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BUSINESS COMMENTARY *Alistair Osborne*

Carrier needs share price to take off

How wrong you can be. EasyJet's spent years dealing with the human volcano Sir Stelios Haji-Ioannou. So you'd have thought it would have been better prepared than its rivals for something as relatively predictable as a global pandemic.

Sadly not. Shares in its lower-cost rivals Ryanair and Wizz Air are roughly the same or better than January 2020. EasyJet's? Down from about £12 to 496½p, dropping 1 per cent more on the full-year figures. That's a similar performance to British Airways' owner IAG: a group chocka with long-haul routes, more prey to government restrictions.

A bit of context, then, for the line from easyJet's incoming chairman Stephen Hester that the company "will be straining every sinew to create real shareholder bounce back". Few investors need the sinew-straining more than easyJet's: a crew stung with a £419 million placing at 703p in June 2020 and a £1.2 billion rights issue at 410p this September. The shares are already well below the 638p theoretical ex-rights price that adjusts for newly issued stock. That easyJet also batted away Wizz's cheeky all-share tilt might have irked some investors, too, even if the board got that call right.

A second year of ten-figure losses hardly helps, even if the latest £1.04 billion pre-tax deficit beat last time's £1.27 billion. The upshot? Chief executive Johan Lundgren has his work cut out proving a carrier pitched between Ryanair and BA can be a post-corona stock market winner — not least with investors now in a funk over Omicron.

His explanation for easyJet's clipped wings? That it was more heavily exposed to Britain, so more messed around by Boris's disco-ball traffic lights travel system. That's clear, too, from flight patterns in the summer quarter to September. EasyJet flew 58 per cent of pre-Covid capacity but only 32 per cent on UK international travel, with the Brits lagging behind EU flyers.

New variants aside, traffic should come back, with easyJet targeting near-pre-Covid capacity by next summer. And, on top, Lundgren has pushed through a "ruthless reallocation" of the fleet, with 43 of its 308 aircraft moved to bases bringing higher returns. More will fly from Lisbon, Porto and Gatwick, where the airline's leasing extra slots from BA, while bases at Stansted, Southend and Newcastle have been shut and planes at Berlin halved.

Add £4.4 billion liquidity and he reckons easyJet can ride out new variants and grab market share, even if Omicron has seen some "softening" in bookings, with the group giving no financial guidance. And not only is there pent-up demand to fly from easyJet's primary airports, he says, but "passenger satisfaction scores are higher than before the pandemic".

To boot, the rights issue diluted Stelios from 25.3 per cent to 15.2 per cent, where his eruptions will have less impact. Ask Lundgren if the founder's histrionics over fleet expansion put off investors and he says: "I don't know. But we always said it's not a constructive way to engage." So, despite Omicron, maybe things are looking up for a carrier trading on ten times 2023 earnings, on Davy forecasts. Still, getting the share price airborne is the only way to prove it.