INTUITION
5 SEPTEMBER 2025

Greggs: the UK's favourite dining brand

Greggs sells one million sausage rolls every day in the UK, which is enough to feed close to half the population each month. From its humble beginnings as a bakery, the retailer has become the UK's most popular dining brand. Along the way, Greggs has reinvented itself by transforming from high-street bakeries to a food-on-the-go giant with nearly 2,700 shops. Currently suppressed by short-term pressures and investor concerns, this article evaluates the investment case for Greggs.

James Clarke

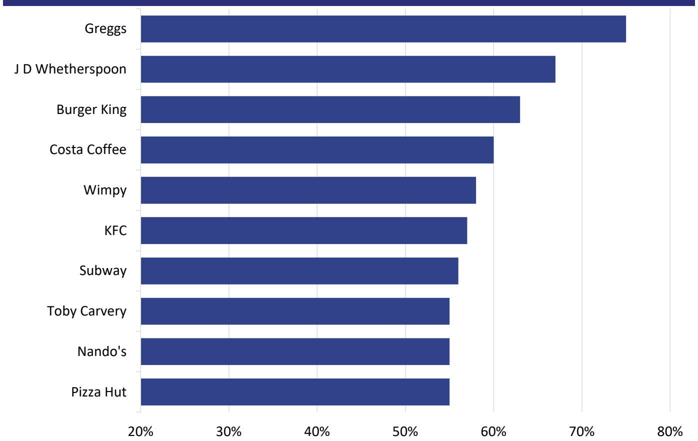
SPEED READ

- **Greggs has transformed from a traditional bakery into the UK's most popular dining brand, with over 2,600 shops and a strong reputation for affordability and convenience.**
- **Going forward, growth opportunities for Greggs include further store development, expanding evening trade, developing digital channels, and further menu innovation.**
- **Near-term cost pressures, margin headwinds from supply chain reinvestments, and slower sales weigh on the company's earnings outlook, while investors' concern have lowered sentiment, causing the share price to drop to a five-year low.**
- **Despite a weak short-term outlook, Greggs' fundamentals remain intact, making it a share that we are keeping on our radar.**

The UK's most popular dining brand, Greggs, has deep roots that date back to 1939. The business was founded by John Gregg, who began delivering eggs and yeast by bicycle to the families of Newcastle. Twelve years later in 1951, the first Greggs store was opened, selling fresh bread and a range of baked treats. Several bakery acquisitions helped Greggs expand incrementally over the following decades, growing its footprint to over 1,400 shops by the end of 2010, most of which lined Britian's high streets.

Between 2012 to 2015, Greggs faced an inflection point. Rising competition from supermarkets was curbing customer traffic in their stores and the traditional bakery model was no longer fit for purpose. The business decided to strategically pivot from its traditional bakery format to a food-on-the-go model, focusing on providing convenience to customers in a faster-paced world. The shift involved closing 300 underperforming high street shops and ending in-store baking. Production was moved from individual bakeries set up within stores to centralized and specialized production facilities.

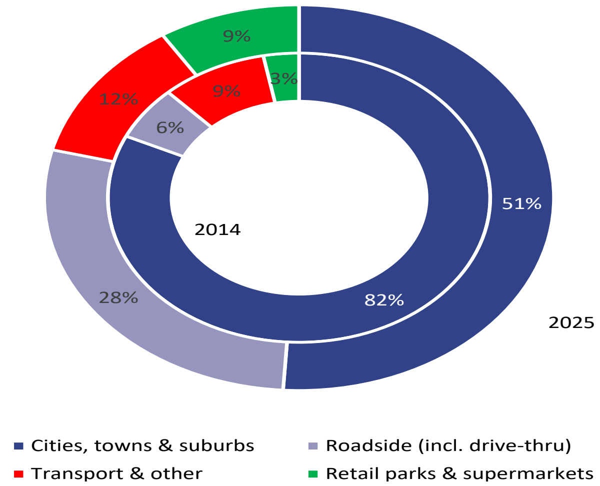
MOST POPULAR DINING BRANDS IN THE UK IN 2Q 2025



Greggs was rated as the UK's most popular dining brand in 2Q 2025, according to data from Statista

The transformation to a consolidated supply chain network reduced supply chain operating expenditure as a percentage of sales from 18.7% in 2013 to 13.7% in 2023. Greggs now owns nine supply chain facilities across the UK and recently announced plans for further reinvestment into their supply chain. Two new sites are being constructed, which will add capacity for up to 3,500 shops across the UK, equating to 6-9 years of growth at recent growth rates of 100-150 net new stores per year. Over the past decade, Greggs has shifted its shop expansion away from crowded high streets. Shop openings have targeted less saturated catchments, such as travel hubs, retail parks, and roadside outlets. A key part of this strategy has been the company's introduction of franchising, which Greggs began in 2013. Franchise stores now make up 564 of the retailer's 2,649 shops. By leaning on franchise partners, Greggs has been able to grow quickly and efficiently, tapping into new locations while limiting its own capital requirements and operational risk.

THE GREGGS STORE NETWORK: 2014 VS 2025



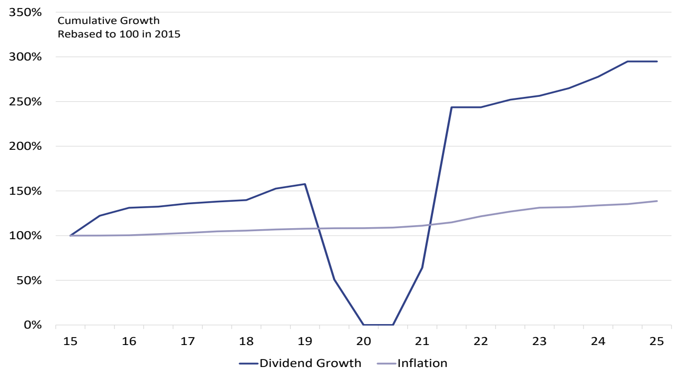
Over the past several years, Greggs has shifted its shop openings to underrepresented catchments and less saturated non-high street locations, including transport hubs, retail parks and supermarkets, and roadside locations

The diversified network of Greggs shops has consistently delivered impressive sales growth, underscoring that its proposition of affordability and convenience resonates with customers. The brand is widely perceived as a value leader in the UK's food-on-the-go sector. This customer appeal has translated into steady cash flows, which in turn has supported a reliable and growing dividend stream. Over the past decade, dividends have compounded at 11.4% per year.

Going forward, growth opportunities for Greggs include:

1. Growing and developing the Greggs estate: With supply chain capacity being built for up to 3,500 shops, the company is pushing beyond the high streets into underrepresented catchments. Focus on relocations, refurbishments, and flexible franchise formats also have potential to broaden reach and deliver strong sales uplifts.
2. Expanding evening trade: Greggs has historically been under-penetrated in evening trade. In the company's latest results for H1 2025, evening trade was 9.3% of company-managed shop sales, up from 8.4% in the prior year, revealing strong growth of 18.5% off a low base.
3. Developing digital channels: Digital is fast becoming a growth engine for Greggs, facilitating reach to a greater audience of consumers. Delivery sales grew nearly 31% last year and are now making up close to 7% of company shop sales. Loyalty app usage has doubled in the past two years to more than a quarter of all company store transactions, which strengthens loyalty, helps boost basket sizes, and gives Greggs richer customer data to drive smarter decisions.
4. Menu innovation: Greggs continues to innovate, typically following trends with a value alternative. The brand has extended its healthier choices, including salads, flatbreads, rice bowls, and fruit pots, and is catering more to hot food and evening trade.

GREGGS' DIVIDEND GROWTH RELATIVE TO INFLATION



Greggs has a strong track record of dividend growth, outgrowing inflation over the past decade

Despite strong fundamentals and avenues for long-term growth, Greggs faces a tough short-term outlook. Trading conditions remain challenging, as consumer spending is pressured by a higher cost of living. Greggs also faces cost pressures, largely driven by labour due to minimum wage increases and higher national insurance contributions. Like-for-like cost inflation is expected to be 6% in 2025, up from 4% last year. At the same time, major reinvestment in the supply chain will temporarily weigh on profitability, with two new sites expected to create margin headwinds of around 40bps in both 2026 and 2027. Simultaneously, these factors lead to subdued earnings growth forecasts for the near term.

Furthermore, investors are questioning whether Greggs has grown too fast and has not adapted well enough to changing consumer tastes, including healthier choices. Consequently, the share price reflects these concerns, as well as the weak earnings outlook, now trading near a five-year low. However, the company's fundamentals remain intact. Steady store expansion, a strong value-led brand, growing digital channels, and reinvestment support resilience and further efficiencies in the business. In a market where eating on the go has become expensive, Greggs' ability to offer affordable prices makes it especially relevant for the UK's workforce. Unlike many global fast-food peers, Greggs is a pure play on the UK consumer, with no direct currency risk. This combination of factors makes Greggs an interesting long-term opportunity at its current price, and one that we are keeping on our radar.

Harvard House has a unique financial planning philosophy that derives the investment plan from the client's income need. While the concept is pretty clear for clients, the link to how this is applied in portfolios is somewhat more opaque. In the next Insight, Robin Gibson will explore the implementation of a portfolio from a financial plan and also demonstrate that growing income is good not just for those who need income, but also those who need capital growth.

Harvard House is on Facebook

Harvard House is on YouTube

CONTACT DETAILS:

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

Topic: Harvard House AI: Advice to Implementation

Natal Midlands

Date:	11th of September, 2025
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	9th of September, 2025
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	N/A
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

HARVARD HOUSE GROUP

3 Harvard Street, Howick, 3290, South Africa

P.O. Box 235, Howick, 3290, South Africa

+27 (0) 33 330 2164

+27 (0) 33 330 2617

@ admin@hhgroup.co.za

W www.hhgroup.co.za