

The London Tunnels

Assessing the valuation opportunity

The London Tunnels (TLT) represents a unique opportunity in the leisure sector, centred on the redevelopment of the Kingsway Exchange Tunnels into a large-scale heritage and cultural attraction in central London. The scarcity of the asset, both in its historical context and physical scale, underpins its potential appeal. As the project is still in the construction phase and currently expected to be operational in 2028, it may be some years before it reaches maturity. The valuation is highly sensitive to the timing and quantum of visitor numbers, their associated spend while visiting the attraction and the costs to attract and serve them. Our 'central' model, which assumes the attraction draws three million visitors per year by FY32, suggests a current value of U\$5.15–5.71 per share at US\$1.32/£ when applying peer-based multiples and prior to any discount that may be appropriate given the combination of execution, funding and demand risks.

Benchmarking versus peers

With no operating history, the experiences of other paid-for attractions in London provide a useful benchmark in assessing TLT's potential when the site is mature, which we assume will be in FY32. Management's projection that the site will attract up to three million visitors per year sits between the most recently quoted visitor numbers of London's other most popular paid-for attractions, the Tower of London at 2.9m visitors per year and the London Eye at 3.5m, so looks to be a reasonable place to base our 'central' case in our sensitivity analysis. We test the sensitivity of TLT's profitability (see Exhibit 1) to both fewer potential visitors, 2.5m per year, which would make it less popular than the other attractions, and more potential visitors, 4.2m, which would be in line with TLT's quoted technical capacity and well above the other popular attractions.

FY31 enterprise value of US\$723–1,087m

We anchor our valuation methodology for TLT on applying the average forward EV/EBITDA multiple (8.3x) of quoted comparable peers to our FY32 projections and discount these back to derive an estimated current market valuation (see Exhibit 3). We have not applied a discount to reflect TLT's relative scale or execution risk, meaning the resulting valuations should be viewed as indicative of the upper end of the potential range. We find good upside for each of our scenarios for visitors numbers. From ultimate end-FY31 implied enterprise values of US\$723m, US\$828m and US\$1,087m for 2.5m, 3.0m and 4.2m visitors, respectively, we derive current market values of US\$303m at the low end to US\$568m at the high end and an average of US\$384m for our central case. Flexing the FY32 EV/EBITDA multiple to 10.0x gives a current central valuation of U\$488m (see Exhibit 4). A faster maturity profile would be meaningful from a valuation perspective in the context of the discount rates we use of 10% and 12%.

Historical financials		
Year end	PBT (£m)	EPS (p)
3/24	(4.9)	(11.00)
3/25	2.2	0.02

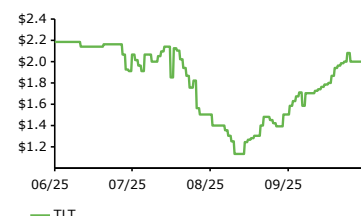
Source: Company accounts. Note: FY24 restated.

Travel and leisure

23 June 2026

Price \$3.00
Market cap \$212m
 US\$1.32/£

Share price performance



Share details

Code TLT
 Listing JPJ
 Shares in issue 70.7m
 Net cash/(debt) at 31 March £(6.0)m
 2025 including lease liability

Business description

The London Tunnels is aiming to develop a major heritage and cultural attraction in central London on the site of the historic Kingsway Exchange Tunnels, which it has agreed to purchase. Full commercial launch is targeted for 2028. Management expects the project will draw up to three million visitors per year when mature.

Bull points

- Landmark, irreplaceable central London infrastructure with historical provenance, benefiting from sustained media interest.
- Substantial optionality across high-growth experiential leisure segments, including heritage-led attractions, hospitality and cultural partnerships.
- Attractive to potential operating partners, such as content owners and theme parks.

Bear points

- Further funding will be required to complete the project.
- Large-scale infrastructure delivery but execution risk is partially mitigated as the tunnels are already constructed, with established access, structural integrity and planning consent secured.
- As a pre-revenue asset, financial forecasts necessarily involve long-term assumptions.

Analyst

Russell Pointon +44 (0)20 3077 5700

consumer@edisongroup.com
 Edison profile page

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The main attraction

In our July 2024 [initiation](#) note, we highlighted the provenance and uniqueness of the attraction. The project was established to seize an opportunity to acquire an exceptional asset in terms of its history (World War 2 location of the Special Operations Executive and considered inspiration for James Bond's 'Q Branch') and likely visitor appeal as both a heritage and cultural destination. Management is confident that it can develop Kingsway Exchange Tunnels in central London either independently or with partner operators (eg content owners and theme parks) into a 'must-see' visitor attraction on a par with the London Eye. The site is extensive with a series of tunnels over a mile long in total, 30m deep and up to 7.6m in diameter, allowing clear scope for revitalisation by way of heritage and cultural experiences, facilitated by digital displays.

The development has since gained more than 260 references in media around the world, including in *The New York Times*, CNN, *South China Morning Post* and *The Straits Times* without any marketing spend. These are more than helpful in building awareness and potential future demand.

Scenario analysis

In our analysis we look at three potential scenarios for TLT's income statement and valuation based on projections for differing numbers of visitors following the full commercial opening of the attraction, which is currently targeted for 2028. Management has indicated that it expects the attraction will draw up to three million visitors a year, and it is possible the number could be higher as the site has the technical capacity for up to 4.2m visitors a year, although this is restricted by ventilation constraints. At technical capacity, it would be reasonable to expect the customer experience would be much diminished in terms of ability to view exhibits etc. These numbers compare with the most recent visitor numbers for other paid attractions in London, the London Eye (3.5m visitors per year) and the Tower of London (2.9m visitors per year).

Therefore, as the 'central' case in our sensitivity analysis we assume the attraction reaches three million visitors by FY32, the fourth year of operation. We also include a 'low' case with 2.5m visitors, which is below the visitor numbers attracted by both the Tower of London and the London Eye. We also include a 'high' case of 4.2m visitors, which is above the visitor numbers for the London Eye and the Tower of London. These visitor numbers of 2.5m, 3.0m and 4.2m would be equivalent to c 7%, 9% and 12%, respectively, of the 35 million domestic and international tourists that could visit London in FY32, if we assume an annual growth rate of just over 1%.

In all three scenarios we keep the assumptions for the levels of spend per visitor and the take-up of both discount and premium options consistent in each year. These include prices per person in our base year, FY26, of: admission of £30; a premium for the option to skip the queue of £10; a premium for a cocktail in the bar of £12.50; retail spend of £12.50; and food and beverage spend of £10. All are inflated at a rate of 2% per year from our base year. We assume customer take-up rates of the differing options as: skip-the-queue proportion 25%; cocktails 10%; retail purchases 35%; and food and beverage average occupancy 50%. We also assume the attraction hosts up to six events a year by FY32.

The low cost of sales for TLT's most important revenue source, admissions, which represents more than 80% of total revenue in all three scenarios, leads to a high expected overall gross margin of over 90%. With the majority of other operating expenses (employees, marketing and repairs and maintenance) expected to be variable with visitor numbers, the attraction looks highly profitable with an estimated EBITDA margin in the high 50s/low 60s in all three scenarios when the attraction has matured in FY32. We should highlight the main cause of the variability in FY32's profitability is our assumption for marketing at 10% of the following year's revenue by the fourth year of operation, having reduced from 30% in the second year of operation and 20% in the third year.

Exhibit 1: Summary income statements

	Low case				Central case				High case			
£m	FY29e	FY30e	FY31e	FY32e	FY29e	FY30e	FY31e	FY32e	FY29e	FY30e	FY31e	FY32e
Annual visitors (m)	0.6	1.5	2.0	2.5	0.6	1.7	2.5	3.0	1.0	2.0	3.3	4.2
Revenue	24.9	61.4	82.9	105.3	24.9	69.3	103.2	125.9	40.4	81.2	133.5	175.4
Gross profit	22.8	56.6	76.7	97.3	22.8	64.0	95.4	116.5	37.2	75.0	123.5	162.4
Gross margin	91.6%	92.3%	92.4%	92.5%	91.6%	92.3%	92.5%	92.5%	92.0%	92.4%	92.5%	92.6%
EBITDA	(12.3)	19.4	46.1	65.9	(14.6)	20.8	56.1	75.6	(17.4)	21.3	68.4	99.2
EBITDA margin	(49.3%)	31.6%	55.6%	62.7%	(58.8%)	30.1%	54.4%	60.1%	(43.0%)	26.3%	51.2%	56.5%

Source: Edison Investment Research

Valuation

In our July 2024 initiation note, we analysed the company's prospects and valuation, and highlighted the unique aspect of the project does not make for an easy comparison with listed companies. Apart from the lack of direct peers, there is the protracted phase of construction with the associated risks of execution and funding. The risks in the construction phase have reduced since then with planning permission secured and the appointment of architects.

The only relevant quoted peers with exposure to visitor attractions include US companies Six Flags Entertainment, United Parks & Resorts and Walt Disney. However, the comparison is not perfect given Walt Disney's business exposure includes other content and distribution-related media assets, which leads to a higher prospective valuation versus the first two companies. Therefore, for an appropriate peer multiple we focus on the first two companies, which have an average FY1 EV/EBITDA multiple of 8.3x, as we believe they provide the best comparison for TLT.

Exhibit 2: Peer comparison

Company	Share price (local)	Market value (local m)	Enterprise value (local m)	EBITDA margin FY1	EBITDA margin FY2	EV/Sales FY1 (x)	EV/Sales FY2 (x)	EV/EBITDA FY1 (x)	EV/EBITDA FY2 (x)
Six Flags Entertainment Corp	24.9	2,549	8,023	28.4%	30.2%	2.6	2.5	9.3	8.4
United Parks & Resorts Inc	46.6	2,198	4,430	35.6%	35.9%	2.6	2.6	7.4	7.1
Walt Disney Co	103.9	180,406	228,686	22.7%	22.9%	2.2	2.2	9.9	9.4
Average excl. Walt Disney Co				32.0%	33.0%	2.6	2.6	8.3	7.8
Median excl. Walt Disney Co				32.0%	33.0%	2.6	2.6	8.3	7.8
Average incl. Walt Disney Co				28.9%	29.7%	2.5	2.4	8.9	8.3
Median incl. Walt Disney Co				28.4%	30.2%	2.6	2.5	9.3	8.4

Source: LSEG Data & Analytics. Note: Prices at 18 June 2026.

As the project is still in the construction phase with further capital costs to be incurred and equity likely to be raised ahead of its commercial opening in 2028, we have determined potential valuations for TLT in a number of stages, which are summarised in Exhibit 3 :

1. We determine TLT's enterprise value at the end of FY31, by applying the FY1 average peer EV/EBITDA multiple of 8.3x to our estimates for FY32, the year in which we expect the attraction reaches maturity in each of the three scenarios. For the low, central and high cases we derive enterprise values of £547m, £628m and £823m, respectively, at the end of FY31. We have not applied any discount to the peer multiple to reflect TLT's relative scale, lack of liquidity or the associated risks of execution. Therefore, the derived valuations should be considered as the upper end of the potential valuation ranges with the assumptions used.
2. Having derived estimated enterprise values at the end of FY31, we discount them back to FY28 using two different discount rates, 10% and 12%, to reflect uncertainties in estimating TLT's cost of capital. With respect to the equity component of the cost of capital, we note the current UK 10-year bond yield is c 4.8% and the UK equity risk premium is estimated at c 5% (source: Damodaran, January 2026). We believe scale and sensitivity to trends in tourism and consumer spending would suggest a beta of more than 1.0 would be appropriate for TLT, which would imply a cost of equity of over 10% before considering any additional premium for TLT's scale and execution risk. With respect to the debt component of the cost of capital, TLT's gross debt at the end of March 2025 included zero-coupon convertible bonds and loan notes with a coupon of 10%. The discounting gives a range of enterprise values at the end of FY28 of £390m (low case of visitor numbers at 12% cost of capital) to £618m (high case of visitor numbers at 10% cost of capital).
3. From the enterprise values at the end of FY28, we deduct the estimated net debt at this time to arrive at estimated market values at this date. Management now quantifies the remaining construction and fit-out costs at £80m, versus £120m previously, as a result of de-scoping relative to initial projections and reflecting management's discipline with capital. Management has clarified that no further capital investment will be required to reach technical capacity. It also continues to anticipate that TLT will raise £30m of equity prior to the opening of the attraction. The implied market valuations at the end of FY28 range from £280m at the low end (low case of visitor numbers at 12% cost of capital) to £508m at the high end (high case for visitor numbers at 10% cost of capital).
4. We discount the market values at the end of FY28 back to current, end of June 2026, market values using the same discount rates of 10% and 12%. At the low end, the current market value would be £229m (US\$303m) and at the high end it would be £430m (US\$568m). The central case is for a range of market values of £276–306m, or US\$364–404m.

Exhibit 3: Valuation sensitivity for The London Tunnels at 8.3x FY32 EV/EBITDA

£m	Low case	Central case	High case
EV/EBITDA FY1 (x)	8.3	8.3	8.3
Enterprise value at March 2031	547	628	823
Enterprise value at March 2028:			
– Cost of capital of 10%	411	472	618
– Cost of capital of 12%	390	447	586
Market value at March 2028:			
– Cost of capital of 10%	301	362	508
– Cost of capital of 12%	280	337	476
Market value at June 2026:			
– Cost of capital of 10%	255	306	430
– Cost of capital of 12%	229	276	390
US\$m			
Market value at June 2026:			
– Cost of capital of 10%	337	404	568
– Cost of capital of 12%	303	364	515

Source: Edison Investment Research

Beyond current consensus peer trading multiples, we note the acquisition of Merlin Entertainment in November 2019 by a consortium of private equity firms was completed at a trailing 12-month pro forma EBITDA multiple of c 11.7x. While this indicates unique assets attract higher acquisition multiples in the event of a bid, we should also consider the rise in the risk-free rate since November 2019 that likely materially affects the potential returns on acquisitions. The current UK risk-free rate (ie 10-year bond yield) of c 4.8% is much higher than the c 0.7–0.8% average in November 2019, and the current US 10-year bond yield of 4.5% is significantly higher than the November 2019 average of 1.8%.

Repeating the above exercise with a starting EV/EBITDA multiple of 10x for FY32, roughly half way between the current peer multiples and the historical acquisition multiple of Merlin Entertainment, and recognising the latter was on a trailing rather than on a prospective basis, changes the estimated valuations to those shown in Exhibit 4.

Exhibit 4: Valuation sensitivity for the London Tunnels at 10.0x FY32 EV/EBITDA

£m	Low case	Central case	High case
EV/EBITDA FY1 (x)	10.0	10.0	10.0
Enterprise value at March 2031	659	756	992
Enterprise value at March 2028:			
– Cost of capital of 10%	495	568	745
– Cost of capital of 12%	469	538	706
Market value at March 2028:			
– Cost of capital of 10%	385	458	635
– Cost of capital of 12%	359	428	596
Market value at June 2026:			
– Cost of capital of 10%	326	388	538
– Cost of capital of 12%	295	351	489
US\$m			
Market value at April 2026:			
– Cost of capital of 10%	431	512	710
– Cost of capital of 12%	389	464	645

Source: Edison Investment Research

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