

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**WH Smith PLC**

***The global travel retailer***

**28 March 2025**

**WHSmith sells UK High Street business  
to focus on higher growth travel retail markets**

**Transaction Highlights:**

- WH Smith PLC ("WHSmith" or "the Group") has agreed the sale of its UK High Street<sup>1</sup> business to Modella Capital (the "Transaction"), creating a pure play global travel retailer
- Consideration represents an enterprise value of £76m on a cash and debt-free basis
- Gross cash proceeds of £52m, with anticipated net cash proceeds of c.£25m when adjusted for transaction and separation costs, to be deployed in-line with the Group's capital allocation policy
- WHSmith brand is not included in the sale. The Group's Travel divisions will continue to trade under the WHSmith brand across 32 countries and including at major airport locations, hospitals and rail stations in the UK
- Transaction is consistent with the Group's strategic focus and will allow management to concentrate on capturing the substantial growth opportunities in its key travel markets with a clear focus on driving shareholder value
- Over time, the Group has increased its focus on Travel, with 75% of the Group's revenue and 85% of its trading profit coming from its Travel business in the last financial year
- By removing exposure to the UK High Street and with c.50% of the business now international, the Transaction will enhance the Group's financial profile:
  - Enhancing revenue growth
  - Enhancing PBT margin
  - Enhancing rate of growth in trading profit and EPS
  - Maintains the Group's current attractive free cash flow generation
- The Group is trading in line with market expectations

***Background and strategic rationale***

Over the last decade, WHSmith has become a leading global travel retailer with over 1,200 Travel stores across 32 countries. While profitable and cash generative, the UK High Street business has become an increasingly smaller part of the WHSmith Group. In the financial year ended 31 August 2024, 75% of the Group's revenue and 85% of its trading profit came from its Travel business. As the Group has successfully developed its Travel Essentials proposition, including a higher proportion of food and drink, health and beauty and tech accessories, its customer offer in Travel is increasingly different from that of its UK High Street business.

The Group has a clear strategy for its Travel business, focusing on four key areas:

- increasing spend per passenger;
- optimal use of space;
- space growth in new and existing markets; and

- growth of passenger numbers.

This strategy is focused on driving revenue and profit growth, strong free cash flow and delivering attractive shareholder returns.

The Group operates in structurally advantaged growth markets. Passenger numbers are forecast to grow in air travel by 2.5 times between 2024 and 2050, driven by both population and economic growth. Investment in airport infrastructure is also increasing across the globe creating more opportunities for airport retailing. Additionally, the Group is in a strong position to rollout its one-stop-shop strategy as landlords look to combine travel retail concepts. These factors, combined with the four pillars of the Group's growth strategy ensure it is well-positioned to generate substantial growth and value for shareholders.

### ***Enhanced financial profile***

In the financial year ended 31 August 2024, the Travel business generated revenue of £1,466m and Headline trading profit<sup>2</sup> of £189m. Excluding the High Street business, the Group's proforma revenue growth would have been 10% versus the 7% reported, and Headline Group profit from trading operations<sup>2</sup> growth would have grown 15% versus the 13% reported.

The Travel business is highly cash generative, and the Group expects to maintain strong free cash flow generation. In 2024, without High Street, proforma free cash flow would have reduced from £53m to £45m and proforma Headline EBIT to free cash conversion after capex investment, would have remained at 32%.

Proforma capital expenditure for the full year 2024, would have been £107m compared with £129m, and proforma leverage would have been higher at 1.6 times rather than 1.4 times.

### ***Capital allocation policy remains unchanged***

There is no change to the Group's capital allocation policy. The key focus of the policy is to invest in the business where returns are ahead of the cost of capital. The growth opportunities available to the Travel businesses are significant: opening new stores, refurbishing the existing estate, or winning better quality space.

The Group's commitment to a progressive dividend policy is well established and it seeks to grow its dividends at least in line with Headline EPS growth, with a target dividend cover, over time, of 2.5x.

The Group has a strong track record of making value-creating acquisitions in the travel retail space, and it will continue to look at opportunities when they arise.

Finally, the Group is committed to maintaining a strong and efficient balance sheet and will continue to prioritise returning excess cash to shareholders via share buybacks.

Following completion of the Transaction, the Board aims to return to leverage within the target range of 0.75 -1.25x EBITDA by the end of August 2026.

### ***Modelling guidance***

The Group will continue to maintain a tight focus on costs and efficiencies. Pre-transaction unallocated central costs are expected to fall by c. £4m by 31 August 2026 (unallocated central costs in FY25 are expected to be c.£30m).

In addition, following the recently announced refinancing, the cost of financing for the Group is expected to be 6.3%. The Group tax charge is expected to be c.25%. Capital expenditure in the year ending 31 August 2026 is expected to be c.£110m. Following the completion of the current buyback, the number of shares in issue is expected to be c.127m.

### ***Information on High Street operations and the Transaction***

The High Street business is profitable and cash generative. The business currently employs c.5,000 colleagues across c.480 stores in primary locations across the UK and from its Swindon based Support Centre.

All stores, colleagues, assets and liabilities of the High Street business will move under Modella Capital's ownership as part of the Transaction. Under this new ownership, the business will be led by Sean Toal, currently CEO of the High Street business. The High Street business will operate for a short transitional period under the WHSmith brand whilst the business rebrands as TGJones. The Group's Travel divisions will continue to trade under the WHSmith brand.

The Transaction is expected to complete in the final quarter of the Group's current fiscal year, with anticipated gross cash proceeds of £36m at completion (subject to customary working capital adjustments based on timing of completion), a further £6m 12 months following completion, and up to £10m of additional proceeds based on timing and realisation of certain tax assets within the High Street business. Net cash proceeds (adjusting for transaction and separation costs) of c.£25m are to be deployed in line with the Group's capital allocation policy.

The sale does not include the Group's personalised online greeting card business, [funkypigeon.com](http://funkypigeon.com). The Group will explore strategic options for this part of the Group, including a possible sale.

**Carl Cowling, Group Chief Executive, commented:**

*"As we continue to deliver on our strategic ambition to become the leading global travel retailer, this is a pivotal moment for WHSmith as we become a business exclusively focused on Travel.*

*"We have a highly successful Travel business, operating in fast growing markets in 32 countries and we are constantly innovating to deliver strong returns and meet our customers' and partners' needs. Our Travel business currently accounts for around 75% of the Group's revenue and 85% of its trading profit. With the ongoing strength in our UK Travel division, and the scale of the growth opportunities in both North America and the Rest of the World, we are in our strongest ever position to deliver enhanced growth as we move forward as a pure play travel retailer.*

*"As our Travel business has grown, our UK High Street business has become a much smaller part of the WHSmith Group. High Street is a good business; it is profitable and cash generative with an experienced and high-performing management team. However, given our rapid international growth, now is the right time for a new owner to take the High Street business forward and for the WHSmith leadership team to focus exclusively on our Travel business. I wish the High Street team every success.*

*"As we look forward as a simplified, travel-focused Group, I am excited about the Group's future prospects. With a clear strategy, a strong balance sheet, and operations in high growth and attractive markets, we are well-positioned to generate substantial growth and value for all stakeholders."*

A copy of this announcement will be available at [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk). WH Smith PLC will publish its Interim Results on Wednesday 16 April 2025.

Greenhill & Co. International LLP and Herbert Smith Freehills LLP are acting as financial adviser and legal adviser to the Group on the Transaction.

**Enquiries:**

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The person responsible for making this announcement on behalf of the Group is Ian Houghton (General

Counsel and Company Secretary).

**Notes:**

<sup>1</sup> Sale does not include online businesses, including funkypigeon.com

<sup>2</sup> Pre-IFRS 16

**Regulatory Notes:**

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Greenhill & Co. International LLP ("**Greenhill**"), an affiliate of Mizuho Financial Group, Inc., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser to WH Smith and no one else in connection with the Transaction and will not be responsible to anyone other than WH Smith for providing the protections afforded to clients of Greenhill, nor for providing advice in relation to the Transaction or any other matters referred to herein.

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