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Wizz Air buyout bid for easyJet fails to fly

Carrier rejects offer and plans to raise £1.2bn

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EasyJet has rejected a takeover offer from Wizz Air and announced plans to raise £1.2 billion from investors to withstand a more prolonged downturn in the travel market.

The low-cost airline said that the all-share takeover approach from a bidder that it declined to name — but is understood to be Wizz — was highly conditional and undervalued it. It said that the prospective bidder had since confirmed that it was no longer considering an offer.

EasyJet, like other airlines, has been hit by the widespread disruption of the aviation industry caused by the pandemic. Johan Lundgren, 54, its chief executive, said that Britain's costly testing regime, which is more stringent than elsewhere in Europe, and "confusion" that exists around restrictions were putting a drag on the airline's recovery, which could continue into next year.

The carrier, founded in 1995 by Sir Stelios Haji-Ioannou, its biggest shareholder, suffered its first ever annual loss during the pandemic and cut 4,500 jobs. It carried fewer than three million passengers between April and June, down more than 80 per cent on pre-Covid levels, and suffered a £318.3 million pre-tax loss, taking its total loss for its financial year to date to more than £1 billion.

Lundgren said: "The capital-raise not only strengthens our balance sheet, enabling us to accelerate our post-Covid-19 recovery plan, but also will 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."

The airline said that it wanted to protect its market share from legacy carriers such as International Consolidated Airlines Group, the British Airways owner, once rumoured as a suitor, and Air France-KLM as they restructure to compete in short-haul markets.

Last month BA said that planned to launch a new, low-cost short-haul carrier at Gatwick, a key operating base for easyJet.

EasyJet said that it had identified landing slots across Europe that it could acquire. "I believe this is really a once-in-a-lifetime opportunity," Lundgren said.

EasyJet's shares fell 80¾p, or 10.2 per cent, to 708¼p after the announcement.

Wizz was founded in Hungary in 2003 and is listed on the London Stock Exchange. It is more dominant in eastern European destinations such as Poland and Romania, while easyJet is stronger in Britain, Germany, France and Italy. Wizz suffered an annual pre-tax loss of €566.5 million during the pandemic, but its shares recovered to pre-Covid levels in November.

Wizz declined to comment yesterday. Its shares closed down 62p, or 1.3 per cent, at £49.13, giving it a market capitalisation of £5.1 billion, ahead of easyJet's £3.2 billion.

Under easyJet's rights issue, shareholders will be able to buy 31 new shares for every 47 existing shares at a price of 410p each, a 36 per cent discount on the theoretical ex-rights price of 638p a share at Wednesday's close. The rights issue is underwritten by BNP Paribas, Credit Suisse, Goldman Sachs, Santander and Société Générale.

Ninety One, easyJet's second biggest shareholder, said that it supported the strategy. It is understood that Haji-Ioannou is also supportive, although he does not plan to participate. Another shareholder, who did not want to be named, said: "We have some concerns about the size of the raise. We'd be open to a bid."

Over July, August and September, easyJet said it expected its capacity to be about 57 per cent of pre-pandemic levels. For the last three months of the year, it expects to fly up to 60 per cent of pre-pandemic levels.

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