

Greggs

Q324 trading update

Good Q324 on strong comparative

Greggs demonstrated continued strong sales growth in Q324, against a challenging Q323 comparative. The company continues to benefit from its multipronged growth strategy of increasing space, extended trading hours, new digital channels and menu development. Management is confident of meeting its full year expectations, helped by marginally lower cost inflation than previously expected.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/22	1,512.8	148.3	117.5	59.0	26.6	1.9
12/23	1,809.6	167.7	123.8	102.0	25.2	3.3
12/24e	2,013.6	183.9	128.3	71.0	24.3	2.3
12/25e	2,230.9	202.8	145.5	72.7	21.5	2.3

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

Good growth on tough comparative

Greggs' Q324 total and like-for-like (in company-managed stores) sales growth of 10.6% and 5%, respectively, compounded the strong growth rates reported in the comparative Q323 period of c 21% and 14%, respectively. There has been a natural minor slowing in the growth rate since H124 as inflationary pressures have eased, leading to smaller and fewer price increases than required through FY22 and FY23. Management pointed to slightly slower rates of growth in July and August, due to the holiday period and some negative effect from the riots, and higher growth in September as these ended. The Q324 performance took the year-to-date revenue growth rates to 12.7% and 6.5%, respectively. Management indicated that both delivery and evening growth was ahead of the overall average. Greggs has added 86 net new shops year to date, broadly similar to the 82 added by the same stage last year. Management is confident of meeting the 140–160 net new openings for the year, likely to be in the middle of the range, suggesting another busy final quarter.

FY24 estimates unchanged

Our underlying FY24 estimates are unchanged as the trimming of management's expected underlying cost inflation to be at the lower end of the previously indicated 4–5% range (mainly due to lower than expected pork prices) is countered by the indicated relative lower sales growth in July and August. Q424 has a revenue headwind versus Q324 from the price increases made in October 2022 that annualised in October 2023, and the fast roll-out of the delivery offer on the Uber Eats platform through October 2023. We have incorporated a c £14m exceptional gain for the completed sale of a manufacturing site in Twickenham, which management indicated may happen at the time of the H124 results.

Valuation: In line with recent average multiples

The prospective P/E multiples for FY24 and FY25 of 24.3x and 21.5x compare with more recent average multiples of c 21x and a premium to the post-FY15 (excluding COVID-affected FY20 and FY21) average of 19.0x. The share price is at a modest discount to our unchanged DCF-based valuation of £31.90 per share.

Retail

1 October 2024

Price **£31.24**

Market cap **£3,194m**

Net cash (£m) at 30 June 2024 (pre IFRS 16 liabilities £327m) 141.5

Shares in issue 102.3m

Free float 100%

Code GRG

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (1.9) 12.7 27.6

Rel (local) (0.5) 11.2 16.8

52-week high/low £31.90 £22.82

Business description

With 2,559 shops and 12 manufacturing and distribution centres, 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

Q424 trading update January 2025

FY24 results March 2025

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GreggsGreggs is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£m	2022	2023	2024e	2025e	2026e
Year-end December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		1,512.8	1,809.6	2,013.6	2,230.9	2,465.1
Cost of Sales		(574.5)	(710.5)	(790.1)	(881.3)	(979.7)
Gross Profit		938.3	1,099.1	1,223.5	1,349.6	1,485.4
EBITDA		269.9	299.2	347.5	388.1	414.9
Operating profit (before amort. and excepts.)		154.4	171.7	191.6	214.0	230.7
Intangible Amortisation		0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	20.6	14.0	0.0	0.0
Operating Profit		154.4	192.3	205.6	214.0	230.7
Net Interest		(6.1)	(4.0)	(7.7)	(11.2)	(11.7)
Profit Before Tax (norm)		148.3	167.7	183.9	202.8	219.0
Profit Before Tax (FRS 3)		148.3	188.3	197.9	202.8	219.0
Tax		(28.0)	(41.0)	(51.4)	(52.7)	(56.9)
Profit After Tax (norm)		120.3	126.7	132.4	150.1	162.0
Profit After Tax (FRS 3)		120.3	142.5	146.4	150.1	162.0
Average Number of Shares Outstanding (m)		101.5	101.3	102.2	102.2	102.2
EPS - normalised fully diluted (p)		117.5	123.8	128.3	145.5	157.1
EPS - (IFRS) (p)		118.5	140.6	143.3	146.9	158.6
Dividend per share (p)		59.0	102.0	71.0	72.7	78.5
Gross Margin (%)		62.0	60.7	60.8	60.5	60.3
EBITDA Margin (%)		17.8	16.5	17.3	17.4	16.8
Operating Margin (before GW and except.) (%)		10.2	9.5	9.5	9.6	9.4
BALANCE SHEET						
Fixed Assets		685.1	825.2	1,081.6	1,210.6	1,282.1
Intangible Assets		13.5	18.3	25.2	29.0	30.3
Tangible Assets		390.0	510.3	684.8	792.0	844.3
Right-of-Use Assets		281.6	296.6	371.7	389.6	407.6
Other		0.0	0.0	0.0	0.0	0.0
Current Assets		283.0	297.9	177.8	174.0	235.7
Stocks		40.6	48.8	54.3	60.5	67.3
Debtors		50.2	53.8	59.9	66.3	73.3
Cash		191.6	195.3	63.6	47.1	95.1
Other		0.6	0.0	0.0	0.0	0.0
Current Liabilities		(244.1)	(272.5)	(298.8)	(328.6)	(360.5)
Creditors		(191.7)	(216.0)	(239.6)	(266.8)	(296.0)
Leases		(48.8)	(52.5)	(55.2)	(57.8)	(60.5)
Short term borrowings		0.0	0.0	0.0	0.0	0.0
Other		(3.6)	(4.0)	(4.0)	(4.0)	(4.0)
Long Term Liabilities		(284.3)	(326.3)	(398.7)	(414.0)	(429.3)
Long term borrowings		0.0	0.0	0.0	0.0	0.0
Leases		(252.5)	(267.1)	(339.5)	(354.8)	(370.1)
Other long term liabilities		(31.8)	(59.2)	(59.2)	(59.2)	(59.2)
Net Assets		439.7	524.3	561.9	642.0	728.1
CASH FLOW						
Operating Cash Flow		272.3	333.0	378.6	407.5	435.4
Net Interest		(6.1)	(4.2)	(7.0)	(10.5)	(11.0)
Tax		(13.3)	(11.9)	(51.4)	(52.7)	(56.9)
Capex		(100.8)	(197.3)	(280.0)	(225.0)	(175.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0
Equity financing		3.1	3.6	3.6	3.6	3.6
Dividends		(98.5)	(60.8)	(113.1)	(74.3)	(80.3)
Borrowings and lease liabilities		(52.7)	(53.7)	(57.3)	(60.0)	(62.8)
Other		(11.0)	(5.0)	(5.0)	(5.0)	(5.0)
Net Cash Flow		(7.0)	3.7	(131.7)	(16.5)	48.0
Opening cash		198.6	191.6	195.3	63.6	47.1
Other		0.0	0.0	0.0	0.0	0.0
Closing cash		191.6	195.3	63.6	47.1	95.1
Closing net debt/(cash)		(191.6)	(195.3)	(63.6)	(47.1)	(95.1)
Closing net debt/(cash) including leases		109.7	124.3	331.0	365.5	335.5

Source: Greggs, Edison Investment Research

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