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Easyjet rejects bid from rival Wizz Air

...but airline seeks £1.2billion from investors

by ***Francesca Washtell***

EASYJET has rejected a takeover bid from rival Wizz Air and is instead seeking another £1.2bn from investors to survive the Covid-19 pandemic.

The budget airline's board said it 'had no hesitation' in unanimously rebuffing the offer, which it said was far too low.

It refused to name the suitor – but it is widely understood to be Hungarian no-frills carrier Wizz.

Easyjet also said the bidder has now walked away and would not be making another offer.

The failed swoop makes Easyjet the latest in a long line of London-listed companies to become takeover targets this year.

Defence firms Ultra Electronics and Meggitt, inhaler maker Vectura and supermarket giant Morrisons are among the many that have been preyed upon in a sustained raid on UK plc.

Easyjet said it would not rule out any deals in the future.

But Easyjet shares plunged 10.2pc, or 80.8p, to 708.2p after it revealed it was going cap in hand to investors for £1.2bn of emergency funds. It has already raised more than £5.5bn since the start of the Covid crisis including £420m from shareholders.

The no-frills carrier has also sold planes, furloughed staff and laid off up to 4,500 employees, or about 30pc of its workforce.

Michael Hewson, chief market analyst at CMC Markets UK, said: 'In true Oliver Twist fashion, having already raised £5.5bn since the start of the pandemic, the raising of another £1.2bn should give it a much better cash buffer.

'The outlook for airlines continues to be challenging with any sort of back to normal unlikely to come much before the second quarter of next year, which suggests Easyjet may not be the last airline to look at raising extra capital,' he said.

Airlines have been pummelled by the coronavirus pandemic, which has brought international travel to a halt for months at a time during lockdowns.

Easyjet reported its first ever annual loss last year – of £1.3bn – and has lost another £1bn in the first nine months of this financial year. It also spent much of last year in a boardroom spat with founder and biggest shareholder, Sir Stelios Haji-Ioannou (*pictured*), who was outraged at the company's order for more than 100 new Airbus planes.

By contrast, Wizz has used the pandemic to expand, despite racking up a loss of almost £500m in the year to March. Set up in 2003 by boss Jozsef Varadi, its focus on Central and Eastern European travel means it has been less badly affected and it has added a string of new routes to its roster.

It now has more than 40 bases, compared with 25 before the Covid outbreak – and has called for major airlines such as British Airways and Easyjet to give up their unused airport slots.

In July a controversial bonus plan, which could hand Varadi more than £85m if share price and profit targets are hit, scraped through a shareholder vote with 50.5pc support.

Russ Mould, investment director at AJ Bell, said: 'Wizz Air looks a possible candidate to have made the bid as it is incredibly ambitious and Easyjet would provide it with much greater coverage of Western European, having already established a strong position in Eastern Europe. It is financially stronger than many of its rivals and owning Easyjet could turbocharge its growth.'

Easyjet chief executive Johan Lundgren, meanwhile, said the rebound from the pandemic presented a 'once in a lifetime opportunity' for the industry.

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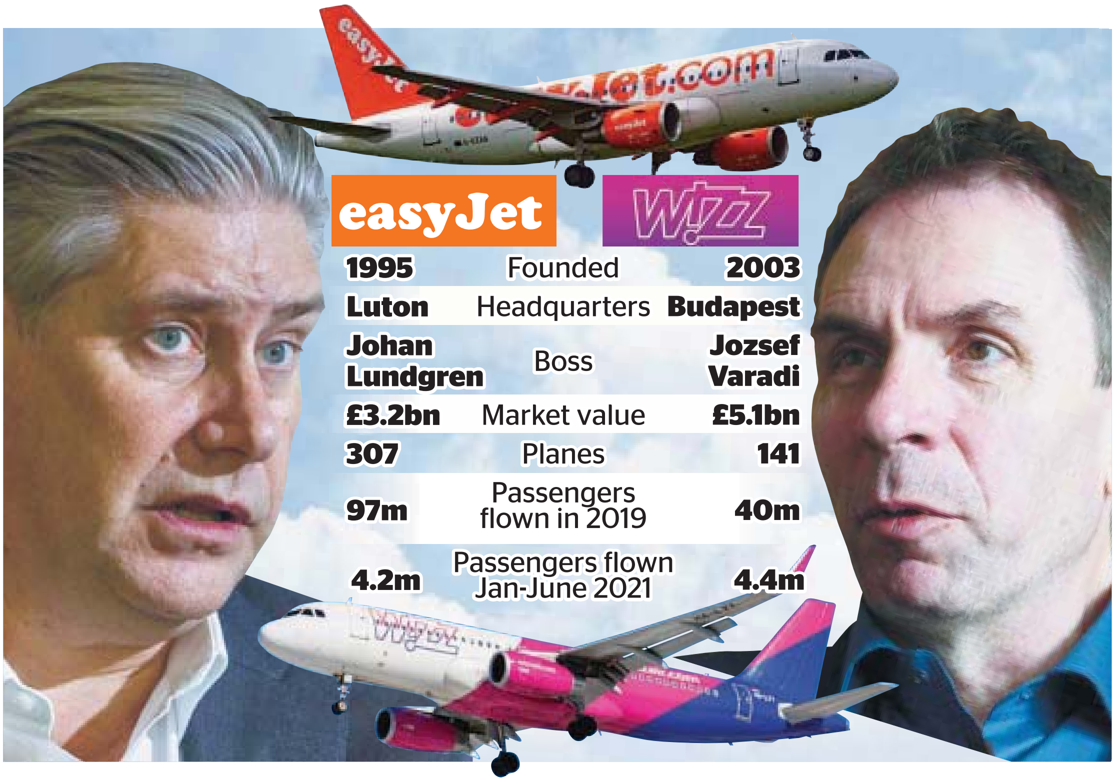

Failed swoop: Easyjet chief executive Johan Lundgren (*left*) and Wizz Air founder Jozsef Varadi