

Greggs

Sales growth slows as the country bakes

Greggs' H125 trading update showed sales growth slowed in June as high temperatures affected footfall and purchasing patterns. Although the company benefits from sales of cold drinks, including its own over-ice drinks that are in only part of the estate and third-party drinks, there is both an overall volume and a gross margin impact versus other products that have sold less well. Therefore, following challenging weather conditions in January and June and with hotter weather forecast in July, management anticipates FY25 operating profit could be modestly lower than reported in FY24. We reduce our FY25 profit estimate by c 10%.

Year end	Revenue (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
12/23	1,809.6	167.7	1.24	1.02	14.1	5.9
12/24	2,014.4	189.8	1.37	0.69	12.7	4.0
12/25e	2,170.0	174.8	1.26	0.63	13.9	3.6
12/26e	2,354.7	186.4	1.34	0.67	13.0	3.8

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

Hot weather lowers demand in June 2025

Greggs' revenue grew by 6.9% to £1,027m in H125 (26 weeks to 28 June 2025), which includes like-for-like growth in company-managed stores of 2.6%, lower than the respective growth rates of 7.4% and 2.9 % for the first 20 weeks of the year. We believe sales across the estate in June varied depending on their location – for example, those in areas that benefit from air conditioning, such as in shopping centres, have fared better than others. We would highlight that June represents the second month of H125 that has been negatively affected by 'unusual' weather, with storms in January that led to store closures in parts of the country, and June's hot weather has continued into July. Growth was helped by the opening of 31 net new stores in the period, confirming the typical H2 weighting of space growth to get to 140–150 net new stores for the full year. The overall growth compounds a strong H124 of 13.8% revenue growth, including 7.4% like-for-like growth in company-managed stores. As the company moves through H225, the comparatives ease versus those faced from H124, although like-for-like growth in company-managed stores in Q324 of 5.0% was higher than Q424's 2.5%.

FY25e profit downgrade of 10%

For the full year, management's outlook for cost inflation is unchanged but the phasing of refurbishments and cost recovery initiatives means that profitability will be H2 weighted. Our more cautious estimates for revenue growth and gross margin in FY25 translate through to downgrades for our PBT estimates for FY25 of 8% (to c £175m from c £193m) and FY26 of c 5% (to c £186m from c £197m). The former represents a year-on-year decline of c 8% from FY24, including a c 4% decline in operating profit and higher interest costs as infrastructure investment peaks in FY25.

Valuation: Large discount to historical multiples

The negative share price reaction to the trading update takes the 12-month decline to just under 40% and has led to a significant de-rating. More positive trading news would be more than helpful in improving the prospective FY25 P/E multiple of 13.9x, which is low in a historical context vs the long-term average since FY13 of 18.5x.

H125 trading update

Retail

11 July 2025

Price 1,740.00p
Market cap £1,779m

Net cash at 31 December 2024 £125.3m
Shares in issue 102.3m
Code GRG
Primary exchange LSE
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(12.5)	1.0	(38.0)
52-week high/low		3,162.5p	1,615.3p

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

H125 results	29 July 2025
Q325 trading update	1 October 2025

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Exhibit 1: Financial summary

£m	2022	2023	2024	2025e	2026e
Year-end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	1,512.8	1,809.6	2,014.4	2,170.0	2,354.7
Cost of Sales	(574.5)	(710.5)	(770.8)	(840.8)	(914.7)
Gross Profit	938.3	1,099.1	1,243.6	1,329.2	1,440.0
EBITDA	269.9	299.2	337.4	350.6	384.9
Operating profit (before amort. and excepts.)	154.4	171.7	195.3	187.8	201.4
Exceptionals	0.0	20.6	14.1	0.0	0.0
Operating Profit	154.4	192.3	209.4	187.8	201.4
Net Interest	(6.1)	(4.0)	(5.5)	(13.0)	(15.0)
Profit Before Tax (norm)	148.3	167.7	189.8	174.8	186.4
Profit Before Tax (FRS 3)	148.3	188.3	203.9	174.8	186.4
Tax	(28.0)	(41.0)	(48.8)	(45.4)	(48.5)
Profit After Tax (norm)	120.3	126.7	141.0	129.3	138.0
Profit After Tax (FRS 3)	120.3	142.5	155.1	129.3	138.0
Average number of shares outstanding (m)	101.5	101.3	101.8	102.3	102.3
EPS - normalised fully diluted (p)	117.5	123.8	137.5	125.5	133.9
EPS - (IFRS) (p)	118.5	140.6	152.4	126.5	134.9
Dividend per share (p)	59.0	102.0	69.0	62.8	66.9
Gross Margin (%)	62.0	60.8	61.8	61.3	61.2
EBITDA Margin (%)	17.8	16.5	16.7	16.2	16.3
Operating Margin (before GW and except.) (%)	10.2	9.5	9.7	8.7	8.6
BALANCE SHEET					
Fixed Assets	685.1	825.2	1,076.8	1,294.8	1,370.1
Intangible Assets	13.5	18.3	24.9	32.8	34.7
Tangible Assets	390.0	510.3	664.7	856.0	910.6
Right-of-Use Assets	281.6	296.6	387.2	406.0	424.8
Other	0.0	0.0	0.0	0.0	0.0
Current Assets	283.0	297.9	242.9	157.6	195.6
Stocks	40.6	48.8	55.2	57.8	62.8
Debtors	50.2	53.8	62.4	64.5	70.0
Cash	191.6	195.3	125.3	35.3	62.8
Other	0.6	0.0	0.0	0.0	0.0
Current Liabilities	(244.1)	(272.5)	(310.2)	(356.9)	(379.8)
Creditors	(191.7)	(216.0)	(253.0)	(297.1)	(317.3)
Leases	(48.8)	(52.5)	(53.8)	(56.4)	(59.0)
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Other	(3.6)	(4.0)	(3.4)	(3.4)	(3.4)
Long-Term Liabilities	(284.3)	(326.3)	(439.0)	(455.2)	(471.4)
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Leases	(252.5)	(267.1)	(361.3)	(377.5)	(393.7)
Other long-term liabilities	(31.8)	(59.2)	(77.7)	(77.7)	(77.7)
Net Assets	439.7	524.3	570.5	640.4	714.6
CASH FLOW					
Operating Cash Flow	272.3	333.0	352.6	395.0	399.6
Net Interest	(6.1)	(4.2)	(6.3)	(13.0)	(15.0)
Tax	(13.3)	(11.9)	(27.7)	(45.4)	(48.5)
Capex	(100.8)	(197.3)	(224.8)	(300.0)	(175.0)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Equity financing	3.1	3.6	4.7	4.7	4.7
Dividends	(98.5)	(60.8)	(106.8)	(64.2)	(68.5)
Borrowings and lease liabilities	(52.7)	(53.7)	(56.7)	(62.1)	(65.0)
Other	(11.0)	(5.0)	(5.0)	(5.0)	(5.0)
Net Cash Flow	(7.0)	3.7	(70.0)	(90.0)	27.5
Opening cash	198.6	191.6	195.3	125.3	35.3
Other	0.0	0.0	0.0	0.0	0.0
Closing cash	191.6	195.3	125.3	35.3	62.8
Closing net debt/(cash)	(191.6)	(195.3)	(125.3)	(35.3)	(62.8)
Closing net debt/(cash) including leases	109.7	124.3	289.8	398.6	390.0

Source: Greggs, Edison Investment Research

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