easyJet PLC

EasyJet posts first loss in 25 years as boss urges more state support

Low-cost airline to fly just a fifth of its normal schedule for rest of the year

EasyJet reported a £1.3bn pre-tax loss for the year to September © REUTERS

Philip Georgiadis YESTERDAY

EasyJet has slumped to a £1.3bn annual loss, the first in its 25-year history, as the industry-wide aviation crisis shows few signs of easing.

The low-cost airline on Tuesday said it expected to fly just a fifth of its normal schedule for the rest of this year, as it tried to keep losses to a minimum.

The airline's shares fell 2 per cent to 758.80p by lunchtime in London, recovering from 5 per cent down in early morning trade.

With demand for flying expected to be low even over the traditionally busy Christmas period and recovery hopes delayed until next year at the earliest, EasyJet chief executive Johan Lundgren again called for more government support.

Mr Lundgren, who has repeatedly pressed for more government backing in the past few weeks, told the Financial Times he would welcome new state loans or the removal of air passenger duty to stimulate demand.

Although he stopped short of calling for direct cash injections into UK airlines, he noted that some continental carriers have received billions of euros in support.

I think there are reasons to be positive

Johan Lundgren, EasyJet chief executive

"I am concerned funds are being very unevenly distributed around the network to some of these airlines. We are having a constructive dialogue with the government," he said.

The company had announced earlier an extension to the repayment of a £600m UK government rescue loan to manage its finances through the winter season.

The airline will repay the loan in two stages in March and November, rather than in full in March.

The loss brings down the curtain on a grim earnings season for Europe's largest airlines. A second wave of infections and new travel restrictions have extinguished hopes of a swift recovery following nine months of crisis.

British Airways owner IAG reported a loss of €5.95bn in the first nine months of its financial year, while Ryanair suffered a loss of €197m over the traditionally highly profitable summer season.

Still, Mr Lundgren said two positive vaccine test results in 10 days had offered the industry some "welcome news" and that bookings have risen about 50 per cent since the news first broke.

"I think there are reasons to be positive," he said, pointing to a "pent up demand" for flying.

EasyJet's shares have risen more than 40 per cent since Pfizer and Moderna announced successful test results for their coronavirus vaccines, although they have still lost nearly half their value since the start of the year.

The airline, which had already warned it was facing its first full-year loss, reported a £1.27bn pre-tax loss for the year to September, including £438m of non-recurring costs such as ineffective fuel hedges and costs related to a broad restructuring. The airline reported a profit of £430m in 2019.

With carriers largely in survival mode, analysts and investors across the industry are focused on how quickly companies are using up their available cash.

EasyJet burnt through £651m in cash during the fourth quarter, down from £774m in the previous three months. Passenger numbers halved to 48.1m in the year to September and revenue fell 52 per cent to slightly more than £3bn.

The company has built up reserves of £3.1bn to last it through the crisis, including the Bank of England loan and selling off a chunk of its fleet that it has leased back.

"EasyJet has amassed a pile of cash, but it may yet have to use it to reach the point of travel recovery. It has not yet demonstrated how or under what traffic scenarios its liquidity resources will be sufficient to see it through the crisis," said Bernstein analyst Daniel Roeska.

Mr Roeska said a new equity raise was the most likely path forward if the carrier needed more liquidity.