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Stelios wants more of the same after Easyjet boosts its revenue

Robert Lea Industrial Editor

A strong Christmas trading quarter, helped by the demise of the rival Thomas Cook Airlines, has enabled Easyjet to proclaim that this winter will not be as bad as last year's record worst.

However, the budget airline has been put on notice by Sir Stelios Haji-Ioannou, its founder and 34 per cent shareholder, that it needs to do much better and that he may cut up rough again unless annual earnings improve sharply.

Total revenues between October and December, the first trading quarter of Easyjet's financial year, rose by nearly 10 per cent to £1.42 billion on passenger numbers up 2.8 per cent at 22.2 million, demonstrating that the airline has been able to force through profitable fare increases. The shares rose to their highest level since the summer of 2018, closing yesterday 67p, or 4.6 per cent, better at £15.17.

Sir Stelios, 52, applauded Easyjet's management for coming round to his way of thinking that reining back on expansion and concentrating on maximising fares produces a more profitable airline. He has not been slow in criticising the airline's executives in the past for over-expansion and had been a thorn in the side of Dame Carolyn McCall, the former chief executive who now runs ITV.

In an open letter to his fellow shareholders, he reminded them that after a previous disagreement he and management had agreed in 2015 to a dividend policy in which 50 per cent of after-tax earnings would be distributed in investor payouts. "Back in full year 2015 Easyjet delivered 138p earnings per share. Back then there were 241 aircraft in the fleet," he wrote.

"Current plans shows a fleet of 352 aircraft by full year 2021, a growth of 46 per cent since 2015. Therefore we expect a 46 per cent EPS [earnings per share] uplift. That should be about 200p EPS by 2021. Clearly management have yet some way to go before we get to 200p EPS as analysts forecast only 110p for full year 2021."

The winter of 2018-19 was rotten for Easyjet, when it reported its worst six-month performance in its 25-year history, with losses of £275 million. It was caught up in Brexit uncertainties, a European price war, rising fuel costs and losses in Germany after its takeover of the collapsed Air Berlin.

Johan Lundgren, 53, the former Tui executive who has been Easyjet's chief executive for the past two years, said that this winter would produce a better result, but declined to say by how much. He gave no indication of what the full-year result might be. After the traditionally strong summer season, last year's full-year profits came in at £430 million, with earnings per share of 88p.

Its Christmas quarter statistics suggest that its results should be appreciably better. In the Christmas quarter of 2018, Easyjet was losing about £3 a seat, or more than £500 on every flight, with revenues per seat averaging £53.89 and its running costs at £56.71 per seat. By Christmas last year, revenue per seat had risen to £58.56, with running costs at about par, or £58.40 per seat.

Mr Lundgren said that, while the demise of Thomas Cook had contributed to about 17 per cent of Easyjet's revenue growth, much was down to his twin strategies of maximising fares from late bookers and running a flight schedule designed to prevent delays and expensive passenger compensation claims.

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Easyjet's previous Christmas was its worst but it was helped by the fall of a rival