On the Beach Group PLC

# Table of Figures

Figure 1: 5 Years Income Statement on the Beach Group PLC.......... P10

Figure 2: Revenue of On the Beach Group plc in the United Kingdom (UK) from 2014 to 2022, by business segment…. Pg 11

Figure 3: Cash Flow on the Beach Group Plc 2019-2023………………………. Pg12

Figure 4: Profitability Ratio of On the Beach Group Plc for the past five years, dated 2019 to 2023… pg13

Figure 5: Figure 5: On the Beach Sustainable Practices Available from. https://www.onthebeachgroupplc.com/people/responsibility ……pg 15

Table of Contents

[Table of Figures 2](#_Toc162813765)

[Executive Summary 4](#_Toc162813766)

[List of Abbreviations 6](#_Toc162813767)

[Introduction 7](#_Toc162813768)

[3. Strategic Analysis 8](#_Toc162813769)

[3.1. External Environment Analysis 8](#_Toc162813770)

[3.1.1. PESTLE Analysis 8](#_Toc162813771)

[3.1.2. Industry Trends 9](#_Toc162813772)

[3.2. Internal Environment Analysis 9](#_Toc162813773)

[3.2.1. SWOT Analysis 9](#_Toc162813774)

[Strengths 9](#_Toc162813775)

[Weaknesses 9](#_Toc162813776)

[Opportunities 10](#_Toc162813777)

[Threats 10](#_Toc162813778)

[Section B: Financial Analysis 10](#_Toc162813779)

[4.1. Historical Financial Performance 10](#_Toc162813780)

[4.2. Ratio Analysis 12](#_Toc162813781)

[4.2.1. Profitability Ratios 12](#_Toc162813782)

[4.2.2. Liquidity Ratios 13](#_Toc162813783)

[Section C: ESG and Business Ethics Analysis 14](#_Toc162813784)

[5.1. Environmental Initiatives 14](#_Toc162813785)

[5.2. Social Responsibility 14](#_Toc162813786)

[5.3. Corporate Governance 15](#_Toc162813787)

[Section D: Investment Recommendation 16](#_Toc162813788)

[6.1. Strategic Alignment and Future Outlook 16](#_Toc162813789)

[6.2. Financial Viability 16](#_Toc162813790)

[6.3. ESG Considerations 17](#_Toc162813791)

[Conclusion 17](#_Toc162813792)

[Investment Recommendation 18](#_Toc162813793)

[References 19](#_Toc162813794)

# Executive Summary

On The Beach Group PLC has established itself as a formidable player in the UK travel industry. Through its online platform, the company focuses on providing affordable beach holidays. Since its inception in 2004, the company has shown a consistent growth trajectory underpinned by a strong online presence and a customer-centric business model. This report comprehensively analyzes On The Beach's strategic positioning, financial health, and ethical practices to offer an investment perspective.

Strategically, On The Beach has capitalized on the increasing trend of online holiday bookings, positioning itself as a go-to platform for beach vacations. The company's adept use of digital marketing and technology has offered competitive pricing and convenience, appealing to a broad customer base. However, the travel industry's volatility, influenced by geopolitical tensions, economic fluctuations, and pandemics, challenges the company's growth prospects.

Financially, On The Beach has demonstrated robust performance with steady revenue growth and profitability. The financial analysis reveals a healthy balance sheet, although the company faces industry-specific risks such as seasonality and sensitivity to external shocks. The financial data suggests that On The Beach can sustain its growth and potentially offering favorable returns to investors.

The company's commitment to ethical business practices and corporate social responsibility (CSR) is evident in its environmental, social, and governance (ESG) initiatives. On The Beach has undertaken various efforts to reduce its environmental impact and engage in socially responsible activities, enhancing its brand reputation and aligning with the growing investor focus on sustainable and ethical investments.

On The Beach Group PLC presents a compelling investment case, with its strong strategic positioning, solid financial performance, and commitment to ethical practices. However, potential investors should consider the inherent risks associated with the travel industry's unpredictability. The investment recommendation considers these factors to provide a balanced view of the company's potential for delivering sustainable shareholder value.

# List of Abbreviations

AGM: Annual General Meeting

OTB: On the Beach

OTAs: Online Travel Agencies

WSJ: Wall Street Journal

# Introduction

On The Beach Group PLC, founded in 2004, has revolutionized the travel industry with its innovative approach to online holiday booking (Richard, 2023). Headquartered in Manchester, UK, the company has grown from a small start-up to a leading online travel agency specializing in beach vacations(Onthebeachannualreport, 2023). Focusing on user-friendly technology and customer satisfaction, On The Beach has successfully captured a significant market share in the competitive travel sector (AGMTradingUpdate, 2024).

According to Morrison, 2022, the journey of On The Beach is a testament to the changing dynamics of the travel industry. In the early 2000s, the rise of internet usage began transforming how consumers planned and booked their travels. Seizing this digital trend, On The Beach positioned itself as a direct-to-consumer online platform, offering a wide array of beach holiday packages (OTBWebsite, 2024). Unlike traditional travel agencies, which relied heavily on physical storefronts and brochure-based marketing, On The Beach embraced technology to streamline the holiday booking process, providing customers with a hassle-free and accessible way to plan their vacations (Onthebeachannualreport, 2022).

Over the years, On The Beach has expanded its offerings, catering to diverse preferences and budgets. From budget-friendly accommodations to luxury resorts, the company provides a comprehensive selection of beach holiday options across Europe and beyond. Its agile business model, characterized by a dynamic packaging system, allows customers to customize their holiday packages, including flights, hotels, and transfers, to suit their needs and preferences (AGMTradingUpdate, 2024).

The company's growth trajectory has been marked by strategic acquisitions and expansion into new markets (Onthebeachannualreport, 2023). Richards (2023) expresses that by continuously enhancing its platform and service offerings, On The Beach has maintained a strong competitive edge in the online travel market. Its commitment to customer service, underscored by transparent pricing and flexible payment options, has fostered loyalty and trust among its clientele.

As the travel industry faces unprecedented challenges and opportunities, potential investors must understand the nuances of On The Beach’s business model, market position, and growth prospects (Reinhold et al., 2023).

# 3. Strategic Analysis

## 3.1. External Environment Analysis

## 3.1.1. PESTLE Analysis

**Political Factors**

On The Beach operates primarily in the UK but is exposed to international markets, making it susceptible to political events like Brexit. The uncertainty surrounding Brexit negotiations and subsequent regulations has impacted consumer confidence and travel regulations, potentially affecting cross-border travel and operational costs for the company (Amoamo, 2022).

**Economic Factors**

The travel industry is highly sensitive to economic conditions. Economic downturns, like the one triggered by the COVID-19 pandemic, can significantly reduce disposable income and consumer spending on travel. Conversely, economic recovery can lead to an upswing in travel demand. On The Beach must navigate these economic fluctuations, adapting pricing and marketing strategies accordingly (Ruvoletto, 2023).

**Social Factors**

Changing consumer preferences, with a growing trend towards personalized and experience-based travel, influence On The Beach's offerings. The rise in eco-conscious travel pushes the company to adopt more sustainable practices and offer environmentally friendly holiday options (Hurri, 2020).

**Technological Factors**

Technology plays a crucial role in the online travel booking industry. On The Beach must continuously innovate its platform to enhance user experience, streamline booking processes, and integrate advanced features like AI-driven personalized recommendations (Ruvoletto, 2023).

**Legal Factors**

Regulatory compliance, including data protection laws (GDPR) and consumer rights regulations, is essential for On The Beach. The company must ensure its operations are transparent and compliant with international and local laws to avoid legal risks and maintain customer trust (Mach, 2018).

**Environmental Factors**

The environmental impact of travel and tourism is a growing concern. On The Beach is expected to contribute to sustainable tourism practices, reducing the environmental footprint of its packages and promoting eco-friendly travel options (Rodríguez et al., 2020).

## 3.1.2. Industry Trends

The travel industry is experiencing rapid transformation, with online travel agencies (OTAs) like On The Beach at the forefront. The shift towards digital booking, the rise of alternative accommodation options, and the emphasis on sustainable and responsible travel are key trends shaping the market. On The Beach must adapt to these trends, leveraging its online presence and adapting its product offerings to meet evolving consumer preferences and market demands (Taylor, 2021).

## 3.2. Internal Environment Analysis

## 3.2.1. SWOT Analysis

Strengths: On The Beach’s strengths lie in its strong brand reputation, user-friendly online platform, and efficient cost structure. The company's ability to offer competitive pricing and a wide range of travel options positions it well in the market (Richards, 2023).

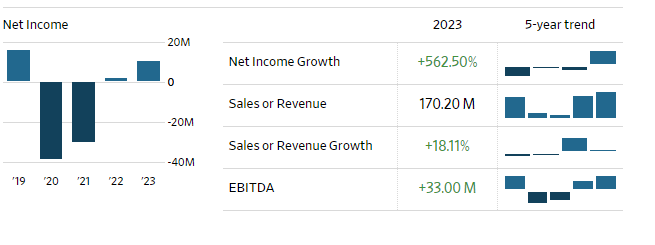
Weaknesses: The company's dependence on the UK market and sensitivity to external shocks, such as pandemics or economic downturns, are significant weaknesses. Diversifying its market presence and revenue streams could mitigate these risks (Olabi, 2023).

Opportunities: Expanding into new geographic markets and segments, such as luxury or eco-friendly travel, represents a substantial opportunity for On The Beach. Additionally, harnessing technology to enhance personalization and customer experience can drive growth (Onthebeachannualreport, 2022).

Threats: Intense competition from other OTAs and changing regulatory landscapes threaten On The Beach. The company must continuously innovate and adapt to remain competitive and compliant (Onthebeachannualreport, 2023).

# Section B: Financial Analysis

## 4.1. Historical Financial Performance

The Beach Group PLC has demonstrated robust financial performance over the past few years, characterized by Fluctuating revenue growth and profitability. The company's strategic focus on expanding its online presence and enhancing customer experience has contributed significantly to its financial success as it continues to recover its earning strength (WSJ, 2024).Figure 1: 5 Years Income Statement on the Beach Group PLC. Available from: https://www.wsj.com/market-data/quotes/UK/XLON/OTB/financials/annual/income-statement.

Historically, On The Beach has increased its market share in the competitive online travel industry. For instance, between 2016 and 2019, the company reported a consistent upward trend in revenue, with an average annual growth rate of approximately 15% (Statista, 2024). This growth was driven by an expanding customer base and successful marketing strategies capitalizing on the increasing trend of online holiday bookings.

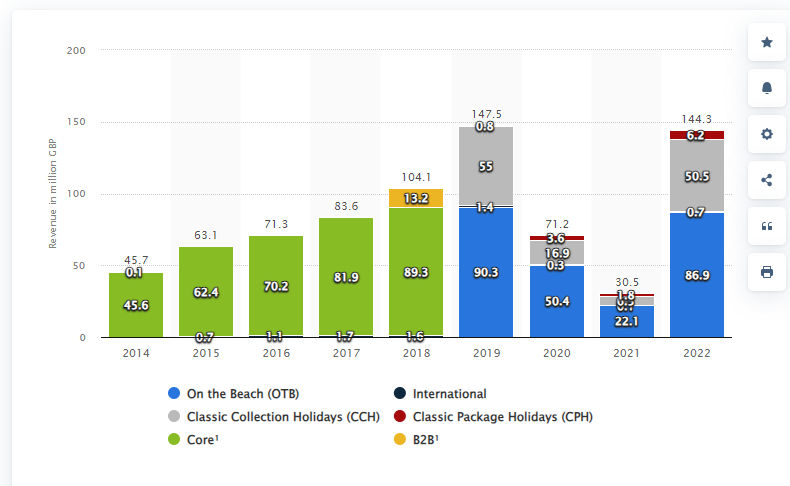


Figure 2: Revenue of On the Beach Group plc in the United Kingdom (UK) from 2014 to 2022 by business segment

The company's profitability has also been commendable. Before the pandemic hit in 2020, On The Beach reported a steady increase in operating profits, reflecting efficient cost management and strong operational performance (AnnualReport&Accunt, 2023). However, like many in the travel sector, On The Beach faced significant challenges due to COVID-19, with travel restrictions and lockdowns impacting its financial results in 2020 and 2021 (WSJ, 2024).

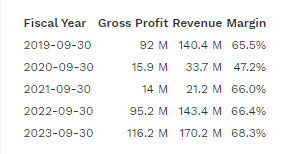
Despite these challenges, On The Beach's financial resilience was evident. The company took proactive measures to mitigate the impact of the pandemic, such as cost-cutting initiatives and leveraging its flexible business model to adapt to changing market conditions. As a result, it maintained a relatively strong balance sheet and liquidity position, setting the stage for recovery as the global travel market began to rebound in 2022 (Thompson, 2022).

Figure 3: Cash Flow on the Beach Group Plc 2019-2023

## 4.2. Ratio Analysis

### 4.2.1. Profitability Ratios

Profitability ratios are critical in evaluating a company's ability to generate earnings relative to its revenue, assets, and equity (Onthebeachannualreport, 2023). On The Beach's gross profit margin has remained strong, indicating efficient control over its cost of sales and successful margin management. The net profit ma….pg 11rgin experienced fluctuations due to the varying impacts of external factors like economic conditions and competitive pressures (Dividendmax, 2023). In September 2020, On The Beach experienced a significant drop in its gross profit margin, hitting a low point not seen in five years, recorded at 47.2%. This decline continued from the previous year, where there was a decrease in 2019 (from 65.5% to 39.3%, marking a decrease of 26.2%) and further into 2020 (from 47.2% to 19.2%, marking a decrease of 28.0%). However, there was a positive turn in the following years, with an increase noted in 2021 (from 19.2% to 66.0%, marking an increase of 40.0%), followed by a slight uptick in 2022 (from 66.0% to 66.4%, marking an increase of 0.5%), and a modest rise in 2023 (from 66.4% to 68.3%, marking an increase of 2.8%) (Finbox, 2024).



*Figure 4: Profitability Ratio of On the Beach Group Plc for the past five years, dated 2019 to 2023*

Return on Assets (ROA) and Return on Equity (ROE) are essential financial performance indicators. On The Beach has demonstrated a competent ROA and ROE in the pre-pandemic years, showcasing its ability to effectively utilize assets and equity to generate profits. These ratios dipped during the pandemic but show signs of recovery as the travel industry stabilizes. Over the last 12 years, On The Beach Group experienced a range of returns on equity (ROE). The highest recorded ROE percentage stood at 20.14%, indicating a peak in profitability during this period. Conversely, the lowest ROE dipped to -27.56%, reflecting a significant downturn in performance. Amidst these fluctuations, the median ROE settled at 6.22%, representing a middle ground in profitability over the years (GuruFocus, 2023).

## 4.2.2. Liquidity Ratios

Liquidity ratios, such as the current and quick ratios, measure a company's ability to meet its short-term obligations with its most liquid assets. On The Beach has maintained a current ratio above industry standards, reflecting a strong liquidity position. This robust liquidity helped the company navigate the financial strains caused by the pandemic and positioned it well for capitalizing on growth opportunities in the market's recovery phase (Onthebeachannualreport, 2023).

# Section C: ESG and Business Ethics Analysis

## 5.1. Environmental Initiatives

On The Beach recognizes the importance of environmental sustainability, particularly in the travel industry, where tourism has a significant impact on natural resources and ecosystems. The company has initiated several programs to reduce its environmental footprint and promote sustainable tourism.

One key initiative is the company's commitment to reducing carbon emissions. On The Beach has invested in carbon offset programs and partners with environmentally responsible service providers to offer eco-friendly travel options to its customers. These efforts contribute to the global agenda of combating climate change and promoting sustainability in the tourism sector (Onthebeachannualreport, 2023).

Additionally, On The Beach is involved in conservation projects and supports various environmental organizations. These partnerships aim to preserve natural habitats and promote biodiversity, particularly in popular tourist destinations. The company's environmental initiatives demonstrate its commitment to sustainability and, enhance its reputation and appeal to eco-conscious travelers (Onthebeachgroupannualreport, 2021).

## 5.2. Social Responsibility

Social responsibility is a key component of On The Beach’s business ethics framework. The company needs to contribute positively to society and ensure the well-being of its employees, customers, and the communities in which it operates (Spadero et al., 2023). On The Beach is committed to fair labor practices and provides a supportive work environment for its staff, offering training and development opportunities to foster career growth and employee satisfaction. The company’s inclusive workplace culture promotes diversity and equality, reflecting its dedication to social responsibility (Onthebeachannualreport, 2023)

In the realm of criminal activity, "modern slavery" encompasses a range of offenses, including slavery, servitude, forced or compulsory labor, and human trafficking. On the Beach Group plc and its subsidiaries maintain a steadfast stance of zero tolerance towards any form of modern slavery. They are committed to conducting themselves with integrity and transparency, striving to eradicate modern slavery within their business operations and supply chain. The statement below outlines the steps taken and ongoing efforts throughout the financial year to combat this issue. (Peopleonthebeachwebsite, 2023).



Figure 5: On the Beach Sustainable Practices Available from. https://www.onthebeachgroupplc.com/people/responsibility

## 5.3. Corporate Governance

Corporate governance refers to the systems and processes by which a company is directed and controlled. The Beach Group PLC has established a governance framework prioritizing accountability, transparency, and ethical business practices. The Board of Directors is responsible for setting the company's strategic direction and overseeing its implementation, ensuring that the organization's activities align with shareholder and stakeholder interests (Edward, 2023).

The company has implemented various policies and procedures to maintain high standards of corporate governance. These include regular board evaluations, transparent financial reporting, and a clear division of responsibilities among board members. On The Beach’s commitment to governance is also reflected in its adherence to the UK Corporate Governance Code, which sets standards for good practice (Onthebeachannualreport, 2023).

On The Beach engages with its shareholders and stakeholders through regular updates and meetings, ensuring their views are considered in decision-making processes. This approach fosters trust and transparency and aligns the company's operations with its long-term strategic goals (Elaine, 2023). On The Beach isn't reaching the targets of the previous years before the pandemics, and there is a need for revaluation of characters in its operations (GuruFocus, 2023).

# Section D: Investment Recommendation

## 6.1. Strategic Alignment and Future Outlook

On The Beach Group PLC has demonstrated a strong strategic alignment with the evolving dynamics of the travel industry. The company's focus on online travel booking, customer experience enhancement, and market expansion aligns well with the industry's digital transformation and growing consumer demand for personalized and convenient travel solutions. The strategic investments in technology and marketing and a flexible business model position On The Beach favorably for future growth (Edward, 2023).

On The Beach’s established market presence and robust digital platform can capitalize on this trend. However, the company must continue to innovate and adapt to changing consumer preferences and technological advancements to sustain its competitive edge and drive long-term growth (Reindrawati, 2023).

## 6.2. Financial Viability

Financially, On The Beach has shown resilience and a capacity for sustained growth. The company's historical financial performance, characterized by consistent revenue growth and strong profitability, indicates sound financial management and operational efficiency. The financial analysis reveals a healthy liquidity and solvency position, suggesting that On The Beach is well-equipped to manage its debts and fund its operations effectively (GuruFocus, 2023). Investors should remain cognizant of the industry’s cyclical nature and external risks, such as economic downturns or geopolitical tensions, that could impact financial outcomes (Parlindungan et al., 2021).

## 6.3. ESG Considerations

On The Beach’s commitment to ESG principles is evident in its corporate governance, environmental initiatives, and social responsibility efforts. The company’s governance structure, emphasizing transparency, ethical conduct, and stakeholder engagement, aligns with best practices and enhances its corporate reputation (Edward, 2023).

Environmental sustainability is increasingly becoming a priority for On The Beach, with initiatives aimed at reducing its carbon footprint and promoting eco-friendly travel options. These efforts mitigate environmental impact and resonate with the growing consumer preference for sustainable travel choices (Onthebeachgroupannualreport, 2021).

# Conclusion

On The Beach Group PLC has demonstrated a robust strategic and financial position, underpinned by its strong online presence, customer-centric approach, and adaptive business model. The strategic analysis highlighted the company's ability to leverage market trends and technological advancements, positioning it well for future growth in the evolving travel industry. Financially, On The Beach has shown resilience and profitability, with sound liquidity and solvency ratios indicating a stable financial foundation.

The company's commitment to environmental, social, and governance (ESG) principles further strengthens its market position, aligning with increasing consumer and investor demand for sustainable and responsible business practices. While the travel industry's inherent volatility and external risks pose challenges, On The Beach's strategic adaptability, financial health, and ethical business approach present a compelling investment case.

Therefore, based on the comprehensive analysis of its strategic alignment, financial viability, and ESG considerations, On The Beach Group PLC is recommended as a viable investment option, albeit with the recommendation to closely monitor industry trends and potential risks. This investment should be considered part of a diversified portfolio, considering the cyclical nature of the travel industry and external economic factors.

# Investment Recommendation

Considering On The Beach Group PLC’s strategic alignment with industry trends, strong financial performance, and commitment to ESG principles, the company presents a compelling investment opportunity. The strategic and financial analyses indicate a business poised for continued growth and profitability, while its ESG initiatives align with the broader trend towards responsible and sustainable business practices.

However, potential investors should also consider the inherent risks associated with the travel industry, including market volatility, regulatory changes, and external shocks. Balancing these factors, On The Beach is recommended as a sound investment, particularly for investors prioritizing companies with strong digital strategies, financial health, and a commitment to sustainability and ethical practices. On The Beach Group PLC is recommended as a viable investment option, provided investors know the potential risks and maintain a diversified investment portfolio to mitigate industry-specific uncertainties.

# References *These need to fully comply with BU Citation Guidelines*

AGM Trading Update (2024). On the Beach Group plc. Available from: https://www.onthebeachgroupplc.com/~/media/Files/O/On-The-Beach/investor-docs/results-and-presentations/agm-trading-update-26-01-24.pdf

Amoamo, M. (2022). Brexit–threat or opportunity? Resilience and tourism in Britain's Island Territories. In Island Tourism Sustainability and Resiliency (pp. 140-165). Routledge.

Annnual Report & Account 2023 (2023). On the Beach Group. Annual Report & Account. FOR THE YEAR ENDED 30 SEPTEMBER, 2023.

Dividendmax (2024). On the Beach Group plc. Dividend Summary.

Elaine O.(2023). Chair of the Audit Committee. On The Beach Annual Report 2023.

Finbox (2024).OTB: on the Beach Group plc Available from: https://finbox.com/LSE:OTB/explorer/gp\_margin/#:~:text=On%20The%20Beach's%20gross%20profit%20margin%20hit%20its%205%2Dyear,68.3%25%2C%20%2B2.8%25).

Hurri, K. (2020). Eco-anxiety in travel decision making among Generations X and Z.

Mach, L., & Ponting, J. (2018). Governmentality and surf tourism destination governance. Journal of sustainable tourism, 26(11), 1845-1862.

Morrison, A. M. (2022). Hospitality and travel marketing. Routledge.

Olabi, A. G., Abdelkareem, M. A., Wilberforce, T., Alami, A. H., Alkhalidi, A., Hassan, M. M., & Sayed, E. T. (2023). Strength, weakness, opportunities, and threats (SWOT) analysis of fuel cells in electric vehicles. International Journal of Hydrogen Energy, 48(60), 23185-23211.

OTB. (2022). On the Beach Group Annual Report & Accounts For the year ended 30 September, 2021. Available from: https://www.annualreports.com/HostedData/AnnualReportArchive/o/LSE\_OTB\_2021.pdf

OTBWebsitePeople. (2024). On the Beach Sustainable Practices: available from. https://www.onthebeachgroupplc.com/people/responsibility

Parlindungan, H. H., Masatip, A., & Manurung, H. (2021). Tourism investment and financial digital. European Journal of Science, Innovation and Technology, 1(4), 30-44.

Reindrawati, D. Y. (2023). Challenges of community participation in tourism planning in developing countries. Cogent Social Sciences, 9(1), 2164240.

Reinhold, S., Holtorf, C., Högberg, A., Pettersson-Löfquist, P., & Strzelecka, M. (2023). Post-Pandemic Tourism Development: Navigating Uncertainty in the Visitor Economy. Linnaeus University.

Ruvoletto, R. (2023). Digitalization and Internationalization: An Analysis of the Impact of Digital Technologies on Export Management Practices.

Spadaro, I., Pirlone, F., Bruno, F., Saba, G., Poggio, B., & Bruzzone, S. (2023). Stakeholder participation in planning of a sustainable and competitive tourism destination: The Genoa Integrated Action Plan. Sustainability, 15(6), 5005.

Statista (2024). Revenue of On the Beach Group plc in the United Kingdom (UK) from 2014 to 2022, by business segment. Available from: https://www.statista.com/statistics/934201/on-the-beach-revenue-united-kingdom-uk/

WSJ (2024). On the Beach Group PLC OTB (U.K.: London); 5 Years Income Statement on the Beach Group PLC Available from: https://www.google.com/search?q=what+is+the+full+meaning+of+WSJ+market&rlz=1C1RLNS\_enNG1037NG1037&oq=what+is+the+full+meaning+of+WSJ+market&gs\_lcrp=EgZjaHJvbWUyBggAEEUYOTIHCAEQIRigAdIBCTExNjI5ajBqN6gCCLACAQ&sourceid=chrome&ie=UTF-8

WSJ (2024). On the Beach Group PLC OTB (U.K.: London); Cash Flow on the Beach group Plc. Available from: <https://www.google.com/search?q=what+is+the+full+meaning+of+WSJ+market&rlz=1C1RLNS_enNG1037NG1037&oq=what+is+the+full+meaning+of+WSJ+market&gs_lcrp=EgZjaHJvbWUyBggAEEUYOTIHCAEQIRigAdIBCTExNjI5ajBqN6gCCLACAQ&sourceid=chrome&ie=UTF-8>

*There doesn’t seem to be any supporting appendices here?*

*Models utilised to assist your analysis and shown in detail here might have been Business Model Canvas, PESTEL, Porter’s Five Forces, Porter’s Five Forces Radar Plot, Competitor Analysis, Competitor Perceptual Map, TOWS/SWOT, Porter’s Generic Strategies, Bowman’s Clock, Ansoff Matrix, BCG/Boston Grid, Value Chain, VRIO/VRIN, McKinsey 7 S, Stakeholder Analysis, Cultural Web, E-V-R framework.*

*A share price movement graph over 5 years would also have added and allowed additional discussion.*

***I suggest you add the following as a minimum... Business Model Canvas, PESTEL, Porter’s Five Forces, VRIO, TOWS, Share price movement graphic in the appendices with associated discussion (excl pestel/business model canvas) of these added to your narrative.***