Smiths News

100% UK: Transformational contract win

Transformational contract win

Industrial support services

17 June 2026

Smiths News (SNWS) has announced that it has secured a transformational long-term contract with News UK & Ireland Limited (News UK), publisher of leading UK titles including *The Sun*, *The Times*, and *The Sunday Times*. Key transformational aspects of the contract include: national distribution for News UK with the ability to offer this capability to other customers and verticals, an incremental revenue uplift of c £125m per annum from July 2027 (c 12% of FY26 revenue £1,032m), the long contract term through to July 2037 providing improved revenue visibility for the group (that its current contracts run to c 2029), an expected return on capital above SMWS's hurdle rate and expected earnings accretion from FY28 onwards. We maintain our estimates and valuation and await further guidance from the board on the financial effects of the contract.

Year end	Revenue (£m)	EPS (p)	DPS (p)	PBT (£m)	P/E (x)	Yield (%)
8/24	1,103.7	10.28	7.15	39.1	6.2	11.3
8/25	1,064.0	11.14	8.55	39.1	5.7	13.5
8/26e	1,032.1	10.76	5.25	37.1	5.9	8.3
8/27e	1,000.6	10.49	5.25	35.9	6.0	8.3

Note: PBT is equivalent to adjusted operating profit, EPS are on a company reported, adjusted basis.

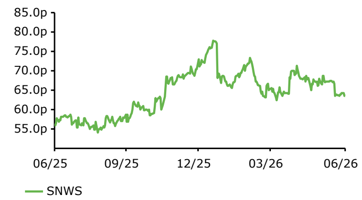
The contract terms include national distribution of News UK's titles across all of Great Britain effective from July 2027, effectively raising the SNWS distribution footprint from c 55% of the UK to 100% thereby making SNWS capable of providing national wholesale distribution for all relevant industry stakeholders. We note that the establishment of the national network is a key condition amongst the conditions, transitional milestones and obligations that the company need to satisfy ahead of July 2027. The establishment of a national footprint marks the biggest shift in territories for SNWS since around 2008/09 when the company increased its footprint from c 39% to the current c 55%. National coverage enables SNWS to be a single provider and supports the development of other verticals in the group such as recycling with opportunities such as the UK Deposit Return Scheme (see our May 2026 note), additional categories such as books and hearing/optical care, and final mile deliveries.

While SNWS expects to incur one-off implementation costs during FY27 as well as early-life transition costs, the company expects to make a return on invested capital above the company's hurdle rate to see earnings accretion from FY28 onwards. The company expects to deliver the network expansion within existing resources and financing arrangements and confirm ordinary dividend guidance for FY26 and FY27 at or above the 5.2p per share consensus. The board expects to provide further guidance on the financial effects of the contract in due course before or with the prelims on 4 November 2026.

In summary, we see this contract as good news for the company given the significant revenue boost, the scope to leverage the national footprint once established due to likely synergies and growth opportunities with existing operations and the expected value accretive returns on investment and earnings accretion. Allocating capital to expand the existing business while maintaining dividends reflects sensible capital allocation focused on organic growth. Our estimates and 96p/share discounted cash flow valuation are unchanged pending further guidance on the financial effects of the contract. Improving the top-line growth profile could help the shares re-rate to a higher multiple.

Price	**63.40p**
Market cap	**£159m**
Net cash/(debt)	£7.8m
Shares in issue	247.7m
Code	SNWS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



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.

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