Source: The Times {Main}
Edition:
Country: UK
Date: Friday 10, September 2021
Page: 36,37
Area: 955 sq. cm
Circulation: ABC 365880 Daily
Ad data: page rate £16,645.00, scc rate £75.00
Phone: 020 7782 5000
Keyword: Stelios Haji-Ioannou

EasyJet still grounded as rival wizzes ahead

Strict travel rules have hurt the carrier and its shareholders, **Louisa Clarence-Smith** and **Dominic Walsh** write

Amid the flurry of interest that followed news of Wizz Air's tilt at easyJet, nobody will have been following the story more closely than the respective companies' shareholders. While Wizz Air's stock has taken off with the reopening of European travel, shares in easyJet, its British rival in low-cost continental flying, have remained — stubbornly — at about half their pre-pandemic level.

There seem to be plenty of reasons for their different flightpaths. Most recently, stringent and expensive testing requirements for British holidaymakers have put the brakes on easyJet's recovery, with flight capacity from the UK in the final quarter of only 32 per cent, compared with 73 per cent within continental Europe. Yet critics have pointed, too, to easyJet's higher costs even before the pandemic and its over-dependence on expensive routes to main airports and on attracting business travellers.

Investors have responded as you might expect. The market value of easyJet, founded in 1995, has been overtaken by that of its younger Hungarian rival, founded in 2003. And that, in turn, has led to the opportunistic takeover approach by Wizz Air.

The approach has been rejected, with Johan Lundgren, 54, easyJet's chief executive, saying that it "significantly undervalued" the company.

EasyJet's strategy to protect itself from bidders lurking in the wings is a surprise £1.2 billion fundraising. It also has secured a new $400 million credit facility from its lenders.

Kenton Jarvis, 53, easyJet's chief financial officer, calls the plan defensive and offensive. On the one hand, it will protect the airline from the possibility of another year of tough restrictions. "Because of the level of testing, the expense of that testing and the impact that has on our business and because there's still no clarity from the government as we move forward into winter, we felt now was the time to do the raise." He undertook a review of the airline's funding requirements after joining it from Tui, the holiday group, in February.

Raising new equity also will enable the airline to pursue growth, including stealing market share from legacy carriers at airports including London Gatwick.

It's been a turbulent 18 months for easyJet investors. In May last year, Lundgren said: "There are no plans on raising any equity today, but that is something that we will continue to look into as a whole range of additional things that we are considering." Just under a month later, the airline raised £419 million via a 703p-a-share equity issue in response to being forced to ground its entire fleet.

Now shareholders have been told that they face further dilution, with a rights issue priced at 410p a share. It means that the 25.3 per cent stake held by Sir Stelios Haji-Ioannou, the airline's founder, will be diluted to only 15.2 per cent, pushing him below the 25 per cent level at which he has the right to unilaterally block special resolutions at the annual meeting. He could have maintained his holding above 25 per cent, admittedly at a cost of £300 million, but he declined to take up his rights.

One source said: "He is not against the issue, because the airline has got to the stage where it's pretty much done as much borrowing as it possibly can. So it really does need shareholders to step up to the plate."

It is understood that the main reason he is not taking part is his opposition to its stance on aircraft orders and fleet size. In April 2020, he tried to oust four directors, including the chief executive, calling them "scoundrels" over their handling of a £4.5 billion order for new jets with Airbus. He claimed that the deal could put easyJet at risk of running out of money during the pandemic and should be scrapped.

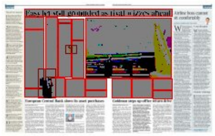
It is understood that he is happy to remain a 15.2 per cent shareholder and accepts that new equity will be needed to get easyJet through the turbulence in time for a pick-up in bookings next summer. As he made clear last April, the only circumstances under which he would put money into easyJet, either debt or equity, would be if there was significant progress on the fleet size issue.

Lundgren said: "We have engaged with our largest shareholder prior to the announcement … and we are briefing all our shareholders in the same way."

EasyJet has won the support of Ninety One, its second biggest shareholder. Alessandro Dicorrado, portfolio manager at Ninety One, said: "We support easyJet management's growth strategy and believe the company could emerge from this crisis stronger and potentially larger than it went in."

The latest proposed equity-raising adds to the £5.5 billion of debt and equity that easyJet has raised since the start of the pandemic. It is burning through £40 million in cash a week.

Analysts have been placated that even if tough travel restrictions con-



Source: The Times {Main}
Edition:
Country: UK
Date: Friday 10, September 2021
Page: 36,37
Area: 955 sq. cm
Circulation: ABC 365880 Daily
Ad data: page rate £16,645.00, scc rate £75.00
Phone: 020 7782 5000
Keyword: Stelios Haji-Ioannou

tinue, people won't be questioning easyJet's survival in the next few months. "While we do not believe the group needed a raise, it does mean that the airline can invest in growth during the next cycle," Bernstein said.

Profiles

For such an affable chap, Johan Lundgren, right, seems to have a knack of rubbing people up the wrong way. Sir Stelios Haji-Ioannou, who can be a bit thin-skinned about the airline he founded, dubbed the easyJet chief executive and three of his senior colleagues "scoundrels" last year over the size of the company's fleet of jets.

A few months earlier, the Swede had been forced to defend its carbon-offsetting scheme against accusations of "greenwashing". His joining salary in 2017 upset some because it was higher than that of his female predecessor, Dame Carolyn McCall. He did the honourable thing and offered to have his salary cut from £740,000 to £706,000.

Lundgren, 54, fell into the industry after a career as a trombonist came to nothing. Since then, he has had 35 years' experience, including 12 at Tui Travel, where he was deputy chief executive. Until the merger of Tui Travel and Tui AG, its German parent, in 2014, he had been seen as the natural next chief executive, but he stepped down in 2015 after a restructuring left him out in the cold.

Before joining easyJet, he was a director of two of his companies, a management consultancy and a music recording and publishing business. Investors will hope the extra £1.2 billion enables him to strike the right tune.

Jozsef Varadi, below, is Hungary's answer to Michael O'Leary. The Wizz Air co-founder and chief executive may not be as prone to blurting out expletives as his counterpart, but, in some ways, his low-cost airline has become the disruptor Ryanair once was.

The London-listed carrier has a more modern, fuel-efficient fleet than most, flying Airbus A320s and A321s. It is the market leader in Hungary, Ukraine, Romania, Bulgaria and other Balkan states, while in Poland it is second behind Ryanair.

Varadi, 55, who is married to an Oympic kayaking silver medal-winner, studied at the Budapest University of Economic Sciences, then did a law degree at the University of London. He had spells at AkzoNobel and Procter & Gamble before joining Malev, the state-owned Hungarian airline, eventually becoming its boss. After being relieved of his job, in 2003 he launched Wizz Air. It must have given him satisfaction when Malev's market share slumped by a third.

While Covid-19 sent Wizz to a €567 million 2020 loss, he is as confident as his Irish rival. If he can more than double the share price to £120 over the next five years, he would get a share award worth £100 million.

Source: The Times {Main}
Edition:
Country: UK
Date: Friday 10, September 2021
Page: 36,37
Area: 955 sq. cm
Circulation: ABC 365880 Daily
Ad data: page rate £16,645.00, scc rate £75.00
Phone: 020 7782 5000
Keyword: Stelios Haji-Ioannou