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Everyman Media

Media

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Home is not where the heart is

With its cinemas set to reopen imminently, a new endorsement of the continuing appeal of the big screen is a topical boost for Everyman. Despite growing competitive forces such as streaming, cinema has been the most missed out-of-home entertainment activity during lockdown, according to a Film Distributors' Association survey, with 76% planning a cinema visit within two months. Such pent-up demand, proven where markets have reopened, and a recovering mainstream film slate, driven by a backlog of prime releases and complemented by Everyman's innovative programming and broadening customer offer, bodes well for a resumption of its success before the pandemic (2019 pre-IFRS 16 EBITDA up 33%, albeit expansion-led). Everyman's growth prospects as a well-funded operator with a strong pipeline may only be enhanced by COVID-19 fallout.

Lights on

Despite the continued challenge of COVID-19 response and disruption (nine weeks of closures and 17 weeks of restrictions, hence a 75% fall in revenue), H220 saw further refinement of Everyman's offer. This included imaginative programming, eg 'lockdown house parties' and the first pantomime to be filmed for cinema, a wider food and drink menu as well as takeaway during closures, increased social media engagement (Instagram followers up 29% in 2020) and, impressively, a maintained commitment to prime site expansion with two openings (King's Road, Chelsea and Lincoln; seven screens). When allowed to trade, business was brisk, ie on summer 2020 reopening at c 40% of 2019 levels despite social distancing and limited content. Indeed, 'Tenet' showed the strength of demand for a blockbuster in a cinema setting, which was only slightly below management's pre-COVID-19 expectations.

Ready to grow

With liquidity headroom of c £21m at end 2020, a new £10m increase in facilities to £40m appears targeted for expansion. While the growth strategy has been paused, at September 2020 the pipeline for 2021/22 was eight venues. A fragile property market on pandemic fallout should prompt site availability on advantageous terms.

Valuation: Long-term appeal

Despite positive fundamentals, financial recovery may be protracted, given continued COVID-19 measures on reopening and possible delays in high-quality film releases. With no consensus forecasts available for Everyman, we note that rival Cineworld's revenue is not expected to return to 2019 levels until 2022/23.

Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	EPS** (p)	DPS (p)	Yield (%)	EV/EBITDA (x)
12/19	65.0	12.0*	2.4	0.0	N/A	11.8*
12/20	24.2	(1.1)	(24.0)	0.0	N/A	N/A
12/21e	N/A	N/A	N/A	N/A	N/A	N/A
12/22e	N/A	N/A	N/A	N/A	N/A	N/A

Source: Refinitiv. Note: *Pre-IFRS 16 (net bank debt £9.7m). **FRS 3.

Price	**145p**
Market cap	**£132m**

Share price graph

Share details

Code	EMAN
Listing	AIM
Shares in issue	91.1m

Business description

Everyman Media Group is the fourth largest cinema business in the UK by number of venues (35, with 117 screens). Under its premium Everyman brand, the focus is on venue (smaller capacity on central high streets) and experience (wide array of content, food and drink and customer service).

Bull

- Proven successful, straightforward model: expansion (117 screens vs 18 at AIM admission in 2013) and broadening of offering (36% of 2019 revenue from F&B; spend per head up 13% y-o-y).
- Increasingly attractive mainstream film slate owing to a backlog of prime releases, complemented by popular innovative programming, eg independent films, theatre and live concert streams.
- Strong finances for growth after recent £10m rise in facilities (£21m headroom at December 2020).

Bear

- Continuing COVID-19 restrictions (sites scheduled to reopen on 17 May).
- Reliance on film slate managed through distributor relationships and provision of alternative content.
- Other media channels, eg streaming, mitigated by offer of better customer experience than at home.

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