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Tempus

Buy, sell or hold: today's best share tips

Few reasons to join this bumpy ride

EASYJET

Number of aircraft 331 | **Number of routes** 1,051

What will it take to get people back through an airport and on to an aircraft during this pandemic? Compulsory masks, socially distanced seating, mandatory Covid-19 testing, wild horses, or none of the above (Robert Lea writes)?

Research commissioned by the independent aviation analyst Chris Tarry reveals that 66 per cent of people want a test for the virus at the airport and that they would expect the result within 30 minutes.

About half reckon the government should pay for the test and of those willing to pay, about two thirds said they would be prepared to pay somewhere up to £20.

On quarantining — that returning passengers should put themselves into 14 days of isolation — about a quarter of travellers would still be prepared to make their trip.

That we, and researchers, are having to ask so many questions about if and when we start flying again suggests a reluctance to board an aircraft any time soon.

Easyjet is Britain's busiest airline, the largest operator (in normal times) at Gatwick, Manchester and Luton, three of the top five airports in the UK. Last year it flew 96 million passengers on its 331 aircraft and it employs 15,000 people.

At the moment it isn't flying any passengers as its entire fleet is grounded until at least next week.

Within weeks it will cut 4,500 employees, or 30 per cent of its workforce, and it does not expect business to return to 2019 levels, when it made £430 million profit from £6.3 billion of revenue, until 2023. The prospect of a recovery taking three years would indicate that this is not a sector and Easyjet is not a company worth investing in any time soon. With companies in general and airlines in particular refusing to give any guidance on future earnings, investment decisions are a little difficult.

Yet in the days after announcing its job cuts Easyjet shares began to rally hard, until yesterday's reverse to 844p, putting on 30 per cent over a six-day trading period. They had previously slumped during the crisis from a high of more than £15 to below £5, prompting the carrier to be ejected from the elite FTSE 100 index.

This would indicate that some believe Easyjet will be one of the winners in the industry's structural changes ahead. Or, put another way, when we count the last folk standing in European aviation Easyjet will be one of them.

It is being taken as a given that Ryanair and Easyjet, the two short-haul airlines which have revolutionised European air travel, are long-term winners from the revolution they started.

Yet in no particular order Easyjet has a number of issues piling up. It has an irritable 34 per cent shareholder in its founder Sir Stelios Haji-Ioannou, who seems intent on destabilising the board.

On the one hand he has raised an important issue: how on earth is Easyjet going to fulfil a multibillion-pound contract for 100 new aircraft with Airbus? And on the other, whether it is the hand of Sir Stelios or not, the Easyjet board is in some disarray with the finance director, the deputy chairman and another senior non-executive all deciding to disembark.

Easyjet is also by its own choice in full-on competition with legacy carriers such as Lufthansa, Air France and KLM, who have taken billions of euros from German, French and Dutch taxpayers to re-arm their depleted balance sheets.

As the impact of the crisis began to dawn in early March, Tempus suggested avoiding the airline sector because of the depth of uncertainty. Three months on and the only certainty is that uncertainty will remain for a long time yet.

ADVICE Avoid
WHY Not even management can give any cogent outlook for the next few years


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Hard landing