital investment. We should highlight that, post-FY20, there are some minor comparability issues versus before FY20 as we include the capital repayments of lease liabilities in our calculation of free cash flow.

Shareholders have typically been rewarded with progressive dividends, except in FY20 and FY21 when no dividends were declared, which was not unusual during the pandemic, and these have been covered by free cash flow in most years.

With the H126 results, management updated its capital allocation policy. In descending order of priority, cash generated will be deployed in: core spending to maintain the pub estate in good condition; dividends; capital spending for developing and enhancing the estate; and share buybacks, which recognises the current significant discrepancy between the company's market value and NAV.

Exhibit 9: Cash generation and uses



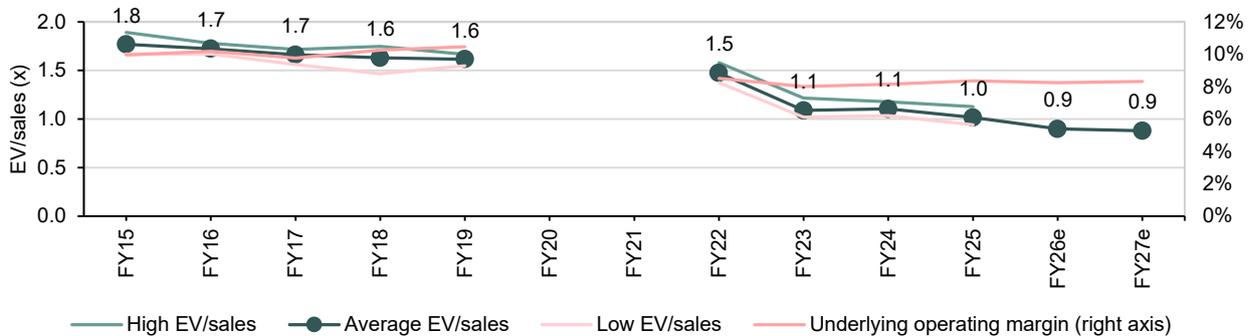
Source: Shepherd Neame, Edison Investment Research

Valuation: Attractive on all measures

Looking at SHEP's current valuation from a long-term perspective is complicated a little by the highlighted changes in accounting standards and the change to the company's share capital structure in FY14 when the previous A and B shares were combined into a single class of ordinary shares. The family-owned B shares had no publicly quoted market value as they were traded via a private auction. Therefore, it is not possible to calculate a comparable market value and enterprise value under the different equity structures. In the exhibits below we show SHEP's prospective FY26 and FY27 valuations versus its historic high, average (figure quoted) and low multiples for each of the reported years. We have excluded the COVID-19-affected years, where relevant. There is a very clear picture that the challenging environment and lower return on equity of the last few years has weighed on the valuation and the share price is currently trading on prospective multiples that are well below prior multiples. The dividend yield is also higher than it has been over this timeframe.

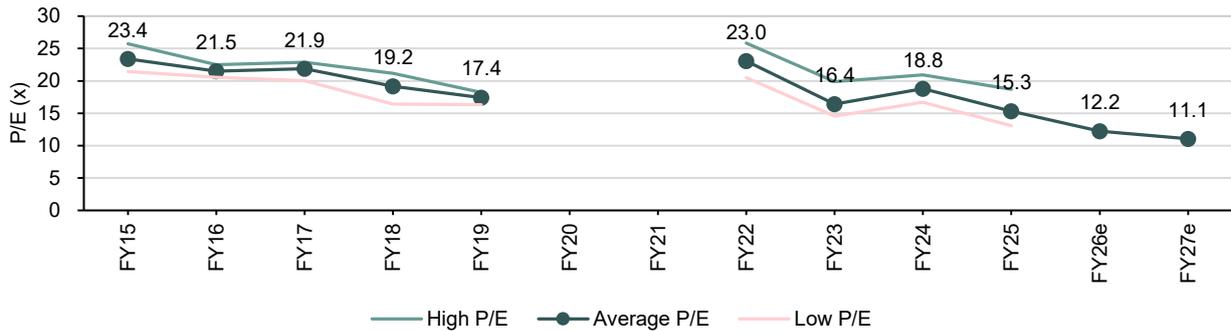
In our calculation of enterprise value we have excluded IFRS 16 liabilities that were first reported in FY20 in order to have the longer-term perspective.

Exhibit 10: Shepherd Neame's EV/sales versus profitability



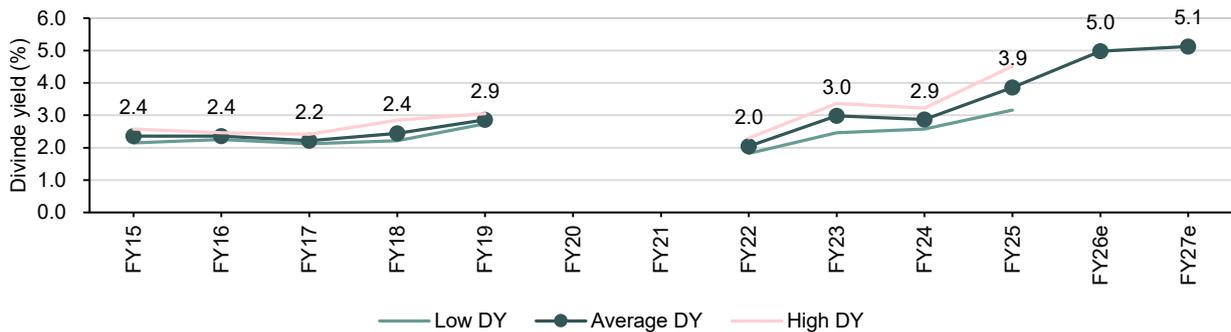
Source: Shepherd Neame, Edison Investment Research, LSEG Data & Analytics

Exhibit 11: Shepherd Neame's P/E multiple



Source: Shepherd Neame, Edison Investment Research, LSEG Data & Analytics

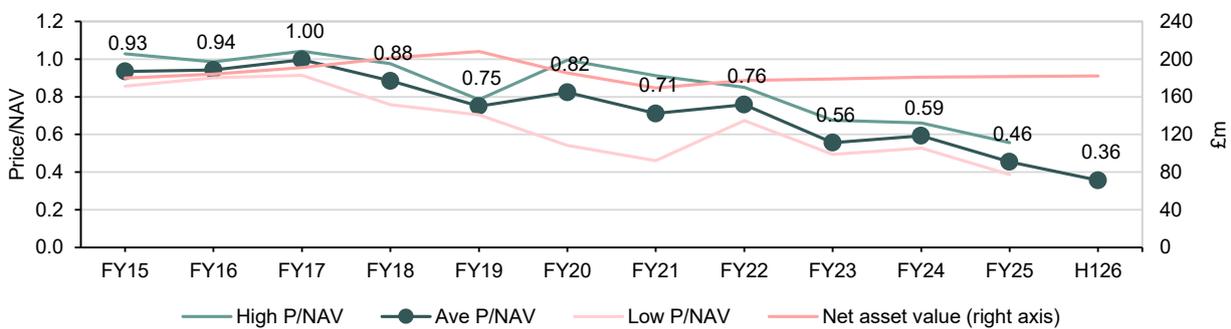
Exhibit 12: Shepherd Neame's dividend yield



Source: Shepherd Neame, Edison Investment Research, LSEG Data & Analytics

Moving to the asset-based valuation, having traded at a modest discount to NAV from FY15–17, the discount has increased significantly in recent years such that it is now at its greatest ever discount of 64% versus H126's NAV of c £182m. The higher discount seems unwarranted given the improvement in the NAV following the COVID-19 pandemic.

Exhibit 13: Shepherd Neame's price-to-NAV multiple



Source: Shepherd Neame, Edison Investment Research, LSEG Data & Analytics

Relative to its quoted peers, SHEP is projected to generate lower revenue and profit growth, while trading at the greatest discount to NAV and offering the highest dividend yield. All figures are annualised to SHEP's June financial year.

Exhibit 14: Peer valuation

	Share price (£)	Market value (£m)	Enterprise value (£m)	Sales growth (%)		EBIT margin		EPS growth (%)		EV/sales (x)		P/E (x)		Dividend yield (%)		Premium/ (discount) to NAV (%)
				June '26	June '27	June '26	June '27	June '26	June '27	June '26	June '27	June '26	June '27	June '26	June '27	
Fuller Smith & Turner PLC	6.50	205	407	5	4	11.2	11.3	21	9	1.0	1.0	14.8	13.6	3.3	3.5	(50)
J D Wetherspoon PLC	5.56	613	1,764	4	5	6.0	6.3	5	12	0.8	0.8	11.0	9.8	2.2	2.2	83
Marston's PLC	0.52	332	1,546	2	2	18.0	18.2	18	11	1.7	1.7	5.9	5.3	N/A	N/A	(58)
Mitchells & Butlers PLC	2.56	1,535	2,799	4	3	11.8	11.8	6	6	1.0	1.0	8.2	7.7	N/A	N/A	(45)
Young & Co's Brewery PLC	7.35	426	737	4	4	14.0	14.0	4	7	1.4	1.4	11.3	10.6	3.3	3.5	(46)
Average				4	4	12.2	12.3	11	9	1.2	1.2	10.3	9.4	2.9	3.1	(23)
Median				4	4	11.8	11.8	6	9	1.0	1.0	11.0	9.8	3.3	3.5	(46)
Shepherd Neame Ltd	4.45	66	201	1	2	8.2	8.3	0	10	1.2	1.2	12.2	11.1	5.0	5.1	(64)

Source: LSEG Data & Analytics

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