



Hosking Partners[®]

Hosking Post

The saga of Saga Plc

March 2026

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THE SAGA OF SAGA PLC

“We do things properly.”

Sir Roger de Haan

“If you don’t look for 10x baggers, you certainly won’t find them.”

Bill Miller

A framework for 10x baggers

The best investment ideas are simple. But they are not easy.¹ And seeing a multi-bagger investment through to fruition requires maintaining a laser-like focus on the few things that matter, avoiding the trap of complex and irrelevant data. At Hosking Partners we zero-in on the weighing, versus the accumulating, of information. An approach likely resilient to the proliferation of ever more AI-led investment tools and critical for the a priori identification of ‘big winners’.²

One simple heuristic we use is whether a business could, under reasonable assumptions, be valued at something approximating a P/E of 1x future earnings. If such a case can be made, equity upside is likely material. While this approach makes screening for 10x baggers ‘easy’, going on to invest in and, crucially, holding onto these out-of-favour businesses is the ‘hard’ part. First off, it requires the investor to have a contrarian temperament, something that cannot be easily ‘learnt’. Moreover, the investor needs a supportive firm structure and genuinely long-term client base. Our unconstrained, diversified remit and multi-counsellor investment model provide a structural advantage versus more concentrated, ‘high conviction’ managers who cannot take the drawn-down risk, or potential permanent capital impairment, associated with ‘risky’ shares. Furthermore, so-called ‘quality compounder’ investors – those in pursuit of stocks that go up 15% a year forever, amen – are also absent as competitors in the uncovering of these types of shares. Indeed, this lack of competition

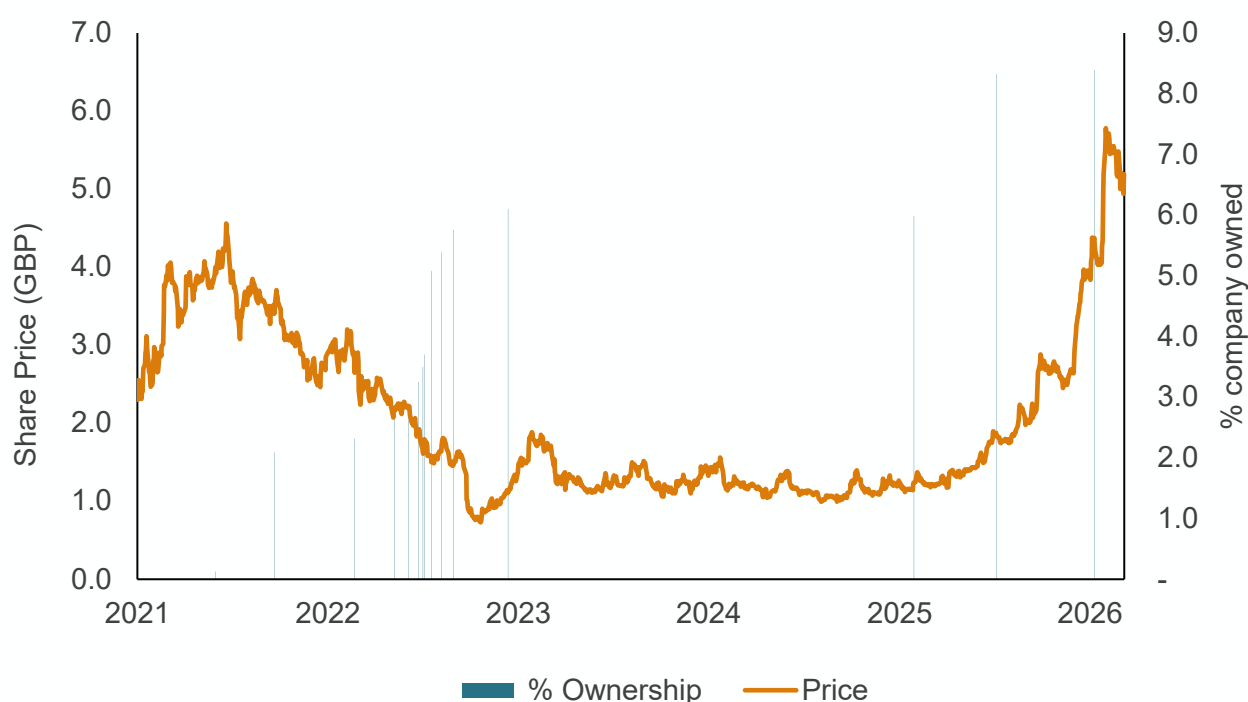
¹ With deference to Richard Oldfield who has written an excellent book on value investing with this title.

² Much AI-led stock analysis appears to expedite additional information accumulation and filtration as opposed to augmenting the judgement of the investor.



for PE of 1x shares is a structural feature of the post-GFC era and a major tailwind for Hosking Partners given our diversified approach.³

While we often employ baskets to express our investment theses in the bottom half of the capital cycle, our unconstrained approach also allows us to own meaningful stakes in idiosyncratic opportunities with the potential to be 10x baggers (or more), such as Saga Plc. An important feature of our multi-counsellor model is the ability to scale into 'risky' positions, often starting with one portfolio manager initiating an 'invest to investigate' stake and scaling over time as more PMs build conviction. In five years, Saga has grown from <20bps to become our fifth-largest holding, where we own over 8% of the outstanding shares.⁴ The share price is up 8x from its 2022 low and on non-heroic earning assumptions could rise a further 5x from the price of £5.20 in early March 2026.



Source: Hosking Partners, FactSet. To 10 Mar 2026.

The beginning of the saga

Saga was founded in 1951 by Sidney de Haan. Three quarters of a century later the company's reason for being, what Nick Sleep and Qais Zakeria coined 'deep reality', remains constant. As per Chairman Sir Roger De Haan, Saga exists to 'take good care of

³ As discussed in a recent Hosking Post on the [investment case for diversification](#)

⁴ Split into voting shares at 1.9% and non-voting shares at 6.6% as at 06 March 2026



older people'. It does things 'properly' – an expression with particular resonance for Brits and one executed with purpose by high quality, long-tenured employees. In the early days this was achieved by offering retired people high-touch, low-cost, out-of-season UK coach holidays, mainly to seaside towns and expanding overseas in the 1970s as the UK's travel infrastructure improved.

Over the past 75 years, Saga's customer offering has evolved and grown, driven by a powerful direct-to-consumer marketing engine. The core concept of taking good care of older people has expanded into new verticals, ancillary services and experiences, all designed specifically for over-50s – a growing and wealthy demographic. For instance, ocean and river cruise ships engineered for older travellers' comfort, insurance products that are high customer service, but low cost (travel, motor, home and health) and financial services products tailored to ageing savers.

Sidney de Haan's original contrarian business insight was to utilise out-of-season spare capacity to serve a demographic ignored by others. The genuine care Saga takes over its customers generated a reciprocal response of extraordinary loyalty and built an intangible brand that is valuable, evidenced by the fact that Saga is a top 50 UK brand by name recognition with a vision "to be the most trusted brand for people over 50 in the UK".⁵ As Saga Chairman (and son of founder Sidney de Haan) Sir Roger de Haan said in a recent meeting, "The Saga brand stretches pretty wide – a function of 75 years of accumulated trust".

Enter the villains!

The accumulated trust provided the building blocks for what was one of the most successful late 20th century businesses in the UK. By 2004, the company had c2m regular customers, some 10% of the over-50s travel and insurance addressable market. And it was in this year, after half a century of ownership, that the de Haan family exited. Professional management, led by then CEO Andrew Goodsell, completed a £1.35bn MBO backed by Charterhouse private equity, whose playbook was to increase focus on insurance, replacing the prior capital-light broker model with full-service underwriting.

⁵ Source: Saga website, Getting to know us



The business subsequently passed through various private equity houses, first Charterhouse then Primera and CVC, with depressingly predictable consequences. Inappropriate leverage via dividend ‘recaps’, short-term profit maximising, customer neglect, and a frankly bizarre exit-driven business merger with the Automobile Association (AA)⁶ massively impaired the business health. An IPO ‘exit’ for private equity in 2014 saw a staggering 200,000 retail investors recruited to purchase shares – most of whom were loyal Saga customers. In one of the more shocking examples of private equity reverse wealth redistribution, the shares ultimately fell over 95% in value within five years. Unsurprisingly, customer numbers declined as the win-win, scale-economies-shared founding ethos eroded.

By some miracle of corporate DNA resilience, however, the Saga brand survived this onslaught of mismanagement and private equity greed. It was this business survival gene, set against the steep share price decline that drove the original contrarian interest for Hosking Partners.

Return of the King!

The dire business performance and IPO disaster did have one positive for Saga – it prompted the return of Sir Roger de Haan. By autumn 2020, yet another private equity consortium offered to take-over (or should that be under?) Saga at £4.95 per share. However, having seen the negative impact of two decades of private equity ownership on his family firm, Sir Roger de Haan stepped in to backstop a £150m rights issue to restore the balance sheet. He invested £100m of his own money,⁷ became chairman of the board and is now, after several further open market purchases, Saga’s largest shareholder with a 28% stake. Private equity is unlikely to come knocking any time soon, providing the sort of long-term runway that should enable multi-bagger style compounding.

Under Sir Roger’s leadership, Saga is now five years into an impressive turnaround. Multiple siloed businesses have been collapsed into one customer-first, unified operation. A layer of senior managers has been removed, and the employee count has reduced by 40%. All whilst simultaneously providing improved customer experience as measured through the rising

⁶ The Automobile Association is a century-old UK road assistance business that also fell into the clutches of private equity after generations of mutual ownership.

⁷ Followed up by an unsecured loan of £85m to the company



number of holiday passengers, increasing load factors on cruise ships and a return to growth in insurance after five years of declines.

When ‘weighing’ the success of any leveraged business turnaround, debt reduction is perhaps the most important signal. Saga has now posted five consecutive years of declining net debt, which is probably already below 4x EBITDA (FY results are released in April), down from a peak of over 10x. Whilst the headline net debt at H2 FY2025 of £515m is high in relation to depressed profits, the asset base includes two wholly-owned cruise ships with a replacement value of c£1bn.

What price for this national treasure?

How substantial could the earning uplift be at Saga? Management’s mid-term target is £100m of operating profit. But £100m is unlikely the final destination. In 2004, Saga reported £95m of operating profit, the last full year in which it was last led by Sir Roger prior to the MBO. In the two decades since then, the number of people over the age of 55 has grown by one-third.⁸ Coupled with the ever-increasing propensity to ‘holiday’ multiple times per year the addressable market for Saga is materially larger.

Looking further out into the 2030s, a full-steam-ahead scenario would see Saga generate c£220m of operating profit. As a sense check, this would represent ‘just’ a return to the profits reported in 2018-19, albeit this without the capital-intensive insurance underwriting. If this £220m is achieved, Saga would be generating 20%+ returns on invested capital and growing the topline at GDP+, given the ‘grey pound’ demographic tailwind. On this basis, the capital light, cash generative business model could easily justify a high teens EV/EBIT multiple. On such a multiple the enterprise value for the company would be c£4bn and or some £25 per share.⁹ For context, the share price low of 71p in September 2022 represented a market capitalisation of £100m – a PE of less than 0.5x recovered profits, should they materialise.

Keeping it simple

The investment case for Saga is simple. The valuation is low in relation to the asset base, its history and its likely earning prospects. Customers love the product and have been

⁸ ONS

⁹ £4bn EV may undersell Saga’s ocean cruise division, a jewel of a business. Applying the 24x operating profit valuation of US-listed peer Viking Holdings, the ultimate upside for the group would be closer to £30 per share.



coming back for three generations. The company has a credible plan to restore its original, capital light 'broker' business, all under the watchful eye of the man who authored that very model. With £100m of his own money invested¹⁰ – together with a huge amount of personal and family pride – Saga is unlikely to fail from lack of trying. The prospect of a multi-bagger return from here, even after the 8x rise from the trough, is realistic given the earning potential and demographic tailwinds. Our diversified, contrarian, unconstrained approach allows us to participate in this long-term upside where other investors (constrained by a marketing imperative?) don't play. Like many of the Saga customers themselves, we feel this idiosyncratic and contrarian investment will continue to mature well in old age.

DJANGO DAVIDSON

March 2026

¹⁰ £185m if the unsecured loan is included.



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