

Greggs

Successful strategy offers further potential

Given Greggs' long track record of strong cash generation and the success of the 2013 strategic plan to date, it seems reasonable to look beyond the short-term impacts of input cost rises and government-imposed cost increases to the benefits expected from the current investment programmes. Employing a DCF model to do precisely that, we generate a valuation of 1,226p per share.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/15	835.7	73.0	57.3	28.6	17.4	2.9
12/16	894.2	80.3	62.0	31.0	16.1	3.1
12/17e	944.2	80.8	63.4	32.2	15.8	3.2
12/18e	1,000.9	83.9	66.6	34.2	15.0	3.4

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items but including share-based payments.

Strong FY16

We did not change our estimates following the Q416 trading update in January 2017 but noted potential upside of £1-2m in our FY16 PBT estimate of £77.2m. Greggs outperformed this expectation, delivering pre-exceptional FY16 PBT of £80.3m. After £5.2m of exceptional charges relating to the restructuring of the supply chain, statutory PBT was £75.1m (FY15: £73.0m). Despite a sharp increase in investment, net cash increased modestly to £46m from £42.9m.

Headwinds in FY17e

Greggs has been warning for some time that it would face margin pressures in FY17e. The decline in sterling's value and increases in underlying commodity prices are negative for gross margins. The National Living Wage and Apprenticeship Levy add to expenses. However, Greggs expects to be a beneficiary of rates revaluation. Nevertheless, although we have edged up our FY17 estimates to reflect the stronger-than-expected performance in FY16, we project little growth in earnings this year.

Valuation: Longer-term cash flow potential

Based on the low growth that we model in FY17e, Greggs' PEG ratio in that year is 7.1, which, one could argue, makes the shares appear expensive. We view that as too short-term an assessment, especially given Greggs' long track record of profit growth. When one looks beyond the near-term margin pressures and the investment peak of the next two years, there is potential for Greggs to return to its traditional strong net cash generation. That will fuel further growth and special dividends. It also underpins our DCF valuation of 1,226p per share.

Preliminary results

Retail

6 March 2017

Price 999.00p
Market cap £1011m

Net cash (£m) at 31 December 2016	46.0
Shares in issue	101.2m
Free float	100%
Code	GRG
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(0.3)	10.7	(13.3)
Rel (local)	(2.8)	1.2	(27.1)
52-week high/low	1158.0p	884.0p	

Business description

With over 1,760 shops, nine regional bakeries and 19,500 employees, Greggs is the UK's leading 'bakery food-on-the-go' retailer. It utilises vertical integration to offer differentiated products at competitive prices.

Next event

Q1 update	May 2017
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Investment summary

Company description: Adapting to change

Greggs owns and operates a vertically integrated supply chain for bakery food-to-go products, from production through distribution to point of sale. The 'bakery' heritage remains important, indeed critical, to certain product ranges, but the food-to-go dimension is gaining in importance.

Consumers' lifestyles have changed substantially since Greggs floated in 1984 and it has adapted accordingly. Bakery staples such as bread and rolls, once a quarter of the business, now represent a small single-digit percentage of sales. They have been replaced by pastry savouries, sandwiches, salads, hot drinks (especially coffee), cold drinks, pizza slices and soup, among other 'takeaway' items. Breakfast has become an important trading day-part. Locations are changing too, with a move away from traditional high streets and towards travel and workplace locations. Nine bakeries service over 1,760 shops, a total that management aims to increase to more than 2,000.

Valuation: Upside remains

The valuation ratios shown on page 1 do not, at a glance, appear unreasonable. However, those ratios fail to capture the potential for special dividends and Greggs' strong cash generation. We therefore value Greggs using a DCF model and derive a value of 1,226p per share, a c 3% increase from our previous valuation of 1,189p. The exercise recognises the slow growth that we model for the next two years but also incorporates the subsequent recovery and the passing of the near-term capex peak.

Financials: Small upgrade to FY17e

FY16 PBT was better than we had expected. Trading through the first eight weeks of FY17e are in line with management's expectations. Greggs continues to warn of cost pressures, most notably on food ingredient costs and payroll. Reflecting the higher starting point and the margin concerns, our FY17e estimate has changed as shown in Exhibit 1. We also introduce our FY18 estimates that model 6.0% and 3.8% increases in revenue and net profit respectively.

Exhibit 1: Summary estimate changes

	EPS			PBT			EBITDA		
	Old	New	% change	Old	New	% change	Old	New	% change
2017e	62.3	63.4	1.7%	80.0	80.8	1.0%	126.1	131.4	4.2%
2018e		66.6			83.9			138.3	

Source: Greggs, Edison Investment Research

Sensitivities: Consumer spending is central

Unsurprisingly, as a vertically integrated business, Greggs is highly leveraged operationally. What happens in the consumer economy over the next couple of years could change our modelled results materially – unfortunately, it is impossible to assess in which direction or to what degree. Weakening consumer spending could benefit Greggs if more consumers trade 'down' to Greggs from premium-priced offers than defect from Greggs. It could force weaker players (around half of the food-on-the-go (FOTG) market remains 'independent') out of the market altogether, allowing stronger businesses such as Greggs to gain share. On the other hand, it could accelerate the pace of decline in some shopping centres, causing Greggs to close more shops than we currently assume. It ought, however, to make the acquisition of new sites both easier and cheaper than we have assumed. It is also possible that Greggs could add new franchise partners to its roster, providing low-capital-intensity growth to offset wider economic pressures. A tough economic period would most likely see Greggs strengthen its market position. However, short-term returns could be highly sensitive to changes in consumer behaviour.

Preliminary FY16 results: A good result

We did not change our estimates following the Q416 trading update but noted potential upside of £1-2m in our FY16 PBT estimate of £77.2m. Greggs outperformed this expectation, delivering pre-exceptional FY16 PBT of £80.3m. After £5.2m of exceptional charges relating to the restructuring of the supply chain, statutory PBT was £75.1m (FY15: £73.0m).

Sales growth continued

Greggs increased FY16 sales by 7.0% to £894.2m from £835.7m in FY15. Opening a net 66 shops (145 openings and 79 closures during the year) clearly assisted revenue growth. However, it was not the major contributor. Within company-owned shops, Greggs increased underlying like-for-like (LFL) sales (adjusted to remove distortions caused by the Christmas trading pattern) by 4.2%. There were several components to this growth, including the benefits of store conversions to Greggs' latest version of its bakery FOTG format, extended trading hours and increased capacity for products such as coffee, for example.

Improved margins

For most of FY16, Greggs benefited from deflation in ingredient costs. However, this reversed in Q4 as input prices started to increase. Nevertheless, across the year, input cost deflation combined with favourable mix changes enabled the underlying gross margin to increase from 63.5% to 63.7%.

Despite the first impact from the National Living Wage, operating costs excluding depreciation, amortisation and share-based payments increased more slowly than revenues. Depreciation and amortisation increased in response to Greggs' major investment programme to upgrade its supply chain and enhance its systems capability. Encouragingly, the £7.1m of cost savings that Greggs identifies as resulting from prior investments in the programme was ahead of management's expectations.

£2.2m of gains on freehold disposals was higher than the £1.2m booked in FY15.

Exceptional items

Greggs reported exceptional charges of £5.2m, a breakdown of which appears in Exhibit 2. As part of its supply chain restructuring programme, Greggs closed two bakeries during FY16, in Sleaford and Twickenham, incurring exceptional costs of £6.4m. These charges and those for restructuring support functions were partly offset by the release of overly conservative provisions previously booked in relation to property and redundancy.

Exhibit 2: FY16 exceptional items

	£m
Supply chain restructuring:	
- redundancy costs	4.1
- asset-related costs	1.9
- transfer of operations	0.4
Restructuring of support functions	0.4
Release of prior years' exceptional items:	
- dilapidations	(0.5)
- property provisions	(0.9)
- restructuring of support functions	(0.2)
Total exceptional items	5.2
Source: Greggs	

Financial position

Greggs generated a small net cash inflow in FY16, taking year-end net cash from £42.9m in FY15 to £46.0m. Greggs' board believes that it is appropriate to hold year-end net cash of c £40m to cover seasonality in the working capital cycle and in recognition of the substantial base of operating leases from which it operates. It is therefore comfortable with the financial position at the end of FY16. Cash conversion (operating cash flow/EBITDA) was 106%, similar to the level in FY15. Hence, Greggs was able to fund its increased capital investment programme from cash flow.

There was a sharp increase in the defined benefit pension liability during FY16: it increased from £3.9m at the end of FY15 to £22.9m principally because of a fall in corporate bond yields. The scheme will undergo a full actuarial valuation this April.

Refining the strategy

Management has refreshed the strategic plan launched in 2013. The essence of that plan remains the building and leveraging of national scale economies. However, the goal has evolved from proving that Greggs can succeed in the FOTG market to becoming the customer's favourite FOTG destination. Greggs identifies four pillars supporting this customer-focused plan.

1. Great-tasting, freshly prepared food

We would add 'offering outstanding value' because Greggs is unashamedly a mass-market brand and keen pricing is a critical part of its customer proposition. In that context, the phrase 'freshly prepared' is important. Greggs will not aim to match the lowest prices in the market but will aim to be highly competitive against rivals in the freshly-prepared-food market.

It remains our view that the relationship between product and price remains the key determinant of retail success or failure. It is therefore reassuring to see this element front and centre of Greggs' plans. It will involve further development of the product range to capitalise on the success to date in coffee, breakfast goods, salads, Balanced Choice (sub-400 calorie meals) and hot food. It aims to be at the forefront of the battle to reduce sugars, salt and fats in FOTG products. At the same time, Greggs will continue to emphasise its low-price credentials through its highly competitive meal deals. It has maintained the price of its breakfast meal deal for the seventh consecutive year.

2. Best customer experience

Speedy customer service is essential to a successful FOTG offer and Greggs will continue to invest in technology and processes to free staff time to devote to customer service. The supply chain investments on which so much attention has rightly been focused over the past couple of years is geared to supporting an underrated element of customer service: stock availability. There is little point in building an attractive offer if much of the range is out of stock. Linked to this is the question of accessibility: there is no point in having a great range if the shops are closed and customers cannot access them.

The Greggs Rewards app has already grown to a level that allows Greggs to analyse behaviour and target marketing campaigns. The recent appointment of a Customer Director with digital multi-channel marketing experience suggests that we should expect to see further developments in this area.

Greggs is trialling a lunchtime delivery service targeting offices in three cities. It is also contemplating a smartphone-based click and collect service. Such schemes are not without their operational challenges so, while we accept that there is an opportunity worth evaluating, we do not see it impacting short-term results.

3. Competitive supply chain

In our [initiation note](#) of 25 April 2016, we discussed at length Greggs' major £100m supply chain transformation programme. The first phase of that programme is almost complete. Greggs has closed two of the three bakeries slated for closure (Sleaford and Twickenham) and opened the new Enfield distribution centre. The extension of the Glasgow bakery is well-advanced so the Edinburgh bakery should close in Q217.

Management has now turned its attention to consolidating manufacturing activities to capture national scale economies. It has already commenced consultations with trade unions and employee representatives on these changes, which will see a reduction in manufacturing headcount but a larger increase in employment within retail and distribution. Exhibit 3 summarises the proposal, which should yield benefits from specialisation as well as scale.

Exhibit 3: Proposal for manufacturing consolidation		
Manufacturing platform	Number of current sites	Number of targeted sites
Sandwich rolls	10	2
Sandwich bread	9	2
Doughnuts	9	1
Yum Yums	9	1
Cake	9	1
High-care creams	9	1
Source: Greggs' preliminary presentation		

4. First-class support teams

FY16 was the third year of Greggs' process and systems investment programme. It saw SAP Finance deployed and a successful trial of central forecasting and replenishment that will result in its roll-out across the chain during FY17 to replace shop-based ordering. Management plans to launch pilots before the end of FY17 to support the logistics and manufacturing changes, with a view to rolling out to other sites during FY18.

Outlook and estimates

During the first eight weeks of FY17, trading has matched management's expectations. Company-managed shops' LFL sales during that period increased by 2.0%. However, this is distorted by the timing of the New Year public holiday, which fell outside the comparative period in 2016. Adjusting for this, Greggs estimates that LFL sales in company-owned shops are running at +2.9%.

Greggs intends to increase the number of net store openings in FY17 to 100, with c 150 openings offset by c 50 closures. As an aside, the reduced closure programme will probably result in a small drop in profits from routine property disposals. However, we expect the faster expansion of the store estate this year to support revenue growth. Given the uncertainty surrounding real disposable household incomes as inflation accelerates during the year, we assume that LFL sales growth moderates to 2.8% for the year as a whole. The phasing of new store openings will become clearer as the year wears on, but at this stage we assume a contribution that takes total revenue growth to 5.6% for the year.

Greggs has warned that margins are likely to suffer in the short term from increased input prices and an unwillingness among market participants to pass those price increases on to consumers. The company has already seen double-digit percentage increases in the price of dairy products and protein costs are also rising sharply, partly a result of sterling's devaluation. On the other hand, we continue to expect a favourable swing in the sales mix and some efficiencies resulting from the

supply chain changes to offset some of this pressure. We model a 40bp reduction in FY17e gross margin.

Greggs expects a 3.1% increase in its pay bill, driven by a 3.4% increase in pay for retail assistants to keep them above the National Living Wage. The Apprenticeship Levy will cost £1.5m from April 2017. On the other hand, there is relatively little pressure on occupancy costs and Greggs believes that it might be one of the beneficiaries of the rates revaluation that is causing such consternation elsewhere in retailing. In response to the heightened levels of capital investment, we expect a further £4.4m increase in depreciation and amortisation charges. Overall, we model operating expenses, excluding exceptional items, to increase by c 5.5%. The upshot is that the reduction in gross margin falls straight through to a 40bp lower EBIT margin and pre-exceptional operating profit increases by just over £1m.

Greggs has indicated that it will charge c £12m to exceptional items in FY17 as it progresses its plans to consolidate manufacturing. It has also stated that it will treat any profits arising on the disposal of the Twickenham and Edinburgh bakeries as exceptional by virtue of their likely size. The timings of those disposals remain highly uncertain and we do not model receipts from either site in our FY17 or, indeed, FY18 estimates.

We suspect that the underlying net interest outturn will be close to zero again in FY17. However, following the increase in the defined benefit pension liability at the end of last year, Greggs expects to incur a financing expense of £0.6m relating to that deficit.

Combining these assumptions with the higher-than-expected PBT for FY16 results in the following changes to our headline estimates.

Exhibit 4: Changes to estimates									
	EPS			PBT			EBITDA		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
2016	60.2	62.0	3.0%	77.2	80.3	4.0%	120.2	125.9	4.7%
2017e	62.3	63.4	1.7%	80.0	80.8	1.0%	126.1	131.4	4.2%
2018e		66.6			83.9			138.3	

Source: Greggs, Edison Investment Research : Note 2016 'New' = actuals.

Our initial estimate of cash flows shows a reduction in cash conversion to 97%. Greggs has budgeted for investment in tangible and intangible assets together to increase from £80.1m to £85m. Assuming no exceptional property disposals, we model a cash outflow of £4.8m and year-end cash of £41.2m.

We introduce our FY18e estimates. We model FY18e sales growth of 6%, split roughly evenly between LFL sales and new space. We expect the faster pace of net store additions to continue and there will be a full-year contribution from stores opened in FY17. We assume little change in LFL sales growth, although the outturn could be very different depending upon the general health of the consumer economy, retail price inflation and competitor departures, among other factors. Much of the input cost pressure seems set to fall in FY17e, so we assume no change in gross margin in FY18e. Hence, operating leverage allows slightly faster EBIT growth in FY18e than in FY17e, albeit relatively modest growth. We assume that the remaining £6.6m of exceptional charges related to consolidation fall in FY18e. We assume that the peak of the current investment cycle falls in FY17e and that a year-on-year reduction in capex will result in a stronger net cash inflow and net year-end cash of £58.9m.

Sensitivities

The greatest danger to these estimates is that our assumptions about the consumer economy prove incorrect. Our central assumption is that consumers will face increasing pressure on their disposable incomes this year from rising prices. Moreover, in our experience, in such circumstances most retailers are likely to suffer, albeit some will fare better than others. Could Greggs be one of the favoured few? It is possible: its value positioning means it could be the beneficiary of consumers trading down from premium-priced offers. On the other hand, its own customers could trade down to 'home made'. Will sufficient weaker competitors leave the market if they are unable to pass on input price increases at a time when the national Living Wage is boosting expenses? Will industry leaders, among whom we number Greggs, increase prices, thereby protecting margins but potentially with risk to volumes? There is, in our minds, substantial uncertainty about these questions. Yet they matter because they could have a material effect on gross margin and, as Exhibit 5 makes clear, Greggs is highly leveraged operationally.

Exhibit 5: Greggs' operational leverage (gross/operating margin)

	2013	2014	2015	2016	2017e
Gross margin	59.9%	62.2%	63.5%	63.7%	63.3%
Operating margin	5.4%	7.2%	8.7%	9.0%	8.6%
Operational leverage	11.0	8.6	7.3	7.1	7.3

Source: Greggs, Edison Investment Research

We assume in our model that FY17e marks the peak of input cost pressures but it is possible that commodity or currency prices could move against Greggs and, critically, the rest of the sector again in FY18e. Clearly, a recovery in sterling's value or weakness in commodity prices would have the opposite, positive, effect.

Greggs has been focusing its store expansion plans on sites away from traditional shopping locations. Non-high-street locations currently represent 30% of the estate and Greggs sees this increasing to 40%. This is a necessary reaction to the reality that many traditional retail locations will simply cease to exist as falling store productivity, largely as a result of online competition, and increasing costs, such as the National Living Wage, combine to squeeze and ultimately eliminate profitability. Although Greggs is aware of the problem and has planned specifically to address it, one cannot ignore the possibility that more of its stores than presently expected will be affected by traditional shopping areas reaching tipping points. One should also consider that, were the UK to suffer a slowdown sufficient to affect unemployment materially, the new focus on workplace locations could yield results below expectations. On the other hand, in a tough retail environment, a company with Greggs' heritage, track record and financial strength is well placed to gain ground: competition for new sites would be likely to diminish, perhaps allowing faster store expansion at lower cost than we have modelled.

On a more positive note, Greggs could sign additional franchise partners to help accelerate growth in that part of the estate. Such expansion places little strain on the balance sheet and helps to capture scale economies. Discussions with other parties have yet to yield a new contract but it is possible that they will do so within our estimating horizon.

Execution risk is ever-present. Greggs is undertaking a major manufacturing consolidation programme. Glitches are inevitable but we draw considerable comfort from the success that management has enjoyed in its major supply chain investment programme to date. Once the programme is complete, supply of certain products will come from a single source introducing an element of additional risk as the cost of achieving economies of scale.

Changes to immigration policy that could have severe implications for the wider FOTG sector will fall beyond the estimating horizon of this note. However, the impact of other government 'initiatives', such as the National Living Wage, Apprenticeship Levy, plastic bag charge and sugary drinks tax,

will not. It appears that Greggs will benefit from rates revaluation but over many years we have come to regard government initiatives as more likely to be negative than positive for retailers.

Valuation

We continue to value Greggs via a DCF method. Applying a 5.1% cost of equity, (Greggs is debt-free if one side-steps the upcoming issue of capitalising property leases on the balance sheet), and a multiple of eight times 2025 post-tax free cash flows, we generate a value of 1,226p per share. Exhibit 6 shows how sensitive the valuation is to changes in the discount rate and terminal multiple.

Exhibit 6: Sensitivity of valuation to discount rate (%) and terminal multiple (x)

	4.5%	4.8%	5.1%	5.4%	5.7%	6.0%	6.3%
7.0x	1,202	1,178	1,154	1,131	1,109	1,087	1,066
7.5x	1,240	1,215	1,190	1,166	1,143	1,120	1,098
8.0x	1,279	1,252	1,226	1,201	1,177	1,153	1,130
8.5x	1,317	1,289	1,263	1,236	1,211	1,186	1,162
9.0x	1,355	1,327	1,299	1,272	1,245	1,220	1,195
9.5x	1,394	1,364	1,335	1,307	1,279	1,253	1,227
10.0x	1,432	1,401	1,371	1,342	1,314	1,286	1,259

Source: Greggs, Edison Investment Research

At that valuation, the shares would be valued as follows.

Exhibit 7: Valuation metrics at 1,226p per share

	P/E (x)	Yield (%)	EV/EBITDA
2016	19.8	2.5	10.0
2017e	19.4	2.6	9.6
2018e	18.4	2.8	9.4

Source: Greggs, Edison Investment Research

In a low-interest-rate environment, those ratios appear entirely reasonable for a business with Greggs' track record and strong competitive position. Unfortunately, close comparators are unavailable. Those vertically integrated retailers that are listed tend to be in very different sectors of the market with very different consumer propositions. In isolation, the EV/EBITDA ratios do not appear out of line for a consumer business with growth potential. However, the relatively slow growth that we model over the next two years does leave the P/E looking stretched: the PEG ratios for FY17e and FY18e are 8.7 and 3.5 respectively. One therefore needs to be confident that Greggs can sustain its strong track record of steady growth in the longer term to feel comfortable with our valuation. Recent progress on supply chain improvements is encouraging in this regard.

One should reflect briefly on Greggs' dividend policy. Ordinary dividends will increase in line with earnings to maintain cover at c2x. However, once the company has surplus cash, defined as a balance above £40m, it has stated that it will consider special dividends. Clearly, the surplus needs to be large enough to make the dividend payment worthwhile for shareholders and economic for the company. Our estimates suggest the chance of a special dividend in FY17e is close to zero and only a possibility by the end of FY18e. However, our model includes no receipts from the potential sales of the Twickenham and Edinburgh sites, either of which could generate sufficient extra cash to trigger a dividend. In any event, once the present investment peak has passed, we would expect cash balances to build quickly and special dividends to become regular features within the investment case.

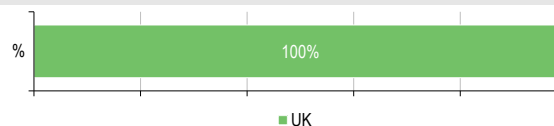
Exhibit 8: Financial summary

	£m	2013	2014	2015	2016	2017e	2018e
Dec		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		762.4	806.1	835.7	894.2	944.2	1,000.9
Cost of Sales		(305.9)	(304.8)	(305.1)	(324.3)	(346.2)	(367.0)
Gross Profit		456.5	501.3	530.6	569.9	598.0	633.9
EBITDA		74.9	95.6	113.3	125.9	131.4	138.3
Operating Profit (before amort. and except.)		41.5	58.1	73.1	80.3	81.4	84.0
Intangible Amortisation		0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(8.1)	(8.5)	0.0	(5.2)	(12.0)	(6.6)
Other		0.0	0.0	0.0	0.0	0.0	0.0
Operating Profit		33.4	49.6	73.1	75.2	69.4	77.4
Net Interest		(0.2)	0.2	(0.1)	(0.0)	(0.6)	(0.0)
Profit Before Tax (norm)		41.3	58.3	73.0	80.3	80.8	83.9
Profit Before Tax (FRS 3)		33.2	49.7	73.0	75.1	68.8	77.3
Tax		(10.3)	(14.0)	(15.4)	(18.1)	(17.2)	(17.0)
Profit After Tax (norm)		30.9	44.3	57.6	62.3	63.6	66.9
Profit After Tax (FRS 3)		24.2	37.6	57.6	58.0	54.2	61.7
Average Number of Shares Outstanding (m)		100.4	100.5	100.6	100.4	100.4	100.4
EPS - normalised (p)		30.8	44.0	57.3	62.0	63.4	66.6
EPS - normalised and fully diluted (p)		30.5	43.4	55.8	60.8	62.2	65.4
EPS - (IFRS) (p)		24.1	37.4	57.3	57.7	54.0	61.4
Dividend per share (p)		19.5	22.0	28.6	31.0	32.2	34.2
Gross Margin (%)		59.9	62.2	63.5	63.7	63.3	63.3
EBITDA Margin (%)		9.8	11.9	13.6	14.1	13.9	13.8
Operating Margin (before GW and except.) (%)		5.4	7.2	8.7	9.0	8.6	8.4
BALANCE SHEET							
Fixed Assets		268.9	267.4	298.2	323.4	358.4	374.1
Intangible Assets		1.0	4.7	10.2	14.3	17.5	20.5
Tangible Assets		267.8	262.7	284.2	307.4	339.2	351.8
Investments		0.1	0.0	3.8	1.8	1.8	1.8
Current Assets		65.0	101.5	86.0	92.6	88.3	108.9
Stocks		15.4	15.3	15.4	15.9	17.0	18.0
Debtors		25.0	26.1	27.6	30.7	30.1	31.9
Cash		21.6	43.6	42.9	46.0	41.2	58.9
Other		3.0	16.5	0.0	0.0	0.0	0.0
Current Liabilities		(80.7)	(102.1)	(106.0)	(121.4)	(128.8)	(134.4)
Creditors		(80.7)	(102.1)	(106.0)	(121.4)	(128.8)	(134.4)
Short term borrowings		0.0	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities		(17.0)	(20.1)	(11.9)	(29.9)	(29.1)	(28.7)
Long term borrowings		0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities		(17.0)	(20.1)	(11.9)	(29.9)	(29.1)	(28.7)
Net Assets		236.2	246.7	266.3	264.7	288.9	319.8
CASH FLOW							
Operating Cash Flow		82.5	108.6	119.6	133.8	127.4	136.2
Net Interest		(0.0)	0.2	0.2	0.1	(0.6)	(0.0)
Tax		(13.2)	(11.5)	(15.9)	(16.2)	(14.6)	(15.7)
Capex		(48.6)	(48.3)	(71.8)	(80.1)	(85.0)	(70.0)
Acquisitions/disposals		0.2	(4.8)	18.1	4.7	0.0	0.0
Financing		0.9	(2.6)	(7.2)	(8.3)	0.0	0.0
Dividends		(19.6)	(19.6)	(43.7)	(30.9)	(32.0)	(32.7)
Net Cash Flow		2.2	22.0	(0.7)	3.0	(4.8)	17.7
Opening net debt/(cash)		(19.4)	(21.6)	(43.6)	(42.9)	(46.0)	(41.2)
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	(0.0)	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(21.6)	(43.6)	(42.9)	(46.0)	(41.2)	(58.9)

Source: Greggs, Edison Investment Research

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Revenue by geography

Management team
CEO: Roger Whiteside

Appointed CEO in February 2013. Roger began his career at Marks & Spencer, where he spent 20 years. He was one of the founding team of Ocado, serving as joint MD from 2000 to 2004. From 2004 to 2007 he was CEO of Thresher before joining Punch Taverns, ultimately becoming chief executive.

Finance Director: Richard Hutton

Richard Hutton qualified as a chartered accountant with KPMG and gained career experience with Procter & Gamble before joining Greggs in 1998. He was appointed FD in May 2006.

Retail Director: Raymond Reynolds

Raymond Reynolds joined Greggs' retail management team in 1986. As general manager during the 1990s, he built a significant new business for the company in the Edinburgh region and was appointed MD for Scotland in 2002. He was appointed to the board in December 2006.

Principal shareholders

	(%)
Standard Life Investments Ltd.	8.3%
MFS Investment Management	5.7%
Templeton Global Advisors	4.4%
Legal & General Inv. Mgt.	2.8%
Morgan Stanley	2.7%

Companies named in this report

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