

EasyJet braces for impact of 20% slump in profits

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Profits at easyJet could slump by another 20 per cent this year as the fare wars in the airline industry continue to take their toll.

The short-haul airline, Britain's busiest carrier, yesterday confirmed the worst: pre-tax profit in its financial year to the end of September had slumped by 28 per cent to £495 million, its poorest performance in three years. Its dividend payouts are also falling.

While the results came on the back of a miserable cocktail of problems, from terrorism in France, Belgium and Egypt hitting demand, to air traffic control strikes grounding passengers and the uncertainty and currency devaluation around Brexit, easyJet's fall has been startling.

Just six months ago easyJet was still wedded to profit forecasts of about £720 million for the financial year just finished. With analysts now pencilling in projections of about £400 million for 2016-17 full year pre-tax profits, that represents a near halving in investors' hopes for easyJet earnings.

That has been reflected in the share price. Fifteen months ago easyJet shares topped £19 a share, a soaraway performance that made its founder Stelios Haji-Ioannou a multibillionaire on paper with his one-third shareholding valued at £2.5 billion.

Last month those shares had plumbled to a near four-year low of 872p. However, despite the gloomy prospects for the coming year, with no new bad news reported in its current outlook the recent rally in the stock continued and the shares gained 55p to

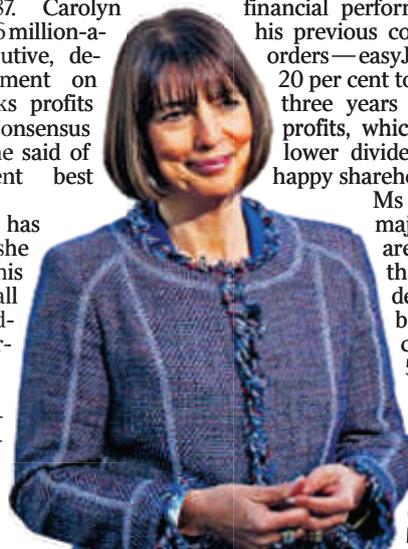


close at £10.87. Carolyn McCall, the £6 million-a-year chief executive, declined to comment on where she thinks profits may turn out. "Consensus is consensus," she said of analysts' current best guesses.

Ms McCall has guided that she believes fares this winter will fall by "low to mid-single digit" percentages.

Damian Brewer, an aviation industry an-

Carolyn McCall thinks airfares will keep falling



alyst at RBC Capital Europe, believes the price fall, plus "continued question marks over the health of the UK consumer likely to face wage stagnation but living expense inflation", will take its toll on easyJet earnings.

He said that pre-tax profit estimates "might settle around £400 million ... with a £30 million range either side".

Falling profits will probably raise the spectre of future interventions by Sir Stelios who, having won a long-running battle to get the easyJet board to increase dividend payments to 50 per cent of annual earnings, may now begin to cut up rough again if those payouts decline in line with earnings.

A spokesman for the Monaco-based Greek-Cypriot said that Sir Stelios financial performance but reiterated his previous complaint that aircraft orders — easyJet is to grow its fleet by 20 per cent to 300 planes in two to three years — will mean lower profits, which in turn will mean lower dividend payouts and less happy shareholders.

Ms McCall said that "the majority of shareholders" are more than happy that the ratio of dividends to earnings has been lifted from 20 per cent five years ago to 50 per cent now. The dividend for the 2015-16 year is to be 53.8p a share compared with 55.2p in the prior year. In 2011 the dividend was 10.5p.

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