



# Lombard



## EasyJet risks the wrath of Sir Stelios as profits dip and capex soars

EasyJet plans to grow fast at the airport serving Venice, city of dreams and lovers. Also at Luton, town of industrial estates and Lorraine Chase, where the low-cost airline is headquartered. How will this play with Sir Stelios Haji-Ioannou, shareholder of frosty communiqués and no-confidence votes? Badly, one fears.

EasyJet endured a stinker of a year. Terrorism closed some popular resorts in Muslim countries. Cheap fuel emboldened rivals to expand capacity. Weak sterling, in which easyJet reports, raised costs. Profits before tax crashed 28 per cent to £495m.

Yet the group, helmed by shrewd ex-Guardian boss Dame Carolyn McCall, plans to raise gross capex from £650m next year to more than £1bn in both 2018 and 2019. She wants to increase the fleet of Airbuses from 257 to more than 300. She believes the business, in which founder Sir Stelios controls 34 per cent of shares, will need more seats as legacy European airlines atrophy.

EasyJet has net cash of £213m and would shade into net debt only in 2018, the peak year for investment. The dividend payout is set at 50 per cent of post-tax profits.

Numis forecasts profits before tax of

some £400m in 2017, equating to dividends 13.5p lower at 40.3p. The radars of stock market sky scanners are crowded with dangers. Perils include weakening UK confidence, political disruption to airline access agreements and further terrorism.

Dame Carolyn is doing a good job in tough circumstances. Shares trading at only a modest discount to Ryanair, whose business model is stronger, suggest many investors recognise that. There is countercyclical sense in her growth plan. The question is whether Sir Stelios and another 17 per cent of shareholders can still stomach it following such bad results.

The run-up to next February's annual meeting may otherwise resemble an altercation outside a

Luton pub rather than a gondola ride along the Grand Canal.

