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Stonegate raised operating profit to £245m after converting 147 managed pubs

Revenue fell to £1.16bn as the company moved more sites into partnership models that outperformed its managed estate

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Stonegate said Tuesday that its profit rose in the first 40 weeks of its financial year as the group pushed ahead with a broad overhaul of its pub estate, even as revenue fell because more sites were moved out of its managed division.

The company reported revenue of £1.16bn for the 40 weeks to July 5, down from £1.26bn in the same period a year earlier. Stonegate said the decline reflected pubs leaving its managed estate as part of its transformation strategy. Despite the lower top line, operating profit increased to £245m from £228m, while its loss before tax narrowed to £53m from £73m. Loss after tax also improved, falling to £40m from £55m.

Chief executive David McDowall said the latest quarter showed “strong profit growth” and argued that the group’s strategy was delivering results. He said Stonegate remained on track for a significant year of profit growth and that performance was being driven by its partnership businesses, including Stonegate Pub Partners and Craft Union.

The figures point to a company reshaping how it runs a large part of its estate. Stonegate said its leased and tenanted business posted profit growth of 5.7% from a year earlier, while Craft Union, its operator-led arm, recorded profit growth of 15.2%. By contrast, the managed estate posted a 1.2% decline.

McDowall said the results supported the group’s view that pubs perform best when local operators are given more control to meet demand in their communities. Stonegate has been accelerating that model. The company said it converted 147 managed pubs into partnership formats so far this year, a move McDowall said had helped create a “leaner and more resilient” estate.

The latest update follows Stonegate’s statement earlier this month that it had identified about 100 more pubs that could be transferred into its Pub Partners business. That suggests the company is still in the middle of a major operational shift rather than nearing the end of it.

Investment during the period fell as the portfolio changed. Stonegate spent £95m on expansion, conversions and maintenance, down from £115m in the prior year. At the same time, it sold 123 trading sites and nine parcels of land and completed five sale-and-leaseback deals involving trading sites. Those moves generated net proceeds of £56m.

The results arrived against the backdrop of market speculation about a larger disposal. Reports on Monday said Heineken’s pub arm was in talks to buy about 300 pubs from Stonegate in a deal that could be worth £300m. Stonegate had previously told The Morning Advertiser that no decisions had been made on its Platinum portfolio and that options under consideration included refinancing, a partial sale or a full sale.

The company is also facing regulatory scrutiny. Stonegate is the subject of an investigation by the Pubs Code Adjudicator over concerns related to parts of its leased and tenanted estate. The regulator has not reached any conclusions.

The update matters beyond Stonegate itself because the company’s scale gives its trading model broad influence across Britain’s pub market. Changes in how it operates pubs, allocates investment and manages disposals can shape demand patterns for beer, wine and spirits in the on-trade, as well as affect purchasing leverage with suppliers. A stronger performance in leased, tenanted and operator-led formats may also encourage more conversions across the sector if other groups see similar economics.

For drinks producers and distributors, the split in Stonegate’s numbers offers a useful signal. Growth in partnership formats and in Craft Union suggests that locally run venues are, at least for now, proving more profitable than some traditionally managed pubs. If that trend continues, it could alter buying decisions at site level, including product mix, promotional activity and the balance between national contracts and local demand.

Stonegate’s lower revenue, on its own, does not point to a simple weakening in trade. The company explicitly linked that decline to the movement of pubs out of the managed estate rather than a single drop in customer spending. The rise in operating profit and the smaller pre-tax loss suggest the group is seeking better margins and a more efficient estate rather than pure sales growth.

The latest figures also show how much of Stonegate’s strategy depends on active portfolio management. Conversions, disposals, land sales and sale-and-leaseback transactions all played a role during the period. The combination indicates a company using both operating changes and property actions to strengthen finances while it

repositions a large estate.

Whether that strategy leads to further asset sales remains unclear. The reported talks involving Heineken’s pub business have not been confirmed as a deal, and Stonegate has said only that several options remain open for the Platinum portfolio. What is clearer from Tuesday’s trading update is that the group is moving faster toward leased, tenanted and operator-led formats and that, based on its latest numbers, those parts of the business are carrying more of the profit growth.