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Easyjet posts first loss in quarter of a century

MARKET REPORT

by Francesca Washtell

NO AMOUNT of bracing for painful results from Easyjet could take the sting out of a £1.3bn loss – the first fall into the red in its 25-year history.

AJ Bell investment director Russ Mould described the annual numbers as 'ugly reading', as the pandemic halved the number of passengers the airline flew to 48m and wiped 53pc off revenues.

Easyjet cut costs when it became clear that the effects of Covid would far outlast the spring. As well as axing 4,500 jobs and selling and leasing back aircraft, it took Government support, and has extended the period of repayments for its £600m state loan.

Management also had to juggle a battle with founder Sir Stelios Haji-Ioannou, who yesterday described the results as 'jiggery-pokery'. The outlook, however, is mixed. Between January and March the budget carrier will run just a fifth of the flights it scheduled in the same period of last year as it gears up for a winter in which there still may not be standardised airport testing, surging virus rates and people's finances being ever more stretched.

But there were also encouraging signs. It said that the day after the Canary Islands was removed from the banned travel list, ticket sales were up tenfold.

And bookings jumped by 50pc after Pfizer released its vaccine announcement last week. But the FTSE 250-listed stock dropped 1.9pc, or 16p, to 762.6p.

In more turbulence for the airline sector, investors in British Airways-owner IAG failed to be roused by Spanish reports that it has cut the price it will pay for Spanish airline Air Europa to between £270m and £360m, down substantially from a previous price tag of around £895m.

IAG fell 3.3pc, or 5.3p, to 153.45p, as it was also swept up in a wider sell-off that undid a modest rally on Monday, kicked off by Moderna's announcement that its potential vaccine was 95pc effective.

The FTSE 100 backtracked by 0.9pc, or 55.96 points, to 6365.33, while the FTSE 250 fell by 0.5pc, or 91.88 points, to 19516.17.

Outsourcing giant Mitie Group was on a roll – jumping 14.4pc, or 4.9p, to 38.9p – after regulators gave it the green light to take over a key division of Interserve in a £190m deal. The Competition and Markets Authority chose not to refer the takeover for an in-depth investigation, leaving the pair free to merge their huge facilities management businesses.

Mitie was originally set to pay £271m for the Interserve arm, but this was cut by £80m this month.

And in a busy day for corporate news, a clutch of companies won favour with traders after upgrading profit guidance.

Checkatrade-owner Homeserve saw a bumper 17pc boost in revenues in the six months to September, as people locked down at home called in handymen to carve out home offices and fit kitchens.

In anticipation of restrictions running throughout the winter, boss Richard Harpin said some of the most frequent requests for quotes are now hot tub installations, garden lights and garden landscaping. Homeserve rose 2.4pc, or 30p, to 1267p, and lifted its dividend 7pc to 6.2p.

Aggreko (up 3.9pc, or 22p, to 590p) upgraded revenue and profit guidance to between £170m to £190m, though this hinges on its contract for next year's Tokyo Olympics going ahead.

And Gear4music smashed expectations as sales soared 42pc to £70m in the first half to September, which included months when Britons picked up instruments and equipment to keep them busy during lockdown, and it is believed that the boom will continue over Christmas. Investors liked the sound of the update, with shares up 5.2pc, or 35p, to 715p.