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Business view

Nils Pratley

Wizz may be taking a flyer on easyJet, but the airline needs to guard against serious bidders

The pandemic has transformed the airline industry in unexpected ways: Wizz Air, whose shares have recovered all the altitude lost in the early months of lockdown, is now bigger in stock market terms than easyJet. The latter's shares are stuck at half their old level and a £3.25bn valuation now compares to £5bn for Wizz.

The position is quite a come-down for easyJet, and Wizz's cheeky takeover bid, one suspects, will have come as a blow to the corporate ego. It had to be rejected, of course, because it would have been an act of desperation to contemplate an all-share deal on "low premium" terms at today's valuation. Life is tough for easyJet, a UK-skewed operator more exposed than most to UK travel restrictions and the absurd price of PCR tests, but this is not a moment to give up.

But, if not Wizz, where's the fizz supposed to come from? The chief executive Johan Lundgren's answer was a thumping £1.2bn rights issue and, in effect, a call for easyJet's shareholders to be patient, which won't set many pulses racing.

In its own terms, the fund-raising makes sense. The fresh funds will repair a balance sheet where net debt has risen from £326m to £2bn in the pandemic. The company can now cope with a cold travel winter and a slow

2022. And there'll be a few quid to try to grab prime landing slots at airports such as Gatwick, Orly in Paris and Schiphol in Amsterdam.

In theory, there's no reason why easyJet can't ultimately reclaim its former position. But the first task for Stephen Hester, who arrives as chair at the end of the year, is clear: ensure that the shareholders genuinely support a reinvigoration plan that may take a while. If the European short-haul market is consolidating, the next takeover approach may be serious.

Hi-tech governance

Oxford Nanopore, the DNA sequencing and analytics spin-out from Oxford University, is the current "hot" company in UK biotech. The pandemic, runs the thinking, hasn't just delivered a big advance in revenues from Covid contracts, but has also transformed horizons in the business of "analysis of any living thing".

So there will be relief among sensitive UK politicians that Nanopore is sticking to plans to go public in London rather than New York. "It's an urban myth that you can do much better on Nasdaq," says its chief executive, Gordon Sanghera. That's the spirit.

But there is a US-style feature to the float that, potentially, could cause traditional UK shareholders to splutter. It's the "limited anti-takeover" share, to be held by Sanghera, that carries the right to refuse an unwanted takeover bid for a period of three years.

A governance abomination? Strictly speaking, yes: equal rights for equal economic risk remains an excellent principle. But, equally, a one-size-fits-all approach feels too rigid. The case for exceptionalism for Nanopore is that one genuinely wants to see the company have a shot at converting its intellectual patents into commercial success.

By way of example of what's possible in this field, look at the US gene-sequencing company Illumina, which back in 2012 fended off a $6.8bn bid from the giant Roche. Nine years later, Illumina's value has risen tenfold. There is no guarantee, of course, that Nanopore will be able to achieve anything remotely similar. But, in the interest of the broader UK biotech industry, one would like to see it have a go.

A three-year "sunset" clause applies to the anti-takeover shares, which is a critical feature: the control-freakery won't last for ever. The structure means Nanopore can't currently have a so-called "premium" market listing, but it is within the spirit of Lord Hill's recent review of the listing regime. We should probably relax.

Caesars gambles and wins

The winner in the latest shake-up in the deal-a-minute gambling industry is Caesars. The Las Vegas casino company was clear when it bought William Hill last year for £2.7bn that its interest was only the two companies' joint venture in the US. Now it has managed to offload

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the unwanted bit – William Hill International, the non-US assets, including 1,400 shops in the UK – for £2.2bn to 888 Holdings.

In other words, it has recouped most of its outlay, and has control of the asset it wanted in the boom-boom liberalising US sport betting market. William Hill's former shareholders approved last year's sale to Caesars, but may now regret it. Their company was one of the first in the UK to spot the potential in the US. Instead, the likes of Flutter are still at the table and winning big.

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