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Sweeping cost cuts fuel rally in Easyjet shares

MARKET REPORT

by Francesca Washtell

EASYJET shares took off after it became the latest airline to unveil savage job cuts.

In an effort to survive the coronavirus crisis, the budget carrier will axe as many as 4,500 staff - or 30pc of its 15,000-strong workforce.

It also confirmed it will restart flights across the UK and France in mid-June.

But it is working on the assumption that the collapse in demand for air travel will not recover to 2019 levels until 2023.

As a result, it is also taking aim at its fleet of aircraft – which it expects to shrink by 51 planes to 302 by the end of next year – and will slash spending in areas such as marketing.

This was not enough to satisfy largest shareholder and founder Sir Stelios Haji-Ioannou – who reiterated his offer of a £5m bounty for anyone who can get a £4.5bn deal with Airbus for more than 100 new planes scrapped.

Few of the details about the job cuts have been released so far, although talks are under way and it is thought they will be a mixture of voluntary and non-voluntary lay-offs. Unions were quick to slam the Luton-based carrier, with Brian Strutton, general secretary of pilots' union Balpa, saying staff will be 'shocked at the scale of this announcement'.

But it will come as little surprise to after rivals such as Ryanair (down 0.6pc, or 7 cents, to €11.58) and British Airways, which is owned by IAG (down 0.9pc, or 2.3p, to 246.4p), announced they would cut 3,000 and 12,000 roles respectively.

Relieved Easyjet investors sent shares higher by 4.4pc, or 31.4p, to 740p last night.

Back on the ground, mid-cap transport groups Stagecoach and

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First Group both accelerated after issuing updates to the market. They welcomed £254m of emergency funding arranged by the Government last week to help ramp up bus services closer to pre-pandemic levels.

Stagecoach rose 8.7pc, or 5.8p, to 72.75p, despite saying it expects to take a £25m hit from one-off costs in the year to May 2.

It has around £800m worth of available funding and reckons Britons will want to be more eco-friendly once life returns to normal, which could boost passenger numbers.

Traders also climbed aboard First Group, which has a £770m funding cushion and has plans to roll out online features such as live tracking that will tell customers how full buses are before they board. Its shares rose 4.6pc, or 2.6p, to 59.4p.

The wider FTSE 250 rose 1.14pc, or 194.86 points, to 17338.48 in another buoyant day for stock markets and its ninth session of gains in a row.

The FTSE 100 also edged up 1.21pc, or 74.54 points, to 6218.79 after the latest figures showed the number of people filing for unemployment support in the US rose by 2.1m in the last week, in line with estimates.

Government contracting giant Serco rose 0.9pc, or 1.1p, to 128.5p after it kicked off a search for a new chairman.

Sir Roy Gardner, who has chaired the group since 2015, is stepping down and a replacement installed before the 2021 annual meeting.

And, elsewhere, ATM operator Paypoint climbed 0.8pc, or 6p, to 728p after it pledged to pay a final dividend of 15.6p per share.

Its annual results beat estimates, which brokers at Liberum said this was due to management waiving their bonuses.

Analysts added that, even though fewer people are getting cash out at the moment, there are signs of improvement.

Rolls-Royce shares tumbled 7.8pc, or 27.1p, to 319p after institutional investor Ako Capital sold out of its 5.2pc stake in the engineering giant.