

Reentry Reach: Pension deficit to be eliminated¹

Company:	Reach (RCH LN)	Market Cap:	£226m (70p)
Industry:	Media/Newspaper	Debt:	£38m
Country:	UK	Revenue:	£521m
Entry Date:	1 st August 2025	Operating profit:	£102m
Dividend:	£23m (10%)	Free cash flow:	£15m (incl. pension cost)
Entry:	£227m (70.4p)	Target:	£400m or 124p (+77%)

Why Reach?

- £62m in annual pension payments to decline to £15m by 2028
- Despite declining revenues, operating profit is held stable
- Recent push into video and into the USA could start bearing fruits
- Montgomery has explored a takeover at £400m

Risks

- Decline in traditional advertising market and switch to AI related media
- Earnings power decline of elderly people (their main customers) due to potential tax or pension changes

About Reach

The last time I invested in Reach ([here](#)) was at a similar point as now – ahead of the Autumn Budget (2022). Back then, the position initially lost, but then gained with Montgomery exploring a takeover ([here](#)), just as is happening today. I was able to exit the position with a 28% return in two months ([here](#)). Because the notes I wrote on Reach are a bit outdated by now, I'll provide a short introduction to what the company

¹ all assumptions and observations are based on internal modelling and data analysis

does. Reach is the largest UK commercial publisher with more than 120 brands, 2,000 editorial staff, a UK audience of 37m, US audience of 30m and a global social audience of 101m². The publisher has the 6th largest digital asset in the UK and owns tabloid papers, such as the Daily Mirror, Daily Express, Daily Star, Daily Record, and is engaged nationally and regionally. Reach makes around 75% of its revenues from print, over 50% of total revenue comes from circulation only, and 25% from digital³. The decline in circulation is largely offset by price hikes and relates mostly to the elderly subscribers decreasing. The company is diversifying away from the declining print business mostly via its digital platforms, by entering new regions (USA) and by focusing on new formats, such as social and video. Like many other publishers, Reach has options to dive more into AI and reduce costs further, as proposed by a potential takeover of Reach by David Montgomery recently⁴. However, the biggest upside could come from a large reduction of the £62m annual pension deficit payments, which are to drop to £15m in 2028.

Reach plc strengths.

Our digital strength	Broad brand portfolio	Strategic progress	Strong financials
37m UK audience c.70% of UK 30m US audience 101m Social audience (global) c.1.1 bn Monthly PVs on-platform 9m Sign-ups and 3m WhatsApp 6th Largest digital asset in the UK	Global reach, national scale and local relevance Home to more than 120 brands Award-winning journalism Largest UK commercial publisher c.2,000 editorial staff	CVS strategy delivered increase in yield growth RPM FY20-24 +65% Increase RPM Data-driven revenues represent 43% revenues HY25 Supported our diversification into non advertising revenues Expanded across new geographies	Print resilient FY24 >230m copies sold and print revenues £407m Demonstrable track record in driving efficiencies 4-5% target reduction adj operating costs FY25 Strong profitability 17.5% operating profit margin HY25 Strong cash generation c.102% profit HY25 cash conversion Robust balance sheet: Net debt c.£26m HY25 headroom to RCF £145m Track record in paying dividends to shareholders £23m p.a FY24 Long term uncertainties resolved Free cash unlocked 2028

Source: <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2025/hy2025-results-presentation.pdf.downloadasset.pdf>

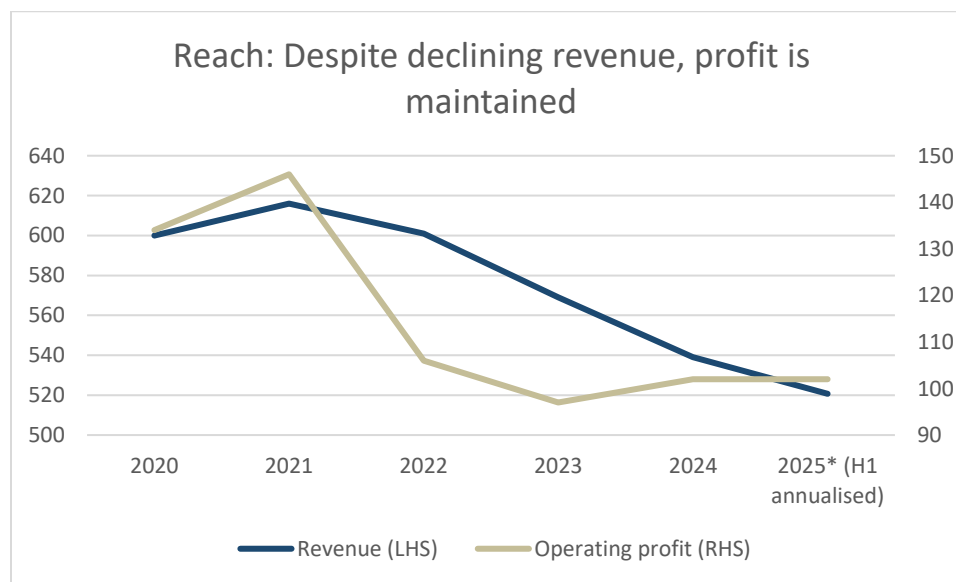
² <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2025/hy2025-results-presentation.pdf.downloadasset.pdf>

³ <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2025/hy2025-results-statement.pdf.downloadasset.pdf> p. 22

⁴ <https://dailybusinessgroup.co.uk/2025/08/montgomery-targets-reach-in-cost-cutting-bid/>

The numbers are attractive

The decline in print and print related revenues has averaged -4% per annum over the last five years, whilst digital revenues climbed on average 3% per annum (+25% in 2021 and -15% in 2023, with the latter due to changes in the Google and Facebook algorithm⁵, other years +1-2%). However, despite the decline and subsequent stabilisation in digital revenue in 2023 and onwards, operating profit and adj. free cash flow stabilized despite the decline in print revenues. This is partly due to the deferred consideration for Express & Star (£17m per annum until 2022, £7m in 2023⁶) falling away, partly due to job cuts. What makes Reach interesting from an investment point of view is the pension deficit, which requires the company to pay £62m per annum until 2028, when the payments drop to £15m⁷. Essentially, this is equivalent to a company repaying debt at £62m a year and obtaining £47m additional free cash flow in three years' time vs. £220m market cap. This is likely the reason behind Montgomery exploring a takeover with £250m cash and £150m debt⁸, valuing the company at £400m (+82%).



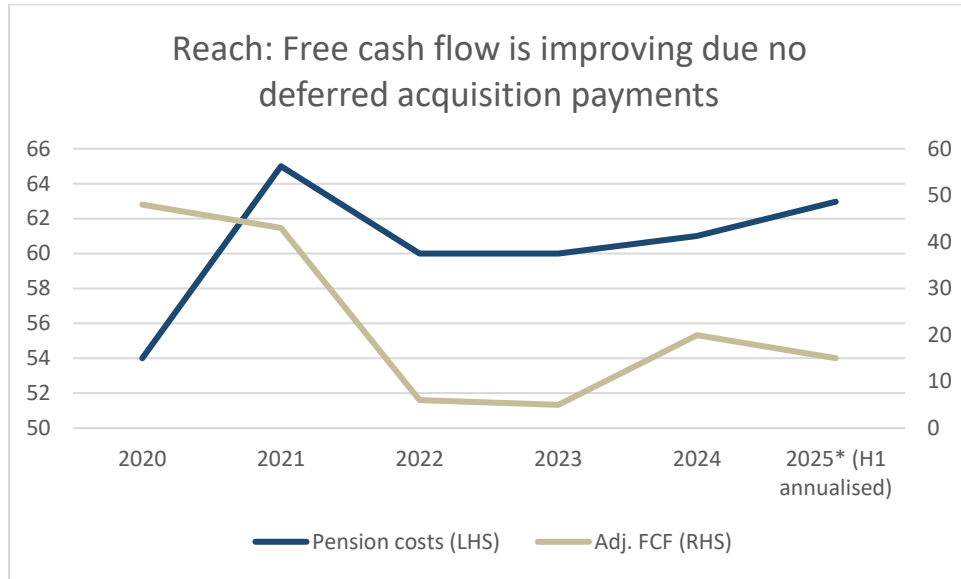
Source: Annual reports Reach

⁵ <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2023/full-year-results-statement.pdf.downloadasset.pdf> p. 4

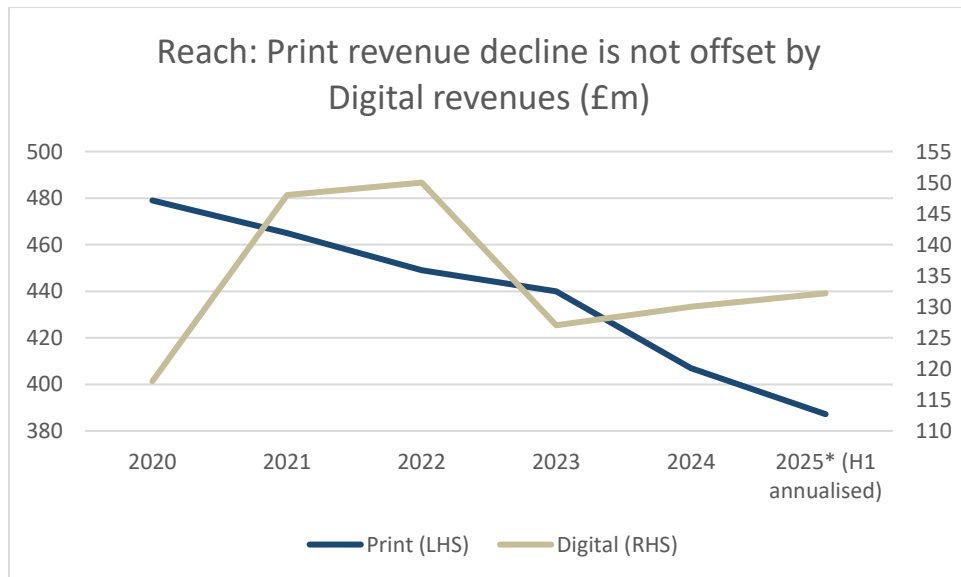
⁶ <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2023/full-year-results-statement.pdf.downloadasset.pdf> p. 35

⁷ <https://www.reachplc.com/content/dam/reach/corporate/documents/results-and-reports/2025/hy2025-results-statement.pdf.downloadasset.pdf> p. 27

⁸ <https://dailybusinessgroup.co.uk/2025/08/montgomery-targets-reach-in-cost-cutting-bid/>



Source: Annual reports Reach



Source: Annual reports Reach

The pension deficit

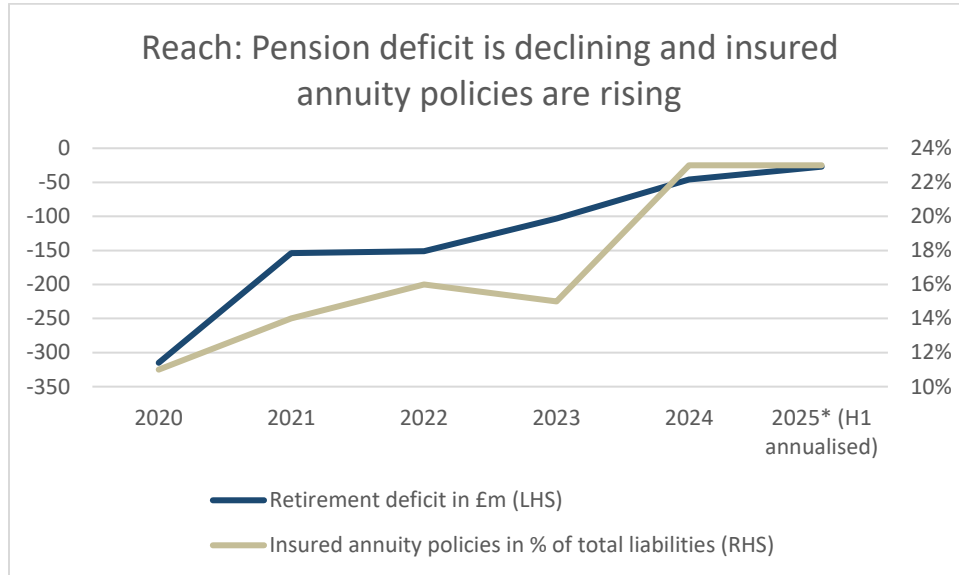
I won't go into the details of why Reach Plc had such a large pension deficit, but in short, the pension was misappropriated by Robert Maxwell, then CEO of the Mirror Group Newspaper (now Reach), which was uncovered by his death in 1991⁹. This then led to the regulator obliging companies to bring their pension assets and liabilities on their balance sheet and have trustees manage them; and agree on any additional payments on a triennial basis, if necessary. However, the tide is finally turning for Reach as the IAS 19 defined benefit deficit is approaching zero. Reach has a total of six pensions with the following details:

- the MGN Pension Scheme (the 'MGN Scheme')
 - £219m funding deficit as of 31 December 2022, still in deficit as of 30 June 2025
 - £46m in annual payments until January 2028 (agreed on 9 October 2023)
 - Bulk annuity of 18% of liabilities purchased in 2024
- the Trinity Retirement Benefit Scheme (the 'Trinity Scheme')
 - £5.8m funding deficit as of 31 December 2022, surplus as of 30 June 2025
 - £4.5m in annual payments from 2025 to 2027 (agreed on 28 March 2024)
- the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme')
 - £53.3m deficit as of 31 December 2022, still in deficit as of 30 June 2025
 - £9.7m in annual payment in 2025, £10.6m in 2026 & 2027 and 11.4m in 2028 (agreed on 28 March 2024)
- the Express Newspapers 1988 Pension Fund (the 'EN88 Scheme')
 - £2m surplus as of 31 December 2022, surplus as of 30 June 2025
 - £1m in annual payments until 31 December 2027 (agreed on 27 March 2024)
- the Express Newspapers Senior Management Pension Fund (the 'ENSM Scheme')
 - Was bought out on 28 February 2024, surplus as of 30 June 2025
- the West Ferry Printers Pension Scheme (the 'WF Scheme')
 - Final £3.8m to be paid in H2 2025, as scheme to be bought out

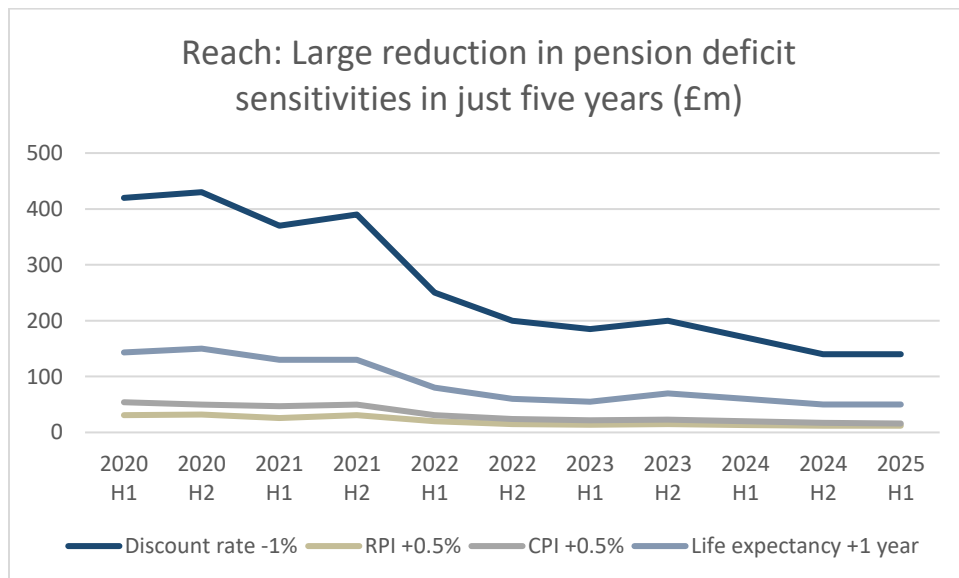
In this sense, there are only 3-4 pensions left and only two (MGN and MIN Scheme) that are still in deficit by 30 June 2025. Specifically, the overall IAS 19 retirement benefit deficit is likely to move into surplus in

⁹ <https://globalcapitalism.history.ox.ac.uk/files/case29-robertmaxwellsexpectationsgap.pdf>

2026. This would then leave Reach with around £47m in additional free cash flow in 2028, and another £15m in 2029, which compares to a market cap of £220m.



Source: Annual reports Reach



Source: Half-year reports Reach



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