

## Bumpy ride for easyJet as it fails to catch updraft from rivals' woes

By Oliver Gill

EASYJET has failed to capitalise fully on turmoil facing its rivals, dashing hopes of a surge in profits.

Strikes suffered by the likes of British Airways and Ryanair did help the Luton-based carrier, meaning its profit was close to the top end of what analysts were expecting.

But investors were unimpressed. The company's shares – up around a third since falling to a five-year low this summer – fell 7.5pc to close at £10.84. James Goodall, an analyst at Redburn, said: "Investors were hoping for a larger upgrade. This didn't happen because of the rising one-off costs in the quarter from fuel and foreign currency."

EasyJet said full-year profit will be between £420m and £430m for 2019.

Johan Lundgren, its chief executive, said the company was making good headway despite challenging market conditions, adding that it had been helped by disruption at British Airways and Ryanair, which have been hit by industrial action from pilots demanding higher pay. BA revealed an 8pc slump in September passenger numbers on Monday as strikes by pilots grounded almost all of its services on two days. The disruption cost the UK flag carrier €137m (£123m), with an additional €33m hit from separate threatened industrial action at Heathrow.

Airlines are battling intense competition in the European short-haul market, where there are more seats than passengers, pushing down prices. In addition, easyJet is starting to benefit from a scheme to better manage disruption caused by a shortage of air traffic controllers, which has led to travel chaos in years gone by. Cancellations have been reduced by having more standby aircraft available and changing timetables so there is more flexibility in turning round flights.

Mr Lundgren said easyJet's costs per aircraft seat will fall as a result.

RBC analyst Damian Brewer said that fuel and foreign currency costs were £29m more than expected, partly driven by Brexit turmoil hitting the

pound. But Mr Brewer said easyJet remains well positioned to capitalise on rivals' woes. Thomas Cook's failure, BA's industrial dispute with pilots, the grounding of Boeing 737 Max jets used by competitors and cuts to the winter

schedule by German airline Eurowings placed easyJet well, he explained.

Last week Mr Lundgren said that he was interested in picking up some of Thomas Cook's assets, such as its take-off and landing slots.

John Moore, at Brewin Dolphin, said: "The airline continues to feel like a survivor and, therefore, has the potential to deliver higher levels of profitability in the medium term. However, the level of disruption faced by airlines in the short term could mean there are more blips ahead to contend with."

### £430m

The low-cost carrier's upper estimate of profit for 2019. It has been hit by one-off costs from fuel and foreign currency

