

Smiths News

Positive update, transformation has begun

Smiths News has issued a positive FY26 trading update stating that it expects to deliver FY26 results ahead of market expectations, driven by stronger-than-expected demand for collectables in H2, and that FY27 trading has started positively. We nudge our FY26 adjusted operating profit estimate up by 3%. The company confirmed that its transformational programme to establish a national distribution footprint has begun, with further guidance on the financial effects due with the FY26 results on 4 November against a context of a return on capital above the company's hurdle rate. Our 96p DCF valuation implies over 40% 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
8/26e	1,033.1	38.2	11.19	5.25	6.0	7.8
8/27e	1,000.1	35.1	10.35	5.25	6.5	7.8

Note: PBT is equivalent to adjusted operating profit, EPS are on a company reported, adjusted basis. The company paid a bonus dividend of 3p in FY25.

H226 above expectations, driven by collectables

Smiths News's 29 September post-year-end trading update for FY26 stated that H226 saw stronger-than-expected demand for collectables, resulting in a record contribution from the Men's FIFA World Cup of more than £3m, bolstering the overall performance of the news and magazines business in the period. The timing of international football competitions, such as the FIFA World Cup or UEFA European Championship, typically enhances the group's performance in alternate years. Consequently, the company expects to deliver FY26 results that are ahead of market expectations. We nudge our FY26 adjusted operating profit estimate up by c 3% (Exhibit 1). Management points to a positive start to trading in FY27.

Transformation programme has begun

Smiths News announced transformational contract wins for national distribution (Exhibit 2) in [mid-July](#), [late June](#) and [mid-June](#) and has stated that its programme to establish a national distribution footprint to service the new contract wins, ahead of the first go-live in July 2027, has begun. While this will involve investment, management has stated that the company expects to make a return on capital above the company's hurdle rate, to deliver the network expansion within existing resources, and has confirmed ordinary dividend guidance at or above 5.2p for FY26 and FY27. Smiths News reiterated that further guidance on the financial effects of the programme is expected to accompany the FY26 results on 4 November 2026. We continue to believe that this investment reflects sensible capital allocation given the revenue boost and the scope for the national footprint to benefit from opportunities with existing operations, as discussed in our [May 2026 note](#).

3% upgrade to FY26, 96p/share DCF unchanged

The incremental revenue boost from collectables drives a 3% upgrade to our FY26e adjusted operating profit. Our FY27 adjusted operating profit estimate falls by c 2% to £35.1m (from £35.9m), reflecting a revenue decline inside the usual 3–5% range and slightly elevated fuel costs. Our 96p/share DCF valuation is unchanged. Risks include execution and the potential impact of TGJones store closures.

FY26 trading update

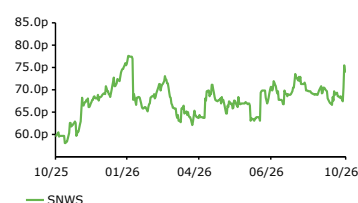
Industrial support services

2 October 2026

Price 67.60p
Market cap £167m

Net cash as at 28 February 2026 £7.8m
Shares in issue 247.7m
Code SNWS
Primary exchange LSE
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(2.9)	(3.7)	25.4
52-week high/low		76.0p	50.0p

Business description

Smiths News is the UK's largest newspaper and magazine distributor with a c 55% market share covering over 22,000 outlets 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

FY26 results 4 November 2026

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Changes to estimates

We make minor changes to our FY26 and FY27 estimates following the trading update. The better-than-expected contribution from the Men's FIFA World Cup within collectables in FY26 of £3m is roughly £1m above our embedded expectations and this drops through to adjusted operating profit in FY26. We nudge our FY27 numbers down slightly to maintain a revenue decline inside the usual 3–5% range and slightly higher distribution expenses given elevated fuel costs combined with frozen charges. We now see FY27 adjusted operating profit of £35.1m (previously £35.9m).

Exhibit 1: Changes to estimates

	FY25	FY26e			FY27e		
£m		Old	New	change	Old	New	change
Revenue	1,064.0	1,032.1	1,033.1	0.1%	1,000.6	1,000.1	-0.1%
Y-o-y % change	-3.6%	-3.0%	-2.9%	-	-3.1%	-3.2%	-
EBITDA - Edison basis	42.1	40.1	41.2	2.7%	38.9	38.1	-2.0%
Y-o-y % change	-1.2%	-4.7%	-2.1%	-	-3.2%	-7.6%	-
EBITDA - Reported pre IFRS 16	40.7	38.6	39.7	2.8%	37.4	36.6	-2.1%
Y-o-y % change	2.5%	-5.1%	-2.5%	-	-3.3%	-7.9%	-
Total adjusted operating profit	39.1	37.1	38.2	2.9%	35.9	35.1	-2.2%
Y-o-y % change	0.0%	-5.0%	-2.3%	-	-3.4%	-8.2%	-
PBT adjusted, company basis	35.8	34.4	35.5	3.1%	33.6	32.8	-2.3%
Y-o-y % change	5.0%	-3.8%	-0.8%	-	-2.6%	-7.7%	-
EPS - adjusted company basis (p)	11.1	10.9	11.2	3.0%	10.6	10.3	-2.3%
Y-o-y % change	9.7%	-2.5%	0.5%	-	-2.5%	-7.5%	-
DPS (p)	8.6	5.3	5.3	0.0%	5.3	5.3	0.0%
Y-o-y % change	19.6%	-38.6%	-38.6%	-	0.0%	0.0%	-
Net cash/(debt) (pre IFRS 16)	3.3	5.6	6.4	14%	32.4	32.6	0.6%
Y-o-y % change	N/A	N/A	N/A	-	N/A	N/A	-

Source: Edison Investment Research

96p DCF valuation unchanged

The minor changes to our forecasts result in no change to our DCF valuation, which remains at 96p/share.

National contract wins

Exhibit 2: National contract wins

Publisher/distributor	Key titles/distribution activity	Announcement date	Coverage	Estimated incremental 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.'

Source: Edison Investment Research, company data

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	1,033.1	1,000.1
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)	(928.1)
Gross Profit		86.0	73.1	73.4	72.7	72.5	73.2	75.1	74.8	72.0
EBITDA		60.1	40.4	44.9	42.9	42.7	42.6	42.1	41.2	38.1
Normalised operating profit		44.0	35.4	40.6	39.3	39.9	40.0	39.1	38.2	35.1
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	38.2	35.1
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)	(2.0)	(2.0)
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	36.2	33.1
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	35.5	32.8
Profit Before Tax (reported)		30.3	14.8	30.6	27.9	31.8	34.1	37.9	33.5	30.8
Reported tax		(8.4)	(2.8)	(4.3)	(4.5)	(6.7)	(8.6)	(9.6)	(8.4)	(7.7)
Profit After Tax (norm)		29.6	25.4	27.6	27.8	26.7	25.5	26.2	27.1	25.1
Profit After Tax (reported)		21.9	12.0	26.3	23.4	25.1	25.5	28.3	25.1	23.1
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	27.1	25.1
Net income (reported)		(31.5)	(6.7)	26.2	23.4	25.1	25.5	28.3	25.1	23.1
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	11.19	10.35
EPS - diluted normalised (p)		11.98	10.28	10.83	11.03	10.68	10.16	10.47	10.84	10.03
EPS - basic reported (p)		(12.78)	(2.74)	10.76	9.81	10.58	10.61	11.67	10.37	9.52
EPS - adjusted, company basis (p)		11.45	9.59	10.32	10.20	10.24	10.28	11.14	11.19	10.35
Dividend (p)		1.00	0.00	1.50	4.15	4.15	7.15	8.55	5.25	5.25
Revenue growth (%)		N/A	-10.7%	-4.7%	-1.8%	0.2%	1.1%	-3.6%	-2.9%	-3.2%
Gross Margin (%)		6.6%	6.3%	6.6%	6.7%	6.6%	6.6%	7.1%	7.2%	7.2%
EBITDA Margin (%)		4.6%	3.5%	4.0%	3.9%	3.9%	3.9%	4.0%	4.0%	3.8%
Normalised Operating Margin (%)		3.4%	3.0%	3.7%	3.6%	3.7%	3.6%	3.7%	3.7%	3.5%
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	124.8	147.2
Stocks		16.2	14.1	13.2	15.6	17.7	18.0	12.6	14.5	14.0
Debtors		124.2	101.2	106.6	95.7	101.1	106.2	103.4	101.2	98.0
Cash & cash equivalents		24.0	50.6	19.3	35.3	37.3	7.0	8.2	8.2	34.3
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)	(132.7)	(146.1)
Creditors		(173.7)	(139.5)	(136.5)	(140.3)	(141.5)	(128.5)	(127.2)	(126.6)	(140.0)
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)	(21.6)	(15.1)
Long-term borrowings		(49.3)	0.0	(50.1)	(39.1)	(30.2)	(17.6)	(1.7)	1.4	1.4
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	22.5
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	22.5
CASH FLOW										
Op Cash Flow before W/C and tax		60.1	40.4	44.9	42.9	42.7	42.6	42.1	41.2	38.1
Working capital		(3.9)	(5.3)	(1.8)	2.8	(5.5)	(18.4)	4.6	(0.4)	17.2
Exceptional & other		(7.7)	(13.4)	(1.3)	(4.4)	(1.6)	(0.0)	2.1	(2.0)	(2.0)
Tax		(2.6)	0.0	(6.3)	(5.3)	(6.6)	(8.5)	(8.8)	(8.4)	(7.7)
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	38.1	53.1
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)	(12.6)
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	26.1
Opening net debt/(cash)		79.3	72.1	79.7	53.2	14.2	4.2	11.0	(3.3)	(6.4)
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)	(6.4)	(32.6)

Source: Edison Investment Research, company data

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