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Brighton Pier Group

Travel & leisure

9 April 2021

A fun ride

Brighton Pier Group (BPG) looks to be rather more than a clear play on the expected UK staycation boom, attractive as that is. With a focus on popular low-ticket leisure, driven by the group's fabled eponymous key asset, entrepreneurial management sees longer-term growth opportunities as a consolidator accelerated by fallout from the pandemic. For now, it is confident that buoyancy in the Pier and Golf after spring 2020 lockdown (sales in Q3 almost at 2019 levels) can be repeated on imminent phased reopening, while business interruption insurance payments should continue to buttress results. Finances appear secure with £6m liquidity, further insurance payments aside, and, even after FY20 impairments, low gearing, given asset backing (70% and 47p NAV per share at end-2020).

Pier review

UK seaside piers in the guise of Blackpool's similarly iconic trio helped fuel the progress in the 1980s of First Leisure into a successful leisure conglomerate. Their strong cash generation funded highly profitable marginal revenue growth from existing sites and expansion by investment and acquisition. For its part Brighton Palace Pier, the UK's most visited attraction outside London with about five million visitors in 2019 (VisitEngland), has seen revenue rise by 30% over the six years before COVID-19, at a consistent EBITDA margin of 20–25%. It is unsurprising therefore that in 2016 it was acquired by Eclectic Bar Group under Executive Chairman Luke Johnson as a key step in its aim to become a differentiated operator of leisure and entertainment assets. The combined entity (renamed Brighton Pier Group) then moved into indoor minigolf as a growth business with good free cash flow and less seasonality.

Calm waters

In addition to the boost to domestic leisure from uncertainty about foreign holidays in 2021, there is industry consensus ahead of reopening about pent-up demand, evident in buoyant trading after the spring 2020 lockdown and despite subsequent restrictions. Thereafter leisure operators agree there is undeniable opportunity for well-funded businesses with the prospect of increasing availability of prime sites at ever cheaper prices and significant erosion of competition.

Valuation: The time is right

Results for the half to December 2020, showing strength when allowed to trade, suggest BPG is ready to capitalise in both the short and longer term. Current year consensus forecasts look generous, eg H2 revenue is expected to exceed H219 by two-thirds despite closures, but the prospective P/E rating is duly modest at 5x.

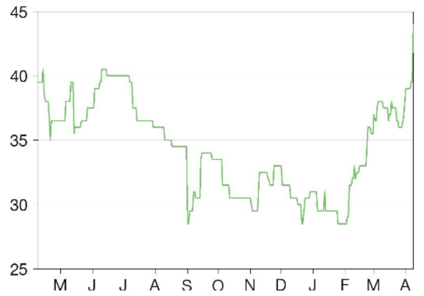
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
06/19	32.0	5.3*	7.3	0.0	5.3	N/A
06/20	22.6	2.5	(5.3)	0.0	N/A	N/A
06/21e	33.9	5.7	7.8	0.0	5.0	N/A
06/22e	34.6	5.8	8.2	0.0	4.8	N/A

Source: Refinitiv. Note: *Pre-IFRS 16.

Price	39p
Market cap	£15m

Share price graph



Share details

Code	PIER
Listing	AIM
Shares in issue	37.3m

Business description

Brighton Pier Group owns and operates Brighton Palace Pier, the UK's most visited attraction outside London, according to VisitEngland (free entrance with revenue generated from a broad range of seaside entertainment). It is also a nationwide operator of premium bars (nine sites) and indoor minigolf (eight sites).

Bull

- Diverse and well-invested portfolio of domestic mass-market low-ticket attractions in prime locations.
- Favourable environment on COVID-19 reopening: pent-up consumer demand, staycation popularity, reduced competition and enhanced availability of sites and staff.
- Asset-backed, cash-generative model.

Bear

- Macro uncertainty, notably the economic impact of COVID-19 and of weather on pier operations.
- Structural integrity of key asset, Brighton Palace Pier, mitigated by significant investment in protective measures.
- Execution risk in terms of planned expansion.

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