EasyJet lifts outlook as Thomas Cook collapse provides boost

Budget carrier expects to narrow first-half loss on back of strong travel demand

By Tanya Powley and Myles McCormick in London

The collapse of rival Thomas Cook has boosted easyJet over the quiet winter period as the low-cost airline said it expected to narrow its first-half loss this year.

EasyJet on Tuesday signalled plans to improve its first half pre-tax loss of £275m last year as it benefited from strong travel demand and lower capacity levels from rivals.

The low-cost carrier reported an 8.8 per cent growth in revenue per seat — a key industry metric — in the three months to the end of December, of which about 1.5 per cent was attributable to the demise of its 178-year-old rival in September.

EasyJet upgraded its outlook, saying it expected revenue per seat to now rise by mid to high single digits in the six months to March, compared with previously anticipated growth in the low to mid single digits.

Johan Lundgren, chief executive of easyJet, said he expected the "positive momentum" to continue into the second half of the year. "There's less visibility for the summer but bookings are slightly ahead compared to last year."

Shares in easyJet rose 5 per cent on Tuesday on the back of the better than expected pricing performance.

It comes after its rival Ryanair this month raised its annual profit guidance as it reported strong demand for travel over Christmas.

Airlines have been benefiting from slower capacity growth, driven partly by Thomas Cook's collapse and the grounding of the Boeing 737 Max, which has helped improve ticket prices.

Analysts at Davy said the capacity backdrop and robust consumer demand should broadly remain into the coming quarter and summer.

EasyJet said 75 per cent of its first-half seats have been booked, which is just over 1 percentage point ahead of the same time last year.

Total group revenue for the quarter to March was £1.43bn, up 9.9 per cent.

On Tuesday, easyJet founder and shareholder Stelios Haji-Ioannou said he welcomed the airline’s restraint on capacity growth.

However, he added that he was planning to make a token vote against the re-election of chairman John Barton at this year’s annual general meeting as part of his call for a focus on earnings growth.

He wants easyJet to set a “stretched target” of 200 pence in earnings per share by 2021.

He added: “Clearly management have yet some way to go before we get to 200 pence EPS as the analysts forecast only 110 pence for FY21.”

Meanwhile, Mr Lundgren said easyJet was engaging directly with the UK government over its rescue of regional airline Flybe last week. He reiterated calls by rivals for “better clarity” over what help the government is providing the airline, and said nothing should be offered that gave “unique benefit to a single company”.