

MARKET INSIGHT

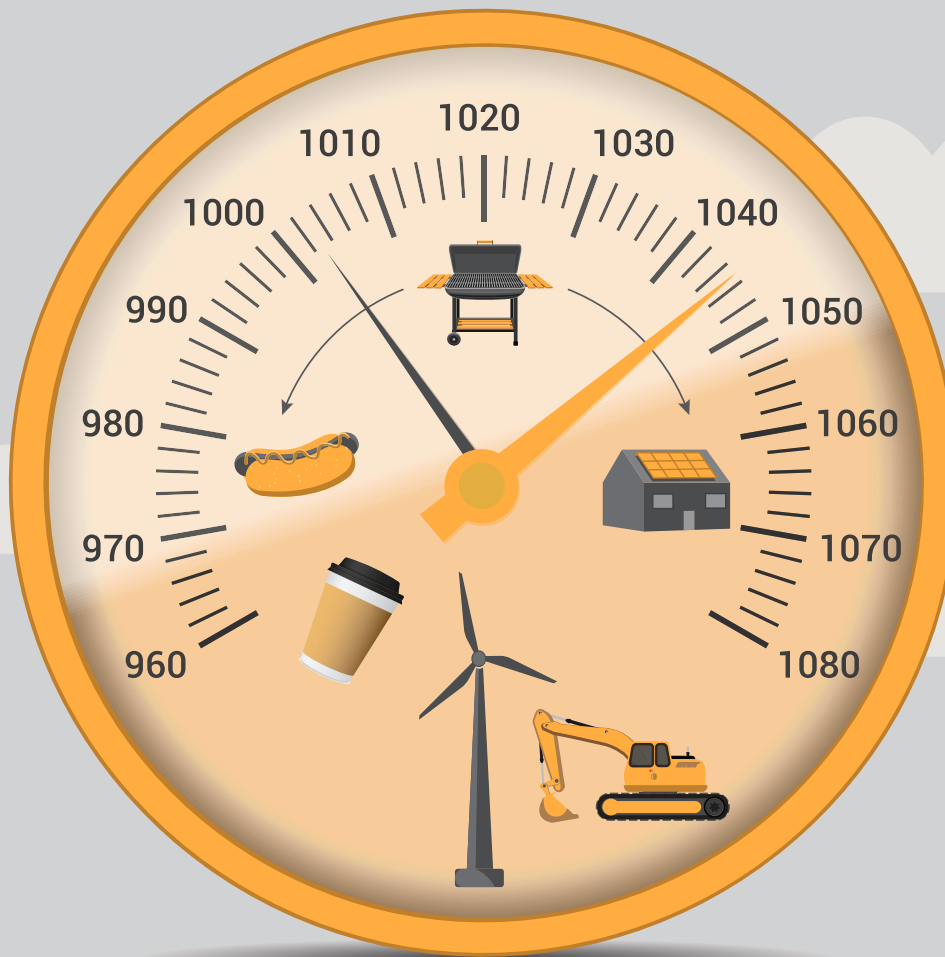
Insight and analysis from Redmayne Bentley
straight to your inbox



Redmayne
Bentley

ISSUE 43 - AUGUST 2025

Weathering the Storm



IN THIS ISSUE

- Greggs
- An Ideal Storm - How Businesses are Reacting to Changing Weather

WEATHERING THE STORM

ALASTAIR POWER | INVESTMENT RESEARCH MANAGER

IN THIS ISSUE



STOCK FOCUS
Greggs

[READ THE ARTICLE](#)



INSIGHT
An Ideal Storm - How Businesses are Reacting to Changing Weather

[READ THE ARTICLE](#)

OPENING HOURS

Monday–Friday, 08:00–17:00

GIVE FEEDBACK

publications@redmayne.co.uk

HEAD OFFICE

0113 243 6941

FOR MORE DETAILS

redmayne.co.uk

FOLLOW US



2025 is a very special year for Redmayne Bentley as we will celebrate our 150th anniversary in December. As we look ahead to this significant milestone, we want to thank our clients, readers and listeners for your support.



[Find out more...](#)

Upward momentum within financial markets has been carried through the second quarter of 2025 and continues as of the time of writing in August. The UK large cap FTSE 100 index broke through the 9,000-point level in mid-July on the back of continued strong performance within the financial and defence sectors. In the US, further all-time highs were reached on the flagship S&P 500 index, driven by strong share price performance within the technology and communication services sectors.

In macroeconomic updates, the Bank of England cut interest rates to 4% at its August meeting, with the Monetary Policy Committee reportedly having to vote for a second time to pass the reduction. The post-committee announcement revealed expectations for inflation to trend towards the 4% level in September before falling back thereafter, with medium-term inflationary pressures slightly higher since May. Economic growth is expected to remain subdued, in line with the gradual loosening of labour market conditions. Across the Atlantic, there was no reduction in interest rates at the US Federal Reserve's meeting in late July, given elevated inflation and stability within the labour market. Economic growth figures for the US remained strong, with second quarter figures indicating 3% growth in the quarter and 2% over a twelve-month period, both ahead of expectations and potentially leading to expectations of a slower pace of interest rate cuts. In the UK, however, economic growth rates for the second quarter were more muted, yet they were ahead of expectations with quarterly growth of 0.3% and year-over-year growth of 1.2%.

In our Stock Focus article, Greggs, the high-street baker, is under review with investors nursing some large losses through 2025 as the shares have tumbled from nearly £28 to £16 on the back of profit warnings and earnings downgrades. Store saturation remains a key discussion point with shop rollouts still at the heart of the company's growth plan. However, rising costs have hampered earnings performance with increases to the National Living Wage and National Insurance contributions having an outsized impact given the importance of labour to the company's cost base.

Continuing with the topic of weather, several companies have recently commented on weather impact in recent annual and interim reports. Renewable infrastructure companies such as wind farm owner Greencoat UK Wind suffered from significantly lower wind speeds in the first five months of 2025. Ashtead, the capital goods rental business, commented on the effects of a lack of hurricanes, and Kingfisher, the owner of B&Q, commented on favourable weather increasing demand for seasonal products.

Looking forward, speculation has already begun about which taxes may increase in the October budget but, until then, markets are expecting the first interest rate cut of 2025 in the US and further developments are due around implications of the US trade tariffs.

RISK WARNING

Please note that this communication is for information only and does not constitute a recommendation to buy or sell the investments mentioned. Investments and income arising from them can fall as well as rise in value. Past performance and forecasts are not reliable indicators of future results and performance. The information and views were correct at time of publishing but may have changed at point of reading.

STOCK FOCUS



GREGGS

RUTH HARRIS | INVESTMENT RESEARCH ANALYST



Love it or hate it, you may have noticed more and more Greggs stores popping up in your local area, possibly at retail parks, roadside locations, or even inside supermarkets. The Newcastle-based food retailer is perhaps best known for its sausage roll, as well as a wider array of baked goods and sandwiches. However, in recent years it has expanded its offering to include pizza, flatbreads, rice bowls, fried chicken, and iced lattes. Its vegetarian and vegan menu has also increased, with

the recent addition of the red pepper, feta, and spinach bake following up on the success of the vegan sausage roll. However, as it continues to expand both its number of stores and sprawling menu, there are questions as to whether it can execute its growth strategy. Greggs shareholders have had a disappointing few months. After hitting a price of £31.84 per share last August, a series of profit warnings and outlook downgrades have caused shares to dip under £16.00 in recent months.

In July, the company released its interim results covering the six months to 28th June 2025. While sales increased compared to the same period in 2024, with revenues up 7.0%, a combination of lower footfall and building cost overheads led to profit before tax falling 14.3% to £63.5m. This is expected to continue to persist through the year, with management indicating that operating profit could be modestly lower than the level achieved in 2024. CEO Roisin Currie attributed the results to weaker consumer sentiment as well as the adverse impact of the weather, though some investors are worrying that Britain has hit “peak Greggs”.

“While the consumer environment has been challenging, Greggs has continued to pursue an aggressive store opening strategy.”

The weather does have a substantial impact on consumer behaviour, including the types of food people eat and where they choose to consume them. The inclement conditions this year will have likely reduced footfall to Greggs stores. The snow and wind in January may have persuaded many to stay at home, while the more recent heatwaves through June and August reduced appetites, particularly for hot flaky pastries. Though some of those sales would be redirected to Greggs’ renewed range of sandwiches and salads, these typically have a lower margin than the classic pastry range and so still lead to a drag on profits.

Costs inflation has also been a substantial driver of Greggs’ recent lacklustre performance. The company is guiding a total circa 6% cost inflation for 2025. The majority of its cost base is labour, food, and packaging. The recent increase in National Living Wage, as well as higher levels of employee National Insurance contributions, affects much of Greggs’ 33,000-person workforce. The company is anticipating an approximately 8.0% overall increase in wage and salary costs. While in recent years food and packaging inflation has been significant, management are seeing some signs of this cooling and are anticipating mid-single digits inflation for the year.

Due to the impact of rising costs, Greggs pushed through three price hikes in a twelve-month period between 2024 and 2025. Its sausage roll, which could be purchased for 85p in 2016, hit £1.30 earlier this year.

While the consumer environment has been challenging, Greggs has continued to pursue an aggressive store opening strategy. In the first six months of the year, it opened a net 31 stores and is targeting another 110-120 in the second half. With 2,649 stores at present, management see scope for 3,500 before hitting a saturation point. As well as new stores, the company is aiming to grow new routes to customers, including delivery through UberEats and JustEat and an upcoming trial of a new smaller scale shop format ‘bitesize Greggs’, which could allow the opening of stores in areas too small for a full-service shop. Greggs has also announced new partnership with Tesco, and 800 of the supermarket’s largest stores will begin stocking Greggs ‘Bake at Home’ products in September 2025, in addition to its long-standing relationship with Iceland. Management claim that app data shows that the opening of new stores and introduction of new distribution channels does not heavily impact sales at other near-by stores, despite many Greggs opening in close proximity to one another. However, some investors remain concerned that the costs of expansion may continue to hurt earnings, especially if consumers begin to balk at price rises from the value retailer. There may come a point where the UK becomes saturated and loses appetite for more Greggs. ■

Please note that this communication is for information only and does not constitute a recommendation to buy or sell the shares of the investments mentioned. Investments and income arising from them can fall as well as rise in value. Past performance and forecasts are not reliable indicators of future results and performance. The information and views were correct at time of publishing but may have changed at point of reading.



INSIGHT



AN IDEAL STORM: HOW BUSINESSES ARE REACTING TO CHANGING WEATHER

THOMAS HYDE | INVESTMENT RESEARCH ANALYST



Talk about the weather may be a British cliché but, for businesses, it is far more than idle chatter. While Oscar Wilde may have disapproved of the talk as being “the last refuge of the unimaginative,” weather patterns are increasingly unpredictable and consequential. From heatwaves to floods, climate volatility is reshaping

consumer behaviour, disrupting supply chains, and creating both risks and opportunities for companies. In this article, we discuss how businesses can be caught out by changing weather patterns and how others are adapting to once-in-a-lifetime weather events, which are happening all too often.

According to the British Retail Consortium, the weather ranks as the second most influential factor on consumer spending, just behind the economy. Seasonal preferences are nothing new, but a departure from seasonal norms can significantly alter shopping habits. Based on research by Barclays; colder, greyer conditions during spring and summer tend to hurt consumer card spending as shoppers retreat indoors, reducing their purchases of seasonal outfits, barbeque food, and outdoor dining. However, when temperatures rise above seasonal averages, other products benefit. In the UK, unexpected heatwaves drive a surge in demand for classic warm-weather staples. For example, prior to UK temperatures soaring in April, retailer Aldi was on course to sell almost two million sausages and over 1.5 million burgers as Brits embraced the BBQ season earlier in the year. This represented a 25% increase compared with this time last year, equivalent to mid-summer heatwaves. However, not every business benefits from Britain's warmer spells. Greggs, the bakery chain, issued a profit warning earlier this year as customers shunned hot pastries like sausage rolls and steak bakes in favour of cooler alternatives. Pre-tax profits fell 14.3% in the first half of the year, and its share price has dropped circa 40% year-to-date. While weather alone was not to blame, the episode exposed a challenge faced by a climate-sensitive sector, highlighting the need for businesses to adapt to changing consumer demand as a result.

Another sector hurt by climate variation is UK renewable infrastructure trusts. Greencoat UK Wind and The Renewable Infrastructure Group (TRIG) faced headwinds in the first half of 2025. Disappointing results were partly attributed to unusually low wind speeds as Greencoat's electricity generation was reported 13% below budget. Despite producing nearly 5,484 GWh, enough to power two million homes, the power generated was significantly below expectations. This materially impacted the company's net asset value. Future power generation expectations have fallen, contributing to a 5.2% decline over the six months to July. Investment in renewable infrastructure, such as wind, is required, but climate change introduces variability in the resources this infrastructure depends on. Variations in wind speeds can introduce significant changes in cashflows, which makes the performance of these investment vehicles lumpier and less attractive to investors. To combat this, firms are integrating different methods to generate power and diversifying their portfolios to smooth cash generation.

These examples show how companies can be reactive to weather conditions. But others are taking a forward-thinking approach to the opportunities presented by climate change. British equipment rental firm, Ashtead Group, has seen an increase in demand for essential machinery to conduct disaster relief efforts, including hurricanes and wildfires across the US. Although hurricane-related services accounted for a small portion of its total revenue, US\$90-100m in 2025, the company views this as a strategic growth area. It is now integrating disaster response capabilities into its broader Sunbelt 4.0 initiative, positioning itself to support increasingly frequent climate-related emergencies. Another beneficiary is Kingfisher, owner of B&Q and Screwfix. The company has

identified extreme weather and rising energy costs as sources of demand in climate-resilient home improvement products. Recently, the company has expanded its Extreme Climate range, offering items such as sealants, insulation, and smart heating controls to help protect against increasingly volatile climate conditions. Similarly to Ashtead, these products currently represent a modest share of total revenue, but Kingfisher views this as a growth area and aims to generate 60% of sales from items that enhance efficiency and weather resilience by the end of 2025. Although it might be in 2026 when we know if this sales target has been achieved, this positions Kingfisher as a key player in helping households adapt to a changing climate.

“The weather ranks as the second most influential factor on consumer spending, just behind the economy.”

Overall, one thing is clear: climate unpredictability is becoming more predictable. If businesses do not want to be blown away by a wind of change, they need to prepare their business models for the next heatwave or downpour. This will be easier for some than others. Retailers that prefer to keep minimal inventory may have trouble reacting to short-term spikes in demand for climate-sensitive products. Supply chains will need to adapt to this new reality. Smaller businesses could struggle to absorb the additional costs that comes with climate planning. The climate may be unpredictable, but resilience to it will become a competitive advantage. ■

Please note that this communication is for information only and does not constitute a recommendation to buy or sell the shares of the investments mentioned. Investments and income arising from them can fall as well as rise in value. Past performance and forecasts are not reliable indicators of future results and performance. The information and views were correct at time of publishing but may have changed at point of reading.



Redmayne
Bentley



[redmayne.co.uk](https://www.redmayne.co.uk)
