



EQUITY RESEARCH



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INVESTMENT SUMMARY

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Investment Summary

- Leading pub operator in South of England
- Premium State and premium operating margins
- Structural reduction of pubs supply
- Industry dynamics favour their product offering as people look for more affordable options to socialise
- Valuation is at its lowest
- Last trading update reported increased Like-for-Like revenues of 7% amid economic uncertainty in the UK
- Successful integration of the City Pub into their estate.

Catalysts

- City pub synergies
- Debt Reduction



Market Data

52 Week High	£10.55
52 Week Low	£7.20
Avg. 3 Month Volume	0.05 MM
5 Yr Beta	1.29
Float %	87.5%

Capital Structure

Market Cap (MM)	£495.89
Enterprise Value (MM)	£846.59
Shares Outstanding	62.09 MM
LTM Net Debt (MM)	£347.40
LTM Net Debt/EBITDA	3.36x

Efficiency

LTM Gross Margin	22.5%
LTM EBIT Margin	14.6%
LTM ROA	3.4%
LTM ROE	1.8%
LTM ROIC	5.1%
LTM ROCE	5.3%

Growth

Fwd 2-Yr Rev. CAGR	13.8%
Fwd 2-Yr EBITDA CAGR	10.9%
Fwd 2-Yr EPS CAGR	0.4%
Last 3-Yr Rev. CAGR	62.5%
Last 3-Yr EBITDA CAGR	-
Last 3-Yr EPS CAGR	-

Valuation

Street Target Price	£13.42
NTM EV/Revenues	1.71x
NTM EV/EBITDA	7.49x
NTM P/E	14.60x
NTM MC/FCF	13.57x
LTM EV/Revenues	1.91x

Young & Co.'s Brewery, commonly known as Young's, is a British pub company with a rich history dating back to 1831. Originally a brewery, it transitioned into a pub-focused business after selling its brewing operations in 2006. Today, it owns and operates a portfolio of premium pubs and hotels across the UK.

Business Model

Young's operates a pub ownership and management model, focusing on premium hospitality experiences. Its revenue primarily comes from food, drinks, and accommodation at its managed pubs and hotels. The company emphasizes high-quality food, craft beers, and well-located venues in affluent areas. As of recent years, Young's operates 276 managed pubs and 2 tenanted pubs, principally located in London and the South of England, reinforcing its focus on directly managed venues to maintain premium service quality and brand consistency.

Business Segments

Drinks: Largest revenue stream, offering premium craft beers, wines, spirits, and non-alcoholic beverages, with a focus on seasonal and locally brewed selections.

Food: High-quality, fresh, and seasonal British cuisine, with menus catering to different dining occasions, from casual meals to premium dining experiences.

Accommodation: Boutique-style hotels and inns attached to select pubs, featuring over 800 rooms, primarily in London and the South of England, catering to business travellers and leisure guests.

Prime Locations: Pubs and hotels are strategically located in affluent areas, primarily in London and the South of England, attracting high-spending customers.

Strong Brand & Heritage: Established in 1831, Young's is a well-known name in the UK hospitality industry, benefiting from its long-standing reputation for quality and premium experiences.

Vertically Integrated Model: Operates 276 managed pubs instead of relying on tenanted properties, ensuring quality control, brand consistency, and higher profit margins.

Rooted Pub Culture in the UK: British pubs are a fundamental part of social life, and Young's leverages this deeply ingrained culture to maintain strong and stable customer demand.

Focus on Freehold Estate: Owning a significant portion of its pub properties gives Young's greater control over operations, long-term cost advantages, and asset appreciation.

Scale & Supplier Negotiation Power: With a large portfolio of managed pubs, Young's benefits from economies of scale, allowing it to negotiate better supplier terms and improve margins.

The UK hospitality sector includes restaurants, cafes, pubs, and hotels. In 2023, it contributed £62.5 billion to the economy, making up 2.8% of total output. The industry employed 2.8 million people in mid-2024, representing 7.5% of UK jobs. It has a high number of young, foreign-born, and part-time workers, with wages lower than in other industries.

Rising Energy Costs: Energy prices have surged, increasing by 80% by May 2023. While the government's Energy Bills Discount Scheme provided relief, it ended in April 2024. Though prices have fallen slightly, they remain well above pre-crisis levels, adding pressure on businesses.

Inflation and Consumer Spending: Inflation peaked at 9.6% in 2022, before falling to 2.6% by September 2024. Food and beverage inflation, once 19.2%, stood at 1.8% in 2024. Despite lower inflation, many consumers are cutting back on discretionary spending, reducing demand for hospitality services.

Staffing Shortages and Wage Increases: There were 95,000 vacancies in hospitality in September 2024, with a 3.6% vacancy rate, higher than the national average. In April 2024, the National Minimum Wage rose to £11.44 per hour, increasing costs for businesses already struggling with high operating expenses.

Tax Measures and VAT Relief: The government cut VAT from 20% to 5% in 2020, later increasing it to 12.5%, before restoring it to 20% in April 2022. While this temporary relief helped businesses, many in the industry are pushing for its return to support growth.

Alcohol Duty Reforms: In August 2023, the government introduced a new alcohol duty system, taxing drinks based on strength. A "Draught Relief" measure reduced taxes on beers, ciders, and spirits sold in pubs. However, upcoming changes in February 2025 could raise the cost of some alcoholic beverages.

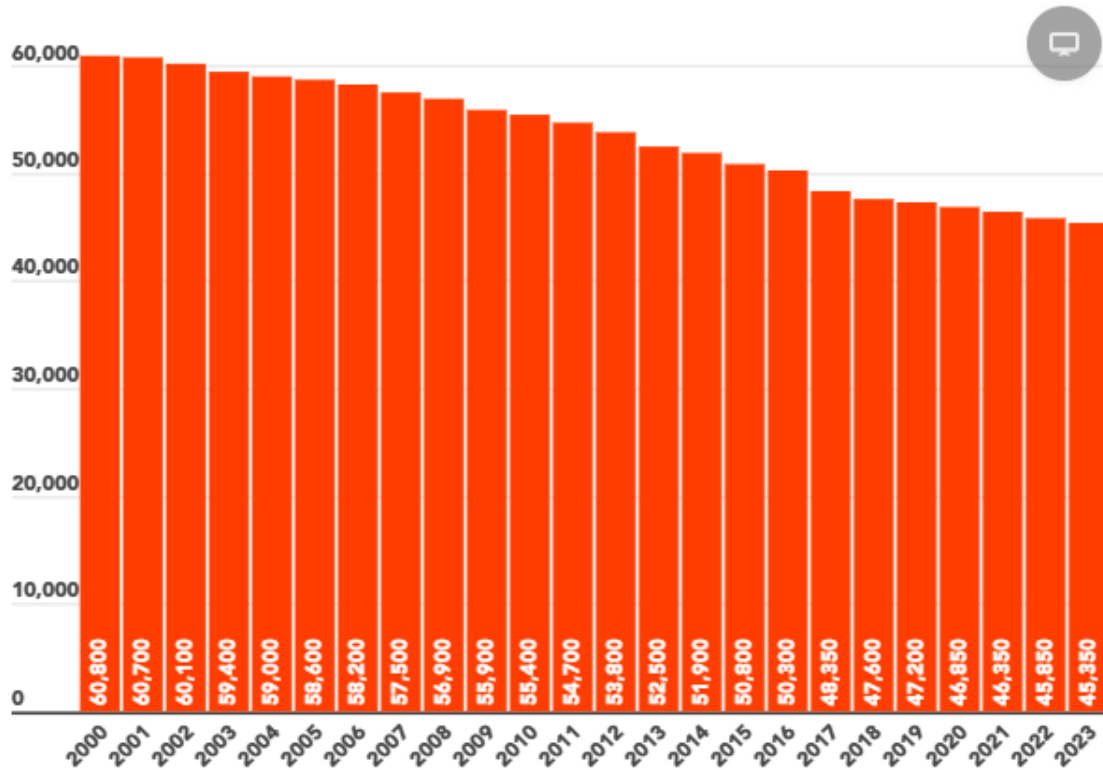
Business Rates Relief: Hospitality businesses currently receive a 75% business rates discount until March 2025. Industry groups argue this relief should become permanent to ensure the sector's survival.

Employer National Insurance Contributions (NICs): The government may increase Employer NICs, currently at 13.8%. Hospitality leaders warn this would increase job losses, as staffing is already the biggest business expense.

Covid-19 Aftereffects: During the pandemic, 81% of hospitality businesses closed. Many took out Bounce Back Loans, which they are now struggling to repay. The long-term financial burden of these loans continues to affect small businesses.

The expectations for the industry are quite negative, as consumers are expected to go out less frequently and be more conscious about their spending. Additionally, the younger population is showing a greater desire for a balanced and healthy lifestyle, avoiding alcohol and adopting healthier eating habits. However, this perception is not supported by the data, which does not indicate a clear trend and tends to remain steady. Twenty-six percent of people visited a pub last week, and 50% buy food or drinks at a pub every two weeks. These figures are like those in 2019, which do not support the industry's concerns. People are still going to pubs as frequently as before and in London the expectations are better than the national average.

At the end of Q4 2024, Deloitte's expectations were highly negative, predicting a 0.1% YoY decline in consumer spending at pubs. However, in January, Barclays reported a 2.6% YoY growth. While consumers express a desire to save money and cut restaurant spending, Deloitte noted that people still seek social experiences and are shifting towards pubs due to their affordability.



The long-term decline in the number of pubs—shrinking at an annual rate of 1.26% since 2000—has created a more favourable competitive environment for well-established operators like Young’s. With fewer pubs in the market, competition has eased, allowing stronger players to capture a larger share of local demand and maintain customer loyalty. This reduced supply has also increased pricing power, enabling Young’s to pass on cost inflation to consumers without significantly affecting footfall. Furthermore, the scarcity of quality pub locations has enhanced the value of Young’s freehold estate, reinforcing its asset base. As weaker competitors exit the market, Young’s benefits from stronger brand positioning, opportunities for strategic acquisitions, and the ability to optimize its portfolio around high-performing sites. Overall, the industry contraction supports a more stable and profitable outlook for companies with strong fundamentals and a loyal customer base.

COMPETITORS

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	YNGA	FSTA	JDW	MAB	WTB	MARS
Operating Margins	14%	6%	6%	11%	16%	16%
Net Debt / EBITDA	3.65	3.70	6.00	2.40	6.58	3.13
Revenue Growth (9years)	5%	1%	6%	15%	13%	3%
EPS Growth (9years)	3%	-5%	4%	0%	1%	3%
NTM Market Cap/FCF	12.00	15.00	9.00	13.00	14.00	11.00
ROCE	8%	5%	16%	8%	6%	6%
Shares Dilution (5years)	2%	-2%	-4%	2%	3%	3%
Price/Book Value	0.62	0.85	1.94	0.74	1.36	0.68

Among the UK pub and hospitality companies, Young's (YNGA) stands out as the most compelling investment when factoring in both asset quality and financial performance. With 14% operating margins, it maintains strong profitability, exceeding competitors like JDW and FSTA (both at 6%) and only slightly behind asset-light operators such as WTB and MARS. More importantly, YNGA's ROCE of 8% reflects efficient capital use within a freehold-heavy model. While JDW reports a higher ROCE (16%), this is inflated by its leasehold structure, which reduces the capital base and overstates returns. Young's, by contrast, owns a valuable estate that provides long-term stability and intrinsic value.

On valuation, YNGA appears significantly undervalued. It trades at just 0.62x price-to-book, the lowest in the group, despite its freehold backing. Its 12x NTM Market Cap to FCF also signals an attractive entry point compared to peers like FSTA and WTB, which trade at higher multiples despite weaker fundamentals. Modest revenue (5%) and EPS growth (3%) over nine years, combined with low share dilution (+2%), reinforce Young's as a well-managed, capital-efficient company. Given its strong asset base, disciplined capital use, and discounted valuation, Young's offers the best blend of quality and value in the sector.

Chief Executive Chief Executive Officer (CEO): Simon Dodd

Simon Dodd was appointed CEO of Young & Co.'s Brewery PLC in July 2022, after joining the company as Chief Operating Officer in September 2019. He has over a decade of experience in the pub and brewing industry, having previously served as a director at Fuller's, including roles as Managing Director of its beer company and Operations Director of its premium city pubs division.

Share Ownership: Mr. Dodd holds 7,817 A shares and 3,087 non-voting shares in Young's (£101,080.).

Total Remuneration (FY 2024): £781,180, including a base salary of £500,000.

Chief Financial Officer (CFO): Mike Owen

Mike Owen has been serving as CFO and Executive Director since 2019. He oversees the group's finance functions, including strategy, forecasting, reporting, tax, treasury, and risk management. Prior to joining Young's, Mr. Owen held senior finance roles at Hall & Woodhouse Ltd and SABMiller PLC.

Share Ownership: Mr. Owen owns 8,098 A shares and 2,040 non-voting shares in the company (£93,980.).

Total Remuneration (FY 2024): £651,760, including a base salary of £350,000.

Chairman: Steve Cooke

Steve Cooke has been the Non-Executive Independent Chairman of Young & Co.'s Brewery PLC since July 2024. He is also a Partner at Brunswick Group. Previously, Mr. Cooke served as the Senior Partner at the law firm Slaughter and May from 2016 to 2024, where he led the Mergers and Acquisitions practice.

Annual Remuneration: £20,000

VALUATION

Pessimistic Scenario

	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF/Per Share Estimate	0.63	0.70	0.75	0.78	0.80	5%
Price Target	£6.30	£7.00	£7.50	£7.80	£8.00	-3%

Moderate Scenario

	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF/Per Share Estimate	0.63	0.70	0.75	0.78	0.80	5%
Price Target	£9.45	£10.50	£11.25	£11.70	£12.00	5%

Optimistic Scenario

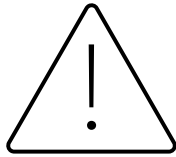
	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF/Per Share Estimate	0.63	0.70	0.75	0.78	0.80	5%
Price Target	£12.60	£14.00	£15.00	£15.60	£16.00	12%

CONCLUSION

From an investment in Young's, we can expect a moderate return. Valuation multiples, both on a Price-to-Book and a Price-to-Earnings basis, are well below historical averages. This reflects a perception that UK consumers would struggle to continue affording leisure outings. Contrary to this view, changing our habits is a frustrating process—people are generally reluctant to accept a lower quality of life.

Younger generations are taking longer to start families, which is one of the main reasons for reducing pub visits—not necessarily a decline in disposable income. Additionally, based on our years of experience in the restaurant industry, the local pub offers lower transport costs. The pub is the winning option when consumers want to cut down on their average outing spend but still enjoy time with friends or family.

While the company owns a significant freehold estate, it may not return to trading at a premium to the market unless sales improve. Another key catalyst is the integration of newly acquired pubs from City Group and the ongoing reduction in debt. At current prices, the dividend yield stands at approximately 2%. The company's quality and the industry's dynamics make this a relatively safe option with low volatility, albeit with modest returns.



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