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Easyjet predicts winter misery after reporting loss of £1.3bn

Robert Lea Industrial Editor

Easyjet has fallen to an annual loss of almost £1.3 billion and warned it expects to stay in the red throughout the winter despite cutting its services by 80 per cent.

The annual loss is the first in the airline's 25-year history, but Johan Lundgren, Easyjet's chief executive, insisted the company "now has an unparalleled foundation upon which to emerge strongly from the crisis".

Shares in Easyjet, which have risen sharply along with other airlines after news of breakthroughs in the race for a Covid-19 vaccine, fell by 15p, or 1.9 per cent, to 762½p yesterday after the figures were reported. Before Covid-19, they were above £15.

Sir Stelios Haji-Ioannou, the airline's founder and 33 per cent shareholder, said that Mr Lundgren, 54, was being "absurdly upbeat". Sir Stelios is a long-time critic of the Easyjet boss.

The airline's results for the year to the end of September show that it made losses from operations of £835 million before £438 million one-off items took pre-tax losses to £1.27 billion. This time last year it was reporting a profit of £430 million. In the industry's crucial spring and summer seasons, which started with fleets grounded by the outbreak of Covid-19 and ended with the sector deeply troubled by travel and quarantine restrictions, Easyjet made underlying losses of £642 million — nearly four times those of Ryanair, its great rival, which reported losses of £172 million between April and September.

Without the impact of the pandemic, Easyjet, the largest operator at Gatwick, Britain's second biggest airport, could have expected its 335-strong fleet of short-haul aircraft to carry about 100 million passengers. Instead, passenger numbers halved in the 12 months to 48 million. With fares having to be cut on average by more than 10 per cent, revenues plunged by 53 per cent to £3 billion.

Mr Lundgren insisted that the £3.1 billion of cash that the company had borrowed or raised would see it through the turmoil in the air transport sector. In a statement, the company said: "Based on current travel restrictions in the markets in which we operate, Easyjet expects to fly no more than about 20 per cent of planned capacity for [the October to December] quarter. We remain focused on cash-generative flying over the winter season in order to minimise losses during the first half [to the end of March]. We retain the flexibility to rapidly ramp up capacity when we see demand return.

"At this stage, given the continued level of short-term uncertainty, it would not be appropriate to provide any further financial guidance for the 2021 financial year."

The airline's losses include £123 million covering the redundancies of 4,500 people — 30 per cent of its workforce — at average payoffs of about £27,000 each. There are also £311 million of charges for future losses on the unwinding of its foreign exchange and jet fuel contracts, as well as losses on the sale and leaseback of 33 of its aircraft.

Analysis

It is not so much the elephant in the aircraft hangar as the elephant-sized gap in the Easyjet business plan (Robert Lea writes). In its transition from disruptor to a mature carrier, Easyjet operates at 49 of Europe's 50 busiest airports. The 50th? Europe's busiest — in normal times — and the dominant hub in Easyjet's home market: Heathrow.

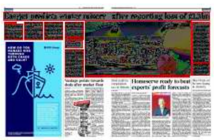
Easyjet covets a potentially transformative flightpath into Heathrow, which is dominated by International Airlines Group, the British Airways owner. Expecting an aviation recovery next year, it is focusing on slot-constrained airports "where customers want to fly from". And they don't come any more constrained than Heathrow. Take-off and landing slots are over-subscribed and when they do become available, they change hands at eye-watering prices.

With airlines struggling, the use-them-or-lose-them rules on airport slots have been suspended. According to Chris Tarry, an aviation analyst, if that waiver had been lifted at the end of March, the rights to unused slots would be freely available.

Johan Lundgren, Easyjet's chief executive says Heathrow's flying charges are "too high", but as a carrier likely to emerge from the pandemic stronger than many, it would find an opportunity at Heathrow difficult to ignore.

£835m

Easjyet's annual operating losses
Easyjet



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HAYOUNG JEON/EPA

Easyjet reported the first annual loss in its 25-year history because of the impact of the pandemic on international travel. It expects to stay in the red despite cutting its winter schedules by 80 per cent