Greggs

H126 results

Retail

30 July 2026

Share gains continue with strong profit growth

Once again, there is a clear message in Greggs' H126 results of outperformance in a challenging market, with menu innovation, its value proposition and growing distribution as key drivers in growing share. There was a general improvement in trading in company-managed stores through H126, albeit volumes are still declining. An easy comparative from H125, cost control, the phasing of cost inflation and good growth in grocery, helped to drive a strong increase in profit. Management's outlook for cost inflation in FY26 has reduced, along with the expected rate of new store openings as they focus on fewer new stores with better returns while the environment remains challenging. The company has past peak investment and has reduced its required capital requirements for the year. This provides potential greater flexibility to consider shareholder returns beyond the ordinary dividend, which is constrained by earnings cover.

Year end	Revenue (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
12/24	2,014.4	189.8	1.37	0.69	14.6	3.4
12/25	2,151.2	171.9	1.23	0.69	16.3	3.4
12/26e	2,305.8	172.9	1.24	0.69	16.1	3.4
12/27e	2,468.2	179.5	1.29	0.69	15.5	3.4

Note: PBT and fully diluted EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Improved trading and more favourable costs

Revenue increased by 7.2% in H126 with like-for-like growth in company-managed stores of 2.1% There is an obvious improvement in trading in company-managed stores through H126 with two-year growth rates of 3.3% for the first nine weeks, 5.5% in the first 19/20 weeks and 4.8% growth for H126. In the results meeting, management highlighted that trading in July is better than expected. The company had an easy comparative from H125 when operating profit declined by 7% due to high temperatures in June and poor weather in January that negatively affected trading. Management believes that in addition to more appropriate product ranges for the recent hot weather and appropriate staff levels for lower volumes, the business has proven to be more resilient. Underlying operating cost inflation in H126 was quantified at 2.2% in H126, better than expected, which helped to drive a c 22% increase in operating profit.

Management's expectations for the year unchanged

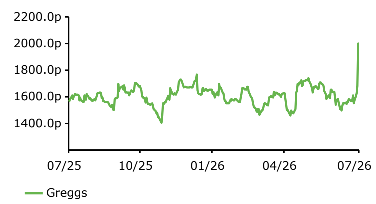
Management has reduced the expected space expansion plans for FY26 to 100–110 net new store openings as well as 10 new 'Greggs Express' trail convenience stores, versus the prior target of 120 new net openings. This is accompanied by a reduction in expected underlying cost inflation to 2% from 3% previously, due to more favourable food and packaging costs. Management believes there is potential for inflation to increase later in the year as a delayed response to the Middle East conflict. As a result, management's expectations for FY26's profit outcome are unchanged, ie for limited profit growth. We make no changes to our forecasts.

Valuation attractive in historical context

Prospective P/E multiples look attractive versus the long-term average multiple from FY13–25 of 17.8x.

Price	**2,002.00p**
Market cap	**£2,047m**
Net cash at 27 June 2026 excluding IFRS 16 liabilities of c £454m	£15.9m
Shares in issue	102.3m
Code	GRG
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	21.6	32.8	33.6
52-week high/low		1,757.7p	1,362.8p

Business description

Greggs is the leading UK 'food-on-the-go' retailer. It uses vertical integration to offer differentiated products at competitive prices. Its ambition is to grow revenue to £2.4bn by FY26.

Next events

Q326 trading update	1 October 2026
Q426 trading update	14 January 2027

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Edison profile page

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Multiple drivers to a rebound in H126 profitability

A key focus of management's presentation was to highlight how unusual the trading and operating performance was in H125, when operating profit fell in absolute and percentage terms. In addition, management highlighted how the dynamics of the company's profitability remain in place with good growth in both H126 versus H125, with H126's £86.5m operating profit being c 14% higher than H124's £75.8m and c 23% higher than H125's £70.4m.

Exhibit 1: Summary income statement

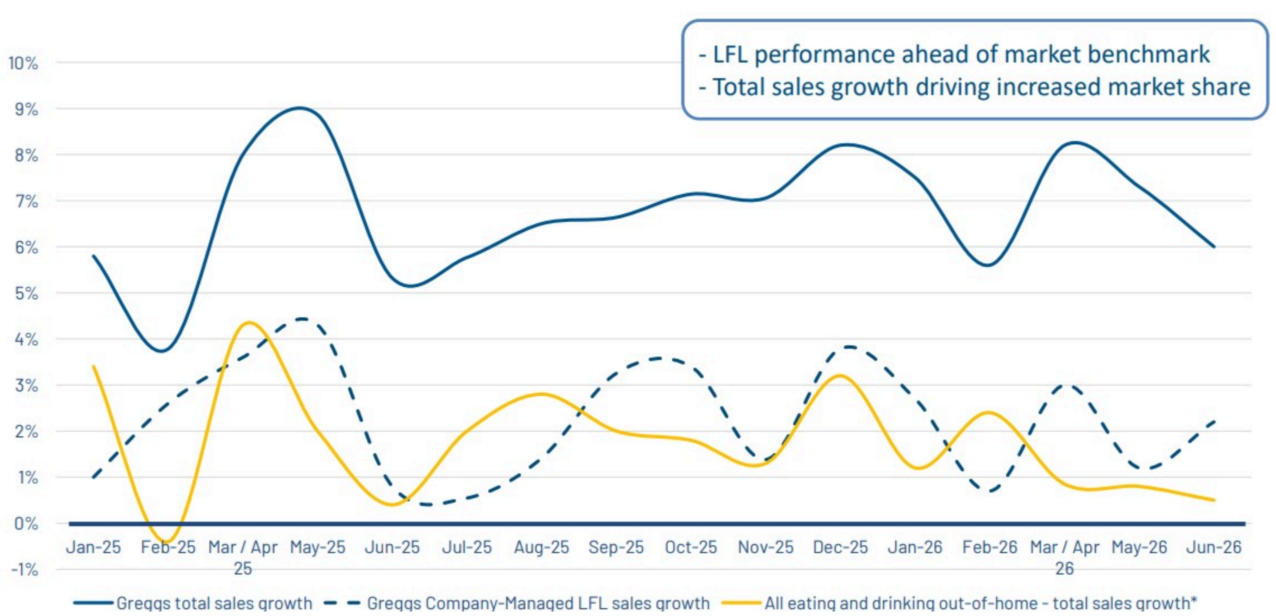
£m	H124	H125	H126
Revenue	**960.6**	**1,027.0**	**1,101.5**
Growth y-o-y	13.8%	6.9%	7.2%
- Company-managed stores	851.2	911.4	964.0
Growth y-o-y	12.6%	7.1%	5.8%
- Business-to-business	109.4	116.3	137.5
Growth y-o-y	24.0%	6.3%	18.2%
Gross profit	**590.9**	**631.7**	**683.1**
Gross margin	61.5%	61.5%	62.0%
Distribution and selling costs	(465.4)	(510.8)	(539.9)
As % of sales	48.4%	49.7%	49.0%
Administrative expenses	(49.7)	(50.5)	(56.7)
As % of sales	5.2%	4.9%	5.1%
Operating profit	**75.8**	**70.4**	**86.5**
Margin	7.9%	6.9%	7.9%
Net finance costs	(2)	(7)	(11)
Exceptionals	0	0	0
Reported profit before tax	**74.1**	**63.5**	**76.0**
Tax	(19.0)	(17.0)	(19.8)
Tax rate	25.6%	26.8%	26.1%
Reported profit after tax	**55.1**	**46.5**	**56.2**
Underlying EPS fully diluted (p)	32.4	45.4	54.9
DPS - ordinary (p)	19.0	19.0	19.0

Source: Greggs

The drivers to H126's revenue growth include 2.1% l-f-l growth in company-managed stores, 1.3% l-f-l growth in franchise shops in addition to net new store openings and the rollout of products to Tesco and Iceland. Greggs added a net 34 new stores in H126, taking the period-end increase to just under 5% y-o-y in absolute terms.

Management's presentation also highlighted that Greggs has relatively consistently outperformed the market on an underlying basis, even more so when the growth in space is taken into account.

Exhibit 2: Market share gains



Source: Greggs H126 presentation

From a cost perspective, management has reduced its guidance for underlying cost inflation to c 2% from 3% previously, mainly as a result of lower-than-expected food and packaging costs. H226 will bear incremental operating costs of £10m as the new facility in Derby will begin operations as well as the further delivery of structural cost savings of £4m on top of the £7m delivered in H126.

Improving cash flow generation and financial position

A combination of higher operating profit and lower capital led to a significant improvement in free cash flow on an absolute basis and relative to revenue.

Exhibit 3: Summary cash flow and balance sheet

As % of sales:	H125	H126
Operating cash flow	11.9%	13.0%
Operating profit	6.9%	7.9%
Net profit	4.5%	5.1%
Depreciation, amortisation and impairments	7.8%	8.1%
Working capital	(0.1%)	(0.9%)
Tax paid	(2.1%)	(1.3%)
Interest paid	(0.8%)	(1.0%)
Capex, intangibles and lease liabilities	(19.9%)	(9.9%)
Free cash flow pre-interest	(4.3%)	7.0%
Cash at end (£m)	22.2	30.9
Net debt/ (cash) excluding leases (£m)	12.8	(15.9)
Net debt/ (cash) including leases (£m)	429.2	438.3

Source: Greggs, Edison Investment Research

Mainly as a result of fewer net new store openings in the year, management has reduced its guidance for capital spend in FY26 to £180m from £200m previously, while keeping guidance for FY27 and FY28 at c £160m, which are all well below FY25's combined spend on fixed and intangible assets of c £285m.

The period-end net cash position, excluding IFRS 16 liabilities, was £15.9m versus a small net debt position of c £13m at the end of H125.

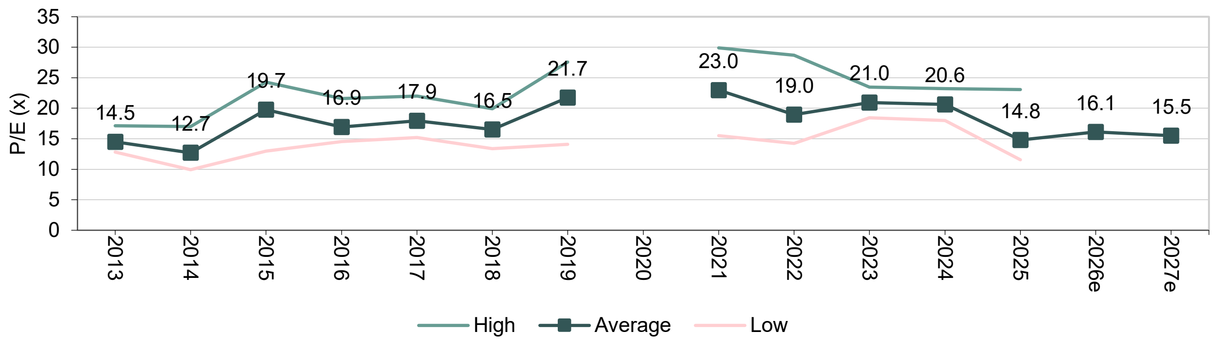
Management's capital allocation targets a year-end cash position of c 3% of revenue to allow for seasonality in working capital before considering additional shareholder returns. Our current forecasts imply year-end cash positions for FY26 of 2.9% and 4.8% for FY27. Historically the company has retained surplus cash through special dividends as well as the ordinary dividend. However, management has indicated it may consider alternatives to special dividends such as share buybacks.

Growth in the ordinary dividend will require earnings upgrades as our projected earnings cover of a flat ordinary dividend of 69p/share in FY6 and FY27 is 1.8x and 1.9x, which are gradually approaching management's targeted cover of 2.0x.

Valuation

Greggs' prospective P/E multiples for FY26 and FY27 look low in the context of its own historic multiples.

Exhibit 4: Greggs' P/E multiple



Source: Greggs, LSEG Data & Analytics, Edison Investment Research.

Exhibit 5: Financial summary

£m	2022	2023	2024	2025R	2026e	2027e
Year-end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	1,512.8	1,809.6	2,014.4	2,151.2	2,305.8	2,468.2
Cost of Sales	(574.5)	(710.5)	(770.8)	(829.1)	(890.9)	(955.9)
Gross Profit	938.3	1,099.1	1,243.6	1,322.1	1,414.9	1,512.3
EBITDA	269.9	299.2	337.4	351.1	373.7	397.3
Operating profit (before amort. and excepts.)	154.4	171.7	195.3	187.5	191.4	197.5
Exceptionals	0.0	20.6	14.1	(3.8)	0.0	0.0
Operating Profit	154.4	192.3	209.4	183.7	191.4	197.5
Net Interest	(6.1)	(4.0)	(5.5)	(15.6)	(18.5)	(18.0)
Profit Before Tax (norm)	148.3	167.7	189.8	171.9	172.9	179.5
Profit Before Tax (FRS 3)	148.3	188.3	203.9	168.1	172.9	179.5
Tax	(28.0)	(41.0)	(48.8)	(46.1)	(44.9)	(46.7)
Profit After Tax (norm)	120.3	126.7	141.0	125.8	127.9	132.8
Profit After Tax (FRS 3)	120.3	142.5	155.1	122.0	127.9	132.8
Average number of shares outstanding (m)	101.5	101.3	101.8	101.9	102.3	102.3
EPS - normalised fully diluted (p)	117.5	123.8	137.5	122.8	124.4	129.1
EPS - (IFRS) (p)	118.5	140.6	152.4	119.7	125.1	129.9
Dividend per share (p)	59.0	102.0	69.0	69.0	69.0	69.0
Gross Margin (%)	62.0	60.8	61.8	61.5	61.4	61.3
EBITDA Margin (%)	17.8	16.5	16.7	16.3	16.2	16.1
Operating Margin (before GW and except.) (%)	10.2	9.5	9.7	8.7	8.3	8.0
BALANCE SHEET						
Fixed Assets	685.1	825.2	1,076.8	1,288.1	1,368.9	1,414.6
Intangible Assets	13.5	18.3	24.9	43.0	52.1	59.0
Tangible Assets	390.0	510.3	664.7	832.1	888.4	911.7
Right-of-Use Assets	281.6	296.6	387.2	413.0	428.5	443.9
Other	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets	283.0	297.9	242.9	195.9	201.1	261.1
Stocks	40.6	48.8	55.2	55.7	59.9	64.2
Debtors	50.2	53.8	62.4	69.4	74.4	79.6
Cash	191.6	195.3	125.3	70.8	66.9	117.3
Other	0.6	0.0	0.0	0.0	0.0	0.0
Current Liabilities	(244.1)	(272.5)	(310.2)	(347.7)	(370.1)	(393.8)
Creditors	(191.7)	(216.0)	(253.0)	(274.9)	(295.0)	(316.4)
Leases	(48.8)	(52.5)	(53.8)	(62.5)	(64.8)	(67.2)
Short-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Other	(3.6)	(4.0)	(3.4)	(10.3)	(10.3)	(10.3)
Long-Term Liabilities	(284.3)	(326.3)	(439.0)	(511.1)	(499.2)	(512.3)
Long-term borrowings	0.0	0.0	0.0	(25.0)	0.0	0.0
Leases	(252.5)	(267.1)	(361.3)	(387.3)	(400.4)	(413.5)
Other long-term liabilities	(31.8)	(59.2)	(77.7)	(98.8)	(98.8)	(98.8)
Net Assets	439.7	524.3	570.5	625.2	700.7	769.5
CASH FLOW						
Operating Cash Flow	272.3	333.0	352.6	378.5	389.6	414.1
Net Interest	(6.1)	(4.2)	(6.3)	(15.2)	(18.5)	(18.0)
Tax	(13.3)	(11.9)	(27.7)	(31.5)	(44.9)	(46.7)
Capex	(100.8)	(197.3)	(224.8)	(284.5)	(180.0)	(160.0)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing	3.1	3.6	4.7	1.6	1.6	1.6
Dividends	(98.5)	(60.8)	(106.8)	(70.3)	(70.6)	(70.6)
Borrowings and lease liabilities	(52.7)	(53.7)	(56.7)	(38.3)	(67.6)	(70.1)
Other	(11.0)	(5.0)	(5.0)	0.0	0.0	0.0
Net Cash Flow	(7.0)	3.7	(70.0)	(59.7)	9.6	50.4
Opening cash	198.6	191.6	195.3	117.0	57.3	66.9
Other	0.0	0.0	0.0	0.0	0.0	0.0
Closing cash	191.6	195.3	125.3	57.3	66.9	117.3
Closing net debt/(cash)	(191.6)	(195.3)	(125.3)	(45.8)	(66.9)	(117.3)
Closing net debt/(cash) including leases	109.7	124.3	289.8	404.0	398.4	363.4

Source: Greggs, Edison Investment Research. Note: * restated

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