

EasyJet fends off takeover bid from Wizz Air as budget airline war heats up

Gwyn Topham

Transport correspondent

The battle for the post-pandemic holiday skies took a fresh twist yesterday, as easyJet launched a £1.2bn fundraiser while announcing it had fended off a takeover bid - widely assumed to be from rival Wizz Air.

EasyJet, the dominant airline at Gatwick, said the "unsolicited approach" from an unnamed bidder was unanimously rejected by its board. Wizz declined to comment but the offer of an "all-share transaction" pointed to the Hungary-based carrier, which has targeted rapid expansion across Europe, with a beady eye on England's leisure market, which London's second airport serves.

Rebuffing the move, easyJet's chief executive, Johan Lundgren, said his airline was in fact mulling expansion into territory vacated by the likes of British Airways, and would use funds from the £1.2bn rights issue, all being well, for opportunities.

The approach for the budget airline - which is still 25% controlled by its founder, Sir Stelios Haji-Ioannou - reflects the febrile battle for dominance as airlines look to emerge from the worst crisis in their history.

BA, owned by IAG, is doing all it can to set up a lower-cost subsidiary to keep flying from Gatwick and avoid losing any slots to competitors. Its chief executive, Sean Doyle, said this

week it would consider selling slots if "advanced negotiations" with unions failed - but observers deem it unlikely the airline would cede valuable London territory to easyJet or Wizz.

BA and easyJet have been hit harder by the pandemic than their lower-cost rivals. Much of BA's long-haul and lucrative transatlantic flying is still effectively ruled out. EasyJet is suffering from its reliance on the UK at a time when restrictions in Europe have eased, with a rebound in EU short-haul traffic.

The rights issue announced yesterday, the second in a year, means easyJet has called on shareholders for more than £1.6bn during the pandemic. Lundgren characterised the need for more cash as "defensive and offensive", with the money shoring up the airline through a drawn-out recovery, should summer 2022 be as bad for airlines as 2021. But he said it could also be used for "opportunities" should recovery allow - moving into



▲ EasyJet launched a £1.2bn fundraising push yesterday

markets vacated by the "retrenchment of legacy carriers", including, he suggested, Gatwick slots.

"EasyJet's clearly got appetite to get slots at Gatwick. But it would be very surprising strategically if IAG were willing to let go of any," said HSBC's Andrew Lobbenberg.

John Strickland of JLS Consulting said: "The reality is that Wizz is encroaching more and more on easyJet's territory. And part of BA's rationale for looking at how they operate and at their cost base at Gatwick is the awareness of Wizz's likely arrival in force at Gatwick."

Beyond the slot portfolio at Gatwick (and Luton), as fellow operators of Airbus fleets, "Wizz could be interested by easyJet's order book as well," said Lobbenberg. "They're starting to talk about midterm aspirations to go as far as 600 aircraft to draw comparison with Ryanair - they'd need to buy more planes."

An offer from a rival airline could be a good destabilising tactic, some suggest, at a time when easyJet has already suffered some internal turbulence, pandemic aside: a number of directors quit in the last year, including the chief commercial officer, Robert Carey, defecting to a role as president of Wizz.

For now, easyJet said, the bidder had dropped its interest - although Lundgren did not rule out the possibility of mergers or acquisitions, should other better offers emerge.

EasyJet shares fell 9% yesterday, and it is now trading at less than half its pre-Covid value. Ryanair's shares have held roughly firm from early 2020 while Wizz's has increased over the pandemic.

For Gatwick - which suffered the biggest percentage drop in passenger numbers of any major European airport during Covid - the idea of airlines vying for position in its short-haul leisure market will be welcome.

Lobbenberg said: "It's had an absolutely shocking year, but ... I would be very confident that Gatwick will recover."