

Easyjet suffers a hard landing despite strikes hurting rivals

Robert Lea Industrial Editor

Picking up passengers from the strike-hit British Airways and Ryanair and charging them a little more for the pleasure has enabled Easyjet to restrict the expected fall in its annual profits.

However, with investors hoping that the airline would report a performance benefiting from the demise of Thomas Cook and with little guidance on the current year, other than to say that it expected to expand its operations slowly, Easyjet shares were hit hard, closing down 88½p, or 7.5 per cent, at £10.84.

The short-haul airline, which is the largest operator at London's Gatwick and Luton airports, as well as at Manchester, Britain's third busiest, said

that it expected profits for the year to the end of September of between £420 million and £430 million when it reports its full-year results next month. That is at the better end of its previous guidance of between £400 million and £440 million, but is lower than the £445 million reported for 2017-18.

The results represent a recovery for the airline, which had reported record winter losses of £275 million in the first six months of its financial year as it absorbed rising fuel costs and coped with a price war, particularly in Germany, where it had acquired the operations of the failed Air Berlin.

Although it did not report any immediate benefits from the failure of Thomas Cook, the package holiday company, Easyjet said that strikes at

two of its great rivals had given it a late summer boost. In a trading statement, it said: "Total revenue per seat for the second half will increase by circa 0.8 per cent, an outperformance compared to our previous guidance of 'slightly down'. The drivers of this outperformance are the yield optimisation self-help initiatives delivered in the fourth quarter and increased demand due to strikes at British Airways and Ryanair."

Translated, that means that passengers came to Easyjet when BA and Ryanair flights were grounded and Easyjet's investment in artificial intelligence systems meant that it was able to charge travellers the highest possible fares when demand was strongest. The disputes at its rival airlines have not yet been resolved.

Easyjet carried 96 million passengers, an increase of 8.6 per cent, in a financial year when increased flights and frequencies meant that it increased its capacity by 10.3 per cent to 105 million seats. That meant that Easyjet aircraft flew emptier during the year, with a load factor of 91.5 per cent, down by 1.4 per cent.

The airline is acting on the capacity/demand mismatch and is cutting its planned capacity growth in the present financial year to 2 per cent. That is the lowest rate of planned annual growth since 2013, when Dame Carolyn McCall, the former chief executive, was caught up in a strategy dispute with Sir Stelios Haji-Ioannou, the airline's founder and 33 per cent shareholder.

Johan Lundgren, the chief executive,

referring to recent storms and other unscheduled shutdowns at Gatwick, said: "Easyjet has continued to perform in line with expectations despite challenging market conditions."

Russ Mould, at AJ Bell, the broker, said: "The market appears to have already been expecting Easyjet to issue a fairly bullish statement and so the actual news may not have been as impressive as some investors wanted."

£430m

Maximum expected profits for the year to the end of September

Source: Easyjet

