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EasyJet dives as it snubs bid and taps City for £1.2bn

Short-haul airline reveals approach from key rival named by sources as Wizz Air, but shares fall 10pc

By **Rachel Millard**

EASYJET'S bid to repair its finances and compete in the post-Covid travel market via a £1.2bn cash call has been overshadowed by the revelation that it has rejected a takeover approach from a rival.

The budget airline lost more than a tenth of its stock market value after it disclosed the moves. Investors sold the shares off despite easyJet insisting it was ready to grow by going after slots and passengers from retreating scheduled carriers.

Its suitor, Wizz Air, has grown rapidly under chief executive Jozsef Varadi since its founding in 2003. A deal would have created a more powerful rival to Ryanair, and a major further challenge to legacy carriers such as British Airways owner IAG and Air France-KLM.

EasyJet did not name Wizz but said the unsolicited approach "fundamentally" undervalued it and was "highly conditional", adding that its £1.2bn new war chest means it is well-placed to go it alone. City sources confirmed the source of the approach.

Chief executive Johan Lundgren said: "The capital raise announced today not only strengthens our balance sheet enabling us to accelerate our post-Covid-19 recovery plan but will also position us for growth so that we can take advantage of the strategic investment opportunities expected to arise as the European aviation industry emerges from the pandemic."

Like most in the aviation sector, easyJet has been hobbled by the pandemic, which has grounded flights and forced companies to raise money from banks, governments and shareholders.

Easyjet made a loss of £318m during the quarter ending June 30 2021, while it has £2bn debt and has been burning through £38-£39m per week in 2021. It has cut 4,500 jobs and frozen pay in some countries, while its shares are down more than 50pc on pre-pandemic levels, closing yesterday at 708.2p.

The short-haul market is starting to recover. Ryanair said it flew 11.1m passengers in August, 75pc of levels in August 2019, with chief executive Michael O'Leary predicting a "very strong recovery."

For the last three months of 2021 easyJet expects to fly up to 60pc of 2019 levels, although Britain's return to international travel is slower than the rest of Europe.

But it has recovered from the pandemic slower than rivals including Wizz Air, which now has a market value of £5.1bn compared to easyJet's £3.3bn. Wizz is chaired by aviation veteran Bill Franke, and has long seen easyJet as "a strategic target," a senior industry source told Reuters.

Yesterday easyJet said it was "well-placed to emerge from the pandemic with renewed strength", including by developing its position in key airports and developing its holidays business.

It has identified landing slots across Europe it could acquire, including in Paris, Amsterdam and Milan, with Lundgren saying the company was facing the "opportunity of a lifetime."

But it warned that the trading environment "remains uncertain" and the extra cash from shareholders would "protect easyJet's long-term positioning in the European aviation sector".

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