

Q3 Trading Statement

Released : 04 Aug 2020 07:00

RNS Number : 0017V
easyJet PLC
04 August 2020

4 August 2020

EASYJET TRADING STATEMENT FOR THE QUARTER ENDED 30 JUNE 2020

easyJet's Q3 performance is in line with expectations, ending the period with a re-start to flying. A strong focus on cost and delivering profitable flying continue to be key priorities.

Johan Lundgren, CEO of easyJet, commenting on its Q3 trading said:

"Returning to the skies again allows us to do what we do best and take our customers on much-needed holidays. I am extremely proud of all of our people whose care and commitment, along with the introduction of our industry-leading bio security measures, have resulted in customer satisfaction scores reaching a high of 80% since the re-start, an increase of 13 percentage points compared to the same period last year.

"I am really encouraged that we have seen higher than expected levels of demand with load factor of 84% in July with destinations like Faro and Nice remaining popular with customers.

"Our bookings for the remainder of the summer are performing better than expected and as a result we have decided to expand our schedule over the fourth quarter to fly c.40% of capacity. This increased flying will allow us to connect even more customers to family or friends and to take the breaks they have worked hard for.

"Despite the challenge we continue to face due to the pandemic, we remain no less committed to fulfilling our customers' desire to fly sustainably through our carbon reduction initiatives, including offsetting on behalf of our customers.

"As we look ahead, I am confident that easyJet will continue to serve our customers well, delivering our renowned friendly service and value across our unrivalled network."

Revenue

Total group revenue for the quarter ending 30 June 2020 was £7 million. The fleet was fully grounded on 30 March due to the Covid-19 pandemic. Having re-started flying on 15 June, easyJet carried 117,000 passengers with a total capacity of 132,000 seats in the remaining two weeks of the quarter. The initial schedule comprised only 10 lines of flying and delivered a load factor of 88.9%.

We have now completed more than one month of restart operations and are seeing encouraging performance across the network with a continued focus to undertake only profitable flying. In July easyJet flew just over 2 million passengers with a load factor of 84%.

Cost / Cash burn

Total headline costs for the quarter ending 30 June 2020 were £332.1 million which is 79% lower than Q3 2019.

Operational cost cash burn during the quarter was lower than the previously guided £30 - £40 million per week with a total cash burn for Q3 of £774 million compared to the previously guided £1 billion.

As previously announced, easyJet has launched a major restructuring programme which aims to drive cash generation and ensure that easyJet emerges from the pandemic in an even more competitive position. The programme will drive down costs in all areas of the business which is a necessity in the current Covid-19 environment. It includes rightsizing the organisation and reducing headcount by up to 30%. easyJet has launched an employee consultation process on these proposals to reduce staff numbers, as well as optimising our network and bases, improving productivity and promoting more efficient ways of working.

We are fully committed to work closely and constructively with our employee representatives during these consultations.

Customers and operations

Although flying has been limited, easyJet has seen overall customer satisfaction (CSAT) hit a high of 80% since the re-start, a 13ppt increase compared to the same period last year, driven by operational performance and the management of Covid-19 policies.

During July customer satisfaction rose by double digits in every single one of our major markets, with extremely strong improvements in overall customer satisfaction in Portugal, the Netherlands, the UK and Switzerland. Customers who have flown with us since the restart have expressed particular satisfaction with the cleanliness and tidiness of the aircraft (up 10ppts year on year) and with the boarding experience (up 9ppts year on year).

This is testament to the fantastic job all our people are doing during this challenging period. It also reflects the enhanced bio security measures which were introduced in June:

- Aircraft cleaning - Every aircraft is subject to a daily disinfection process which provides surface protection from viruses that lasts for at least 24 hours
- On board measures - All passengers and crew are required to wear masks onboard at all times. easyJet's aircraft are already fitted with state of the art filtration technology. High Efficiency Particle Arresting filters remove 99.97% of airborne contaminants in the cabin, including viruses and bacteria. These filters are the same as those used in hospitals and ensure that the cabin air gets replaced every 3-4 minutes
- Airport measures - To protect customers and ground crew in the airport, customers are able to use our automated bag drop to check in their hold luggage and screens will be in place at our check-in desks and at airports where auto bag drop is not available. easyJet already encourages all customers to check in online and download their boarding pass onto their smart phone or to print their own boarding passes before arriving at the airport.

These bio security measures will remain in place for as long as is needed to ensure customers and crew are able to fly safely as the world continues to deal with the impact of the Covid-19 pandemic. easyJet will continue to work with the relevant national authorities to review and assess what measures are required in the longer term.

Capacity

easyJet's commercial flying programme restarted on 15 June with a focus on delivering a positive contribution. The initial schedule started with 10 aircraft, flying a predominantly domestic schedule in the UK, France and Italy.

Demand is being assessed on a daily basis with updated schedules being reviewed every two weeks based on our forecasts of demand and contribution. Following expected improvements in demand and a further relaxing of government travel restrictions, the July schedule was increased to 147 lines of flying. August flying is now expected to increase further to c.210 lines of flying.

Our crews and aircraft have been kept in flight-ready mode, in order that we have the flexibility to alter capacity either up or down with around two weeks' notice.

We now expect to fly c.40% of planned capacity for Q4, peaking in August, compared to the 30% highlighted at our H1 results.

Network

easyJet's market-leading European short haul network is focused on number one and two positions at primary airports and enables us to be efficient with our network choices, with an emphasis on maximising returns. The scale and flexibility of our network also provide us with the opportunity to realign capacity to take advantage of these changes in the competitive landscape. easyJet will act quickly to selectively acquire attractive slots made available in locations where the opportunity arises.

Our late summer bookings are performing well, with beach destinations such as Faro and Nice proving popular, as well as city destinations like Amsterdam and Paris, reflecting our customers' interest in getting away for a summer holiday or city break.

easyJet believes that the UK Government has the opportunity now to use the temporary removal of Air Passenger Duty to support the recovery of UK aviation. The pandemic is having an unprecedented impact on the aviation sector. It is one of the worst hit industries, and government action is needed across Europe to retain connectivity and a viable airline infrastructure. Without this we risk long term damage to the recovery. This would significantly quicken the reintroduction and growth of the number of flights and routes available in the UK, particularly outside London.

Liquidity

During the quarter 9.99% of share capital was issued, following a share placing on 25 June. At the General Meeting held on 14 July approval was granted for the issue of a further 5%. Gross proceeds raised on the total 14.99% issuance was £419m.

This brings the total liquidity raised to date since the beginning of the Covid-19 pandemic to over £2.2 billion. This comprises £400 million from drawing down our Revolving Credit Facility, £600 million from the UK government's Covid Corporate Financing Facility, £400 million from two term loans, £405 million in proceeds from a programme of sale and leaseback transactions and the £419 million of equity issuance.

There are further expected sale and leaseback proceeds within the current programme still to be transacted. We expect gross proceeds from the programme to be at the top end of our £500 to £650 million guidance range. Following the conclusion of the sale and leaseback programme it is expected that around 50% of the fleet will still remain unencumbered.

These measures have further underpinned easyJet's liquidity position and credit metrics while also enhancing our balance sheet strength to provide a significant liquidity buffer to navigate protracted Covid-19 recovery scenarios.

As at 30 June 2020 our net debt position was £835 million (31 March 2020: £467 million; 30 June 2019: £332 million) representing cash equivalents of £2,562m and gross debt including leases of £3,397m. This position includes the first tranche of the equity placing amounting to £279m.

Since the quarter end £137 million in cash was received from the second tranche of the equity placing and c.£140 million of proceeds from sale and leaseback deals. To date, total sale and leaseback proceeds amount to £405m.

Sustainability

easyJet remains the only major international airline in the world to fly net zero carbon, by offsetting the carbon emissions from the fuel used on every plane flown. This financial year we have already retired carbon credits to offset 2.2 million tonnes of CO₂ emissions, investing in high quality rainforest conservation projects in Peru and Ethiopia. easyJet also selects projects that have much wider benefits, so in addition to carbon they deliver a range of social and biodiversity benefits which are equally as important to the local community.

For the longer term easyJet is committed to collaborating on the development of new technologies, such as electric and hydrogen flying. easyJet CEO Johan Lundgren has joined the Jet Zero Council in order to help set UK aviation's path for decarbonisation.

Outlook

Based on current travel restrictions in the markets in which we operate:

- easyJet expects to fly c.40% of planned capacity for Q4 2020. This compares to the 30% highlighted previously, and;
- based on the current schedule, easyJet expects to record a smaller loss in Q4 than was experienced in Q3

At this stage, given the continued level of short-term uncertainty, it would not be appropriate to provide any other financial guidance for the remainder of the 2020 financial year.

KEY Q3 FINANCIALS

Three months ended	30 June 2020	30 June 2019	Change Fav./ (adv.)
Number of flights	709	165,656	(99.6%)
Number of aircraft in operation	10	315	(96.8%)
Passengers (thousand) ¹	117	26,382	(99.6%)
Seats flown (thousand)	132	28,772	(99.5%)
Load factor (%) ³	88.9%	91.7%	(2.8ppt)
Total group revenue (£ million)	7	1,761	(99.6%)
Total group headline cost (£ million)	(332.1)	(1,587.2)	79.1%
Group headline loss before tax (£ million)	(324.5)	174.2	

For further details please contact easyJet plc:

Institutional investors and analysts:

Michael Barker Investor Relations +44 (0) 7985 890 939

Holly Grainger Investor Relations +44 (0) 7583 101 913

Media:

Anna Knowles Corporate Communications +44 (0) 7985 873 313

Edward Simpkins Finsbury +44 (0) 7947 740 551 / (0) 207 251 3801

Dorothy Burwell Finsbury +44 (0) 7733 294 930 / (0) 207 251 3801

A copy of this Trading Statement is available at <http://corporate.easyjet.com/investors>

Notes:

1. Represents the number of earned seats flown. Earned seats include seats that are flown whether or not the passenger turns up as easyJet is a no-refund airline, and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to staff for business travel.
2. Capacity based on actual number of seats flown.
3. Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "sector") lengths.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

TSTKKNBNCBKDAFK