

On The Beach: Capturing the post-pandemic travel boom

Company:	On The Beach (OTB LN)	Market Cap:	£180mio
Industry:	Holidays provider	Net Current Assets:	£68mio
Country:	UK, Europe	Revenue:	£170mio*
Date:	1 st August 2023	Net Income:	£4mio (2.4%)*
Dividend:	-	Free Cash Flow:	£19mio (11%)*
Entry:	£150mio	Target:	£250mio

*estimated 2023 numbers

Why On The Beach?

- Strong balance sheet with highest current net assets in history
- Good weather usually leads to higher holidays bookings with capacity in the value segment at an all-time high
- Lowest valuation in history
- Despite higher competition from budget airlines, Thomas Cook bankruptcy shifts customers to On The Beach





















Introduction to On The Beach

On The Beach is a packaged holiday provider mostly focused on UK clients and captures 30% of value deals (<£700 pp) and 5% of premium deals (>£700 pp) in the market¹. Despite the low market share in premium deals, On The Beach has managed to increase market share by doubling volumes compared to pre-pandemic. The premium segment is also highly attractive with 2.5x higher margins and 2.5x larger market. The company serves 90% of their customers via their onthebeach.co.uk website and the remaining bookings are done via travel agent partners under Classic Collection Holidays and Classic Package

¹ On The Beach earnings call

Holidays². The market for holiday packages is highly competitive and On The Beach typically spends around around 60% of revenues on marketing. During the Covid crisis, the company needed to raise equity twice, in total £67mio, which increased the share count by 27%. Growth areas include long haul packaged holidays and higher market share in the premium segment. On The Beach also owns sunshine.co.uk, which is serving more budget deals.

On The Beach competitors' website statistics

Site	Affinity	Monthly visits	Category	Category rank
 loveholidays.com	100% 	11.8M	Travel and Tourism > Travel and Tourism - Other	#41
 icelolly.com	99% 	1.2M	Travel and Tourism > Travel and Tourism - Other	#707
 jet2holidays.com	98% 	14.2M	Travel and Tourism > Travel and Tourism - Other	#32
 thomascook.com	97% 	1.7M	Travel and Tourism > Travel and Tourism - Other	#568
 firstchoice.co.uk	97% 	1.9M	Travel and Tourism > Accommodation and Hotels	#153
 holidayhypermar...	96% 	750.7K	Travel and Tourism > Travel and Tourism - Other	#921
 sunshine.co.uk	90% 	1.0M	Travel and Tourism > Travel and Tourism - Other	#653
 travelsupermarke...	89% 	2.4M	Travel and Tourism > Travel and Tourism - Other	#349
 tui.co.uk	89% 	17.1M	Travel and Tourism > Travel and Tourism - Other	#19
 lastminute.com	84% 	12.5M	Travel and Tourism > Travel and Tourism - Other	#31

Source: Similarweb

² <https://www.onthebeachgroupplc.com/~media/Files/O/On-The-Beach/investor-docs/results-and-presentations/otb-preliminary-results-fy19.pdf>

OnTheBeach.co.uk website statistics



Source: Similarweb

The holiday boom of 2023

Despite On The Beach mentioning to see excess capacity in the hotel sector on their interim results³, the FT reports⁴ this morning that easyjet has 28% more summer flight capacity for the summer holiday season with outbound flights up 9% y-o-y, the article also points out that Brits take more frequent holidays, but also book with less notice, as 1/3 of half term bookings were made within four weeks of departure compared to 1/5 in 2019 for Syke Cottages. Ryanair and Wizzair also have increased their capacity and are well above 2019 levels, with Ryanair serving 17mio customers in May 2023⁵ compared to 14.1mio in May 2019⁶, whereas Wizzair carried 51mio customers in 2023⁷ compared to 34.6mio in 2019⁸. The increase in capacity, however, will lead to less price pressure going into the summer. Lastly, the FT article cites Graham Donoghue from Sykes Cottages, “We’re pretty simple us Brits: When it’s sunny, we look out the window and think ‘Aha, it’s time to book a holiday’. And even though this is related to domestic holidays, this is also true for holidays abroad. Despite Ryanair and Easyjet increasing their packaged holiday segment, the 2019 collapse of Thomas Cook enables On The Beach to take some of their customers over as well.

³ https://otp.tools.investis.com/clients/uk/on_the_beach/rns/regulatory-story.aspx?cid=1181&newsid=1687839

⁴ “Holidaymakers stick with summer staycation” by Oliver Barnes, FT on 13th June 2023

⁵ <https://otp.tools.investis.com/clients/uk/ryanair/rns/regulatory-story.aspx?cid=901&newsid=1692081&culture=en-GB>

⁶ <https://otp.tools.investis.com/clients/uk/ryanair/rns/regulatory-story.aspx?cid=901&newsid=1279731&culture=en-GB>

⁷ https://wizzair.com/static/docs/default-source/downloadable-documents/corporate-website-transfer-documents/results-and-presentations/wizz-air-f23-results_rns_vf-clean_d77debe0.pdf

⁸ https://wizzair.com/static/docs/default-source/downloadable-documents/corporate-website-transfer-documents/results-and-presentations/rns-results-release-f19_final_9d8c0f10.pdf

On The Beach financials are not back to pre-pandemic levels

The biggest concern I had with On The Beach is not necessarily the higher marketing costs, but instead the higher administrative costs, especially in staff costs, which nearly doubled compared to pre-pandemic⁹. However, their marketing spend is expected to come down a bit in H2, and despite a low profit before tax expectation of around £4-5mio, their post amortization cash flow is likely above £19mio, which, in my opinion, justifies a £250mio valuation. At the same time, the net current assets are now £72.4mio, which is nearly double that of 2019.

On The Beach Financials

Year	Revenue	Gross profit	Marketing spend	Admin expense	EBITDA	PBT	Net current assets
2018	104.3	92.6	40.4	66.4	36.8	26.1	31
2019	147.5	99.1	36.3	72.2	39.4	19.3	43.2
2020	33.7	16	22.8	61.9	6.9	-46.3	68.7
2021	21.2	14.4	11.6	50.2	16.3	-36.7	66.4
2022	144.1	95.6	38.9	93	22.1	2.1	72.4
2023*	170.0	114.2	45.7	110	25	4.2	

Source: On The Beach, 2023* = estimated



⁹ <https://www.onthebeachgroupplc.com/~media/Files/O/On-The-Beach/investor-docs/results-and-presentations/interim-results.pdf> note 5 of financials

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