EDISON

# Smiths News

H126 results

## Set to deliver on FY26 expectations

Industrial support services

26 May 2026

**Smiths News' H126 results saw adjusted PBT in line with market expectations. The expected FY26 operational improvements of more than £4m are progressing to plan, and the company is on track to meet FY26 adjusted PBT expectations of £37.2m with a slightly stronger H2 performance supported by the positive impact of the FIFA 2026 World Cup on the collectables business. Our FY26 P&L estimates are unchanged, while FCF improves due to better working capital. Valuations of companies with similar characteristics support our 96p/share (95p previously) DCF valuation as does the company's solid track record of sensible capital allocation and healthy dividends.**

| 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 | 6.4 | 10.8 |
| 8/25 | 1,064.0 | 11.14 | 8.55 | 39.1 | 5.9 | 13.0 |
| 8/26e | 1,032.1 | 10.76 | 5.25 | 37.1 | 6.1 | 8.0 |
| 8/27e | 1,000.6 | 10.49 | 5.25 | 35.9 | 6.3 | 8.0 |

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

## FY26 on track, supported by slighter higher H2 profits

H126 total revenues declined by 3.9% to £515.7m, within the guided range. Revenues expanded by 13.3% in collectables and 35.1% in growth verticals, including recycling where revenue growth was over 50%. H126 adjusted operating profit of £18.3m (-5.7% y-o-y) is expected to be slightly higher in H2, supported by the impact of the World Cup on collectables, while anticipated cost synergies in excess of £4m are on track. Strong H1 FCF generation of £21.2m benefited from improvements in working capital. An unchanged 1.75p interim dividend is comfortably covered by 5.2p of adjusted EPS. The company expects to achieve market expectations of £37.2m adjusted PBT for FY26.

## Potential catalysts from healthy opportunity pipeline

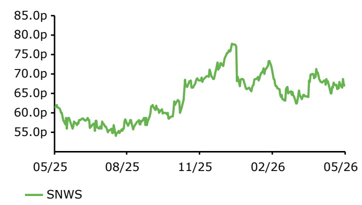
Management highlight a good pipeline including in new categories, such as books and optical/hearing care, and in recycling, including coffee cups and waste electronic and electrical equipment. The expected October 2027 introduction of the UK DRS provides a good opportunity for Smiths to grow its recycling activities. We agree with the company that it is well-placed to play a part in the UK DRS given its experience and footprint, and believe DRS-related newsflow could be a catalyst for the stock later in 2026 and into 2027.

## Minor changes to forecasts with attractive upside

Our FY26 P&L forecasts are unchanged while our FCF forecast improves due to better working capital. Our FY27 adjusted PBT forecast has been shaved by 1.8% reflecting ongoing investments in the costs base to support growth ambitions. Our DCF valuation rises to 96p/share (95p previously), supported by the company's solid track record (see Exhibits 3–6) and our analysis of companies with similar characteristics. Risks include execution risk and the potential impact of TGJones store closures.

| | |
|---|---|
| **Price** | **66.00p** |
| **Market cap** | **£163m** |
| Net cash/(debt) 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 | (5.7) | (7.3) | 30.5 |
| 52-week high/low | | 74.0p | 49.3p |

### 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

| | |
|---|---|
| Full year results | November 2026 |

### Analyst

Jonathan Day +44 (0)20 3077 5700

industrials@edisongroup.com

Edison profile page

*Smiths News is a research client of Edison Investment Research Limited*

## Smiths News at a glance

Smiths News is the UK's largest wholesaler of newspapers and magazines with a 55% market share. The company delivers from its 34 locations every day of the week to more than 22,000 outlets and also collects and credits unsold copies. Returns are processed in a matter of hours and Smiths also organises unsold copies for recycling by accredited partners. Smiths News Recycle extends this capability to include paper, cardboard and plastics and positions the company well for potential growth from new recycling initiatives including the UK Deposit Return Scheme (DRS) and new categories such as vapes, coffee cups and small electricals. Newspapers and magazines accounted for c 90% of revenues in FY25, with this category expected to decline by 3–5% per year. Mitigating this decline is growth from margin-accretive collectables such as trading cards and stickers, with demand driven by the English Premier League, UEFA Champions League and franchised collections such as Pokémon. The company has a solid track record of operational improvements of c £4–5m per year. Smiths News' footprint and expertise in final mile deliveries has enabled its expansion into additional solutions for the B2B sector in categories such as books, greeting cards and optical and hearing care.

The decline of newspaper and magazine distribution is well understood, with the company guiding to revenue contraction of 3–5% per year. It is mitigating this decline with growth in collectables and new verticals. Margins in collectables are higher than in newspapers and magazines, which is positive for mix. Recent years have seen sensible capital allocation reflected in healthy ordinary dividends, supported by special dividends in 2024 and 2025. The balance sheet is robust with the company in a net cash position as at H126. Despite the solid track record and supportive dividend policy, the shares continue to trade at a significant discount to our 96p discounted cash flow (DCF) valuation. Analysis of companies with similar characteristics supports our DCF, with Smiths News trading at a discount versus this group despite generally better metrics (see Exhibit 7). Our 96p DCF implies upside of c 40%. In the longer term there is the potential for Smiths to offset the pressure on the top line from growth in new verticals such as recycling. Risks include execution around operational efficiencies and successfully growing in new verticals, changes in consumer habits affecting the collectables business and the potential for TGJones store closures to negatively affect newspaper and magazine revenues.

## H126 in line, on track to meet FY26 expectations

Smiths News reported solid profitability despite an expected revenue decline in its H126 results. The 3.9% total revenue decline contained three key elements. The 4.1% decline in core newspaper and magazine distribution was resilient and within the guided range of a 3–5% reduction. 96% of newspaper and magazine revenues to 2029 have now been secured following the renewal of a long-term contract with the Guardian Newspaper Group. The decline in volume in newspapers and magazines continues to be steady and almost identical to what the company has experienced over the last three to four years, while cover price inflation continues to be a feature of the market. The company does not expect a material impact on the trends in H2 compared to H1, despite upcoming events, including the FIFA 2026 World Cup. Collectables (3.9% of FY25 revenues) saw solid revenue growth of 13.3%, while the company made good progress in growth verticals (revenues not disclosed), where revenue grew by 35.1%. This was supported by good progress in recycling (revenue growth of over 50%), where the company has been working with waste brokers.

### Adjusted operating profit expected to be slightly higher in H2

H126 operating profit of £18.3m was down 5% y-o-y, driven primarily by the 3.9% revenue decline. H226 adjusted operating profit is expected to be slightly higher than H1, supported by the impact of the FIFA 2026 World Cup and Pokémon on the collectables business. Targeted cost savings for FY26 of c £4m are on track. Internal investment is progressing as planned, with investment in technology and systems expected to provide the foundations to enable the delivery of additional contracts across growth verticals. Free cash flow (FCF) of £21.2m was strongly supported by working capital, resulting in a net cash position of £7.8m at the end of H1. Adjusted EPS of 5.2p per share comfortably supports the unchanged 1.75p interim dividend. Operational improvements on both the cost and revenue side are progressing to plan. Importantly, the company reiterated its ability to achieve operational efficiencies of c £4–5m per year, driven by initiatives such as technology and footprint improvement.

## On track for full year adjusted operating profit of £37.2m

The H1 results put Smiths News on track to meet FY26 expectations for adjusted operating profit of £37.2m. The company is exploring new growth opportunities in recycling, including coffee cups and waste electronic and electrical equipment. New categories continue to make progress, with book distribution delivering c 30,000 books per week, and the company is onboarding an internal optical and hearing care provider for overnight delivery services. In the longer term, the expected introduction of the UK DRS in October 2027 could present an additional growth opportunity, with Smiths News well-positioned to service retailers requiring manual collection of single-use plastic and metal drinks containers given its established track record with recycling collection and sortation in newspaper and magazines. These opportunities support the company's strategy of broadening its early-morning supply chain management expertise and leveraging its existing infrastructure to overlay products and additional services across Smiths News' established UK footprint.

**Exhibit 1: Full and half-year results summary**

| | 2022 | H1 | H2 | 2023 | H1 | H2 | 2024 | H1 | H2 | 2025 | H1 26 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total revenue** | **1,089.3** | **550.1** | **541.8** | **1,091.9** | **539.8** | **563.9** | **1,103.7** | **536.4** | **527.6** | **1,064.0** | **515.7** |
| % change | -1.8% | 1.0% | -0.5% | 0.2% | -1.9% | 4.1% | 1.1% | -0.6% | -6.4% | -3.6% | -3.9% |
| Cost of goods sold | (1,016.6) | (512.4) | (507.0) | (1,019.4) | (504.9) | (525.6) | (1,030.5) | (499.1) | (489.8) | (988.9) | (478.3) |
| % change | -1.9% | 0.9% | -0.3% | 0.3% | -1.5% | 3.7% | 1.1% | -1.1% | -6.8% | -4.0% | -4.2% |
| **Gross profit** | **72.7** | **37.7** | **34.8** | **72.5** | **34.9** | **38.3** | **73.2** | **37.3** | **37.8** | **75.1** | **37.4** |
| Gross margin | 6.7% | 6.9% | 6.4% | 6.6% | 6.5% | 6.8% | 6.6% | 7.0% | 7.2% | 7.1% | 7.3% |
| Total admin expenses | (35.0) | (17.4) | (16.4) | (33.8) | (16.2) | (17.7) | (33.9) | (17.8) | (18.1) | (35.9) | (19.2) |
| % change | 3.2% | -2.8% | -4.1% | -3.4% | -6.9% | 7.9% | 0.3% | 9.9% | 2.3% | 5.9% | 7.9% |
| Income from JV | 0.3 | 0.1 | 0.0 | 0.1 | 0.1 | (0.3) | (0.2) | 0.0 | (0.1) | (0.1) | 0.2 |
| | | | | | | | | | | | |
| **Total adjusted operating profit** | **38.1** | **20.4** | **18.4** | **38.8** | **18.8** | **20.3** | **39.1** | **19.4** | **19.7** | **39.1** | **18.3** |
| % change | -3.8% | 6.8% | -3.2% | 1.8% | -7.8% | 10.3% | 0.8% | 3.2% | -3.0% | 0.0% | -5.7% |
| **Total adjusted operating profit margin** | **3.5%** | **3.7%** | **3.4%** | **3.6%** | **3.5%** | **3.6%** | **3.5%** | **3.6%** | **3.7%** | **3.7%** | **3.5%** |

Source: Company data, Edison Investment Research

## On the horizon: Positives outweigh the negatives

### Potential TGJones store closures but Smith News only services half of the estate

There is the risk of some potential ripples in the newspaper and magazines business due to anticipated TGJones store closures. TGJones stores represent the rebranded WHSmith high street bookshops that were acquired by Modella Capital in 2025. Modella cites challenging retail conditions. Management explained that in the past Smiths News has seen a degree of transfer of both newspaper sales and mainstream magazines from stores that have been closed to other outlets and that this has helped mitigate the impact of store closures. While the transfer of specialist magazine titles to other outlets has been less successful, Smith News has experience of working with the publishers to try to help access some of those sales, as specialist titles are sticky where customers are concerned. It is also important to remember that the exact number, type and location of TGJones store closures has yet to be finalised and while recent press reports mentioned up to 150 stores (BBC, 6 May 2026), Smiths News emphasised that it only services half the TGJones estate, which adds a further variable to the assessment of any potential impact.

### Opportunity pipeline is healthy including the UK DRS

Smiths News is seeing many opportunities in the recycling business, including vapes, small waste electrical and electronic equipment (WEEE), coffee cups and the UK DRS. According to management, the July 2025 appointment of Adam Wylie as managing director of Smiths News Recycle has brought a highly commercial approach that has strengthened credibility and helped build relationships for the division.

The UK DRS is expected to commence in October 2027 in England, Scotland and Northern Ireland, supported by government legislation that requires its introduction by this date. Regulation is pending that would allow the scheme to be introduced in Wales at the same time. Smiths News anticipates that a tender document will be made available by Exchange for Change (the official operator of the DRS) in mid-2026 and expects to tender for manual collection on a national basis, although it acknowledges there could be national or regional solutions. Large waste managers lack the manual collection capabilities of Smiths News whose proven track record of collection and sortation/recycling of newspapers and magazines is relatively unique. This may provide an opportunity for Smiths to be a subcontractor for manual collections. The company pointed out that manual collection is most likely to be used by smaller grocery retailers. Retailers having the option of different approaches including an automated machine, a smart bin or an app-based solution. Barcode recognition will be the primary way in which containers are identified. While grocery retailers in urban areas with selling space below 100m$^2$ can choose to participate, a similar scheme in Ireland saw lower footfall for retailers that chose not to offer recycling. The company expects contracts being awarded before the end of December 2026 and, if successful, expects to be paid to collect containers as well as for reverse sortation where credits are likely to be split between the retailer and the sorter.

We agree with Smith News that it is well-placed to play a part in the UK DRS given the company's experience and footprint and believe DRS-related newsflow could be a catalyst for the stock later in 2026 and into 2027. Such recycling schemes are not new, having been implemented in more than 50 countries globally, with those countries seeing higher recycling rates post implementation. Combined with the additional pipeline opportunities, we see more positives than negatives (the potential TGJones store closures) on the horizon, albeit the timing of each is unlikely to align.

## Minor changes to forecasts

Following Smiths News' H126 results, we make minor changes to our forecasts. Our FY26 P&L forecasts are unchanged, while we increase our FY26 cash flow forecast to reflect the stronger H126 cash flow generation, which was supported by improved working capital. We now see working capital as broadly flat in FY26.

Our FY27 revenue expectations are little changed, while we nudge down our adjusted operating profit forecasts by 1.6% as there will be no FIFA 2026 World Cup impact in 2027 and the company makes c £1–2m from this, and while some of the decline should be offset by growth from new verticals, the overall impact is a marginal reduction. Our FY27 net cash forecast declines due to working capital changes and the small reduction in our operating profit forecast, but remains positive and above FY26 levels.

**Exhibit 2: Minor changes to forecasts**

| | FY25 | FY26e | | | FY27e | | |
|---|---|---|---|---|---|---|---|
| £m | | Old | New | *change* | Old | New | *change* |
| Revenue | 1,064.0 | 1,032.1 | 1,032.1 | 0.0% | 1,001.1 | 1,000.6 | -0.1% |
| *Y-o-y % change* | *-3.6%* | *-3.0%* | *-3.0%* | - | *-3.0%* | *-3.1%* | - |
| EBITDA - Edison basis | 42.1 | 40.1 | 40.1 | 0.0% | 39.5 | 38.9 | -1.6% |
| *Y-o-y % change* | *-1.2%* | *-4.7%* | *-4.7%* | - | *-1.6%* | *-3.2%* | - |
| EBITDA - Reported pre IFRS 16 | 40.7 | 38.6 | 38.6 | 0.0% | 38.0 | 37.4 | -1.6% |
| *Y-o-y % change* | *2.5%* | *-5.1%* | *-5.1%* | - | *-1.7%* | *-3.3%* | - |
| Total adjusted operating profit | 39.1 | 37.1 | 37.1 | 0.0% | 36.5 | 35.9 | -1.7% |
| *Y-o-y % change* | *0.0%* | *-5.0%* | *-5.0%* | - | *-1.8%* | *-3.4%* | - |
| PBT adjusted, company basis | 35.8 | 34.4 | 34.4 | 0.0% | 34.2 | 33.6 | -1.8% |
| *Y-o-y % change* | *5.0%* | *-3.8%* | *-3.8%* | - | *-0.7%* | *-2.6%* | - |
| EPS – adjusted company basis (p) | 11.1 | 10.8 | 10.8 | 0.0% | 10.7 | 10.5 | -1.8% |
| *Y-o-y % change* | *9.7%* | *-3.4%* | *-3.4%* | - | *-0.7%* | *-2.5%* | - |
| DPS (p) | 8.6 | 7.3 | 7.3 | 0.0% | 7.3 | 7.3 | 0.0% |
| *Y-o-y % change* | *19.6%* | *-15.2%* | *-15.2%* | - | *0.0%* | *0.0%* | - |
| Net cash/(debt) (pre IFRS 16) | 3.3 | 0.2 | 6.4 | 3133% | 21.5 | 12.0 | -44.1% |
| *Y-o-y % change* | *N/A* | *N/A* | *N/A* | - | *N/A* | *N/A* | - |

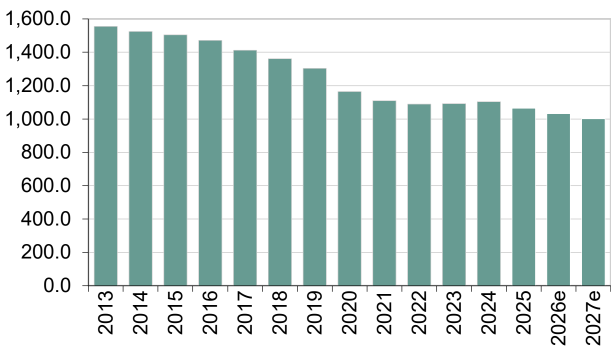
Source: Company data, Edison Investment Research

## Valuation: DCF supported by track record and comps

Our updated DCF valuation for Smiths News is little changed following the H126 results, moving to 96p from 95p previously. The stock does not appear expensive on absolute multiples such as P/E (6.1x FY26e) and EV/EBITDA (4.0x FY26e) despite trading above long-term averages. It also trades at an attractive 17.6% FY26e FCF yield.

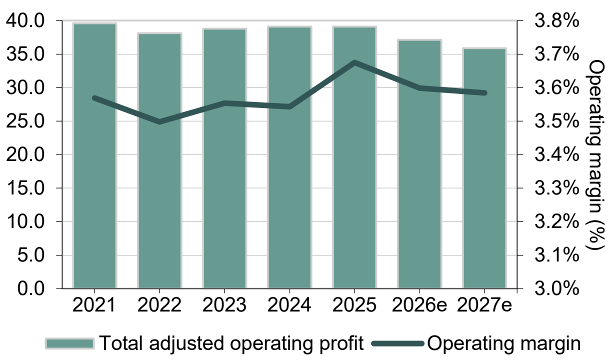
In recent years Smiths News has maintained a solid track record of profits and margins, despite revenues from the core business of newspaper and magazine delivery being under pressure. Capital allocation has been sensible, with shareholders receiving healthy dividends, including special dividends in 2024 and 2025.

**Exhibit 3: Revenues, £m**



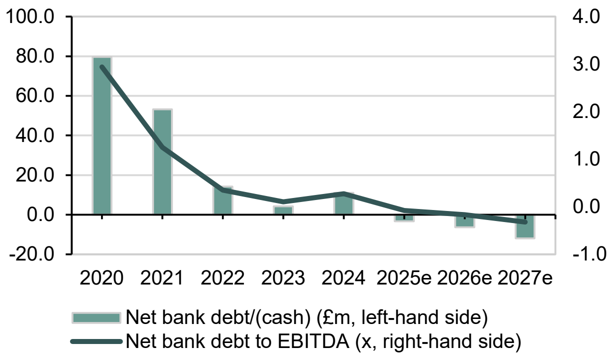

Source: Edison Investment Research, company data

**Exhibit 4: Adjusted operating profit (£m, LHS) and margin (%, RHS)**



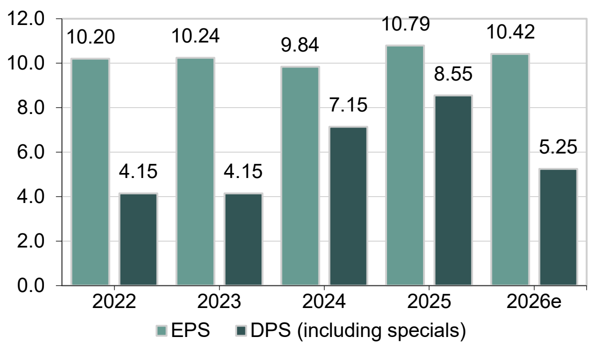

Source: Edison Investment Research, company data

**Exhibit 5: Net debt (£m, LHS) and net debt/EBITDA (RHS)**




Source: Edison Investment Research, company data

**Exhibit 6: EPS and DPS**




Source: Edison Investment Research, company data

While Smiths News has risks, such as the potential impact of the expected TGJones store closures, as we have discussed above there are opportunities ahead that could help drive the shares towards our DCF valuation. Below we show that our DCF is supported by our analysis of companies with similar characteristics.

## Shares appear undervalued compared to companies with similar characteristics

We were curious to see if other stocks with similar characteristics traded at similarly low absolute valuations. Screening companies in the €100–500m market capitalisation range that are listed in Europe with a yield above 4%, revenue growth below 3%, EBIT growth below 5%, a five-year net sales growth CAGR of less than 1%, forecast sales growth of less than 1% and operating margins of less than 5% resulted in the list below. Smiths News trades at a significant discount to the median valuation metrics for these companies despite having above-median margins and a better five-year sales growth CAGR. Although the companies come from a range of sectors, we note the inclusion of Posti Group, which is likely to have similar revenue pressures in its traditional postal activities to Smiths News and yet it trades at a higher valuation. We also note Smiths News' higher dividend yield, which appears well-supported on our current forecasts.

It is noteworthy that Smiths News trades at such a wide discount to this group despite having better metrics, and we believe this is supportive for the valuation of the stock.

**Exhibit 7: Valuation compared to companies with similar characteristics**

| Name | Yield (gross, indicated) | Y1 sales growth | Y1 op inc growth | GICS sub industry | Country | Est P/E Y1 | Est P/E Y2 | Est EV/EBITDA | FCF yield | Operating margin | Market cap | Last 5 years sales CAGR | Forecast 1Y sales % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FDM GROUP HOLDINGS | 9.9% | -31% | -74% | IT consulting & other services | Britain | 11.0x | 8.3x | | 17.4% | 4.1% | 128.44m | -8.8% | -8.3% |
| POSTI GROUP | 9.5% | -5% | -23% | Air freight & logistics | Finland | 9.8x | 7.7x | 4.3x | 24.0% | 4.2% | 360.05m | -1.7% | -0.6% |
| SMITHS NEWS | 8.4% | -4% | 3% | Distributors | Britain | 6.4x | 6.4x | 3.5x | 31.0% | 3.8% | 188.69m | -1.3% | 0.8% |
| QUADIENT | 6.6% | -5% | -2% | Technology hardware, storage & peripherals | France | 5.9x | 5.7x | 4.4x | 16.7% | -0.8% | 394.32m | -1.0% | -1.0% |
| HAWESKO HOLDING | 5.0% | -3% | -23% | Food retail | Germany | 13.1x | 11.1x | 6.1x | 18.3% | 2.7% | 179.67m | -3.4% | 1.0% |
| CREST NICHOLSON HOLDINGS | 4.5% | -1% | -22% | Homebuilding | Britain | 15.0x | 12.8x | 5.9x | -5.9% | 4.0% | 206.81m | -3.8% | -3.1% |
| ZUMTOBEL GROUP AG | 4.3% | -3% | -33% | Electrical components & equipment | Austria | 14.0x | 6.9x | 2.4x | 0.0x | 2.4% | 150.58m | -0.5% | -6.7% |
| AKWEL | 4.2% | -5% | -24% | Automotive parts & equipment | France | 17.2x | 14.2x | 1.7x | 17.4% | 3.2% | 191.65m | -4.9% | -14.0% |
| **Medians** | **5.8%** | **-4.2%** | **-23.0%** | | | **12.0x** | **8.0x** | **4.3x** | **17.4%** | **3.5%** | | **-2.6%** | **-2.0%** |
| **SMITHS NEWS PLC** | **8.4%** | **-3.6%** | **2.7%** | | | **6.4x** | **6.4x** | **3.5x** | **31.0%** | **3.8%** | | **-1.3%** | **0.8%** |
| **Premium/discount** | | | | | | **-47%** | **-20%** | **-20%** | | | | | |

Source: Bloomberg, Edison Investment Research

## Healthy upside from a potential re-rating

Finally, we show the range of P/E valuations for the company based on our forecasts. This illustrates the potential upside were the shares to re-rate. A multiple of 8x implies upside of c 30%, while 10x implies upside of c 60%. We have shown above that companies with similar characteristics trade at multiples of c 12x on FY1 P/E and 8x on FY2 P/E, which implies that Smiths News' valuation might be somewhat overlooked by the market.

Likely catalysts for such a re-rating include the narrowing of the valuation gap versus stocks with similar characteristics given Smiths News' better than median metrics, as well as the potential for the company to arrest the decline or even deliver a degree of positive revenue growth over the medium to longer term as collectables and new verticals become large enough to compensate for the decline in newspapers and magazines.

**Exhibit 8: Valuation potential at a range of P/E multiples**

| | 2026e | | 2027e | |
|---|---|---|---|---|
| **EPS (p)** | **10.76** | | **10.49** | |
| **P/E multiple** | **Implied price (p)** | **± (%)** | **Implied price (p)** | **± (%)** |
| **4.0x** | 43.0 | -35% | 41.9 | -36% |
| **5.0x** | 53.8 | -18% | 52.4 | -21% |
| **6.0x** | 64.6 | -2% | 62.9 | -5% |
| **7.0x** | 75.3 | 14% | 73.4 | 11% |
| **8.0x** | 86.1 | 30% | 83.9 | 27% |
| **9.0x** | 96.8 | 47% | 94.4 | 43% |
| **10.0x** | 107.6 | 63% | 104.9 | 59% |
| **11.0x** | 118.3 | 79% | 115.4 | 75% |
| **12.0x** | 129.1 | 96% | 125.8 | 91% |
| **13.0x** | 139.9 | 112% | 136.3 | 107% |

Source: Edison Investment Research

## Exhibit 9: 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** | **1,032.1** | **1,000.6** |
| 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) | (927.8) |
| Gross Profit | 86.0 | 73.1 | 73.4 | 72.7 | 72.5 | 73.2 | 75.1 | 73.8 | 72.8 |
| **EBITDA** | **60.1** | **40.4** | **44.9** | **42.9** | **42.7** | **42.6** | **42.1** | **40.1** | **38.9** |
| **Normalised operating profit** | **44.0** | **35.4** | **40.6** | **39.3** | **39.9** | **40.0** | **39.1** | **37.1** | **35.9** |
| 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** | **37.1** | **35.9** |
| 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) | (1.0) | (1.0) |
| 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** | **36.1** | **34.9** |
| 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** | **34.4** | **33.6** |
| **Profit Before Tax (reported)** | **30.3** | **14.8** | **30.6** | **27.9** | **31.8** | **34.1** | **37.9** | **33.4** | **32.6** |
| Reported tax | (8.4) | (2.8) | (4.3) | (4.5) | (6.7) | (8.6) | (9.6) | (8.4) | (8.1) |
| **Profit After Tax (norm)** | **29.6** | **25.4** | **27.6** | **27.8** | **26.7** | **25.5** | **26.2** | **26.1** | **25.4** |
| **Profit After Tax (reported)** | **21.9** | **12.0** | **26.3** | **23.4** | **25.1** | **25.5** | **28.3** | **25.1** | **24.4** |
| 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** | **26.1** | **25.4** |
| **Net income (reported)** | **(31.5)** | **(6.7)** | **26.2** | **23.4** | **25.1** | **25.5** | **28.3** | **25.1** | **24.4** |
| 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 | 10.76 | 10.49 |
| EPS - diluted normalised (p) | 11.98 | 10.28 | 10.83 | 11.03 | 10.68 | 10.16 | 10.47 | 10.42 | 10.16 |
| EPS - basic reported (p) | (12.78) | (2.74) | 10.76 | 9.81 | 10.58 | 10.61 | 11.67 | 10.35 | 10.07 |
| EPS - adjusted, company basis (p) | 11.45 | 9.59 | 10.32 | 10.20 | 10.24 | 10.28 | 11.14 | 10.76 | 10.49 |
| 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% | -3.0% | -3.1% |
| Gross Margin (%) | 6.6% | 6.3% | 6.6% | 6.7% | 6.6% | 6.6% | 7.1% | 7.1% | 7.3% |
| EBITDA Margin (%) | 4.6% | 3.5% | 4.0% | 3.9% | 3.9% | 3.9% | 4.0% | 3.9% | 3.9% |
| Normalised Operating Margin (%) | 3.4% | 3.0% | 3.7% | 3.6% | 3.7% | 3.6% | 3.7% | 3.6% | 3.6% |
| **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** | **124.7** | **131.6** |
| Stocks | 16.2 | 14.1 | 13.2 | 15.6 | 17.7 | 18.0 | 12.6 | 14.4 | 14.0 |
| Debtors | 124.2 | 101.2 | 106.6 | 95.7 | 101.1 | 106.2 | 103.4 | 101.1 | 98.1 |
| Cash & cash equivalents | 24.0 | 50.6 | 19.3 | 35.3 | 37.3 | 7.0 | 8.2 | 8.2 | 18.7 |
| 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)** | **(132.5)** | **(129.2)** |
| Creditors | (173.7) | (139.5) | (136.5) | (140.3) | (141.5) | (128.5) | (127.2) | (126.4) | (123.1) |
| 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** | **23.7** |
| 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** | **23.7** |
| **CASH FLOW** | | | | | | | | | |
| Op Cash Flow before WC and tax | 60.1 | 40.4 | 44.9 | 42.9 | 42.7 | 42.6 | 42.1 | 40.1 | 38.9 |
| Working capital | (3.9) | (5.3) | (1.8) | 2.8 | (5.5) | (18.4) | 4.6 | (0.4) | 0.2 |
| Exceptional & other | (7.7) | (13.4) | (1.3) | (4.4) | (1.6) | (0.0) | 2.1 | (1.0) | (1.0) |
| Tax | (2.6) | 0.0 | (6.3) | (5.3) | (6.6) | (8.5) | (8.8) | (8.4) | (8.1) |
| 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** | **38.0** | **37.5** |
| 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 | 10.5 |
| **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)** | **(16.9)** |

Source: Company data, Edison Investment Research

## General disclaimer and copyright

This report has been commissioned by Smiths News and prepared and issued by Edison, in consideration of a fee payable by Smiths News. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.



## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or sol icitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom