

easyJet looks to ‘defer and reduce’ payments to Airbus

Decision comes after threat from founder Sir Stelios to call meetings to oust directors

By Peggy Hollinger

easyJet is seeking to “defer and reduce” payments for the multibillion-dollar aircraft it has on order from Airbus, the low cost carrier said in response to a threat from founder Stelios Haji-Ioannou to call a series of meetings aimed at ousting the group’s non-executive directors one by one.

The low cost carrier, which on Monday announced it had grounded its entire fleet, said it was “completely focused on taking the right actions now to ensure the long-term future of the airline and safeguard jobs”. This included removing cost and non-critical expenditure at every level, including on aircraft expenditure where possible.

Sir Stelios, who recently received a £60m dividend from the group, wrote to the carrier at the weekend demanding it cancel its order for 107 Airbus single aisle aircraft, which he said represented a cost of £4.5bn. The payment, cited in a letter first reported by SkyNews and seen by the Financial Times, “constitutes the largest single threat to the solvency of the company”, Sir Stelios said.

“Unless you accept to address my points above by 12 noon on Wednesday 1 April, 2020, I will instigate a rolling programme to remove one non-executive director every seven weeks by calling for general meetings,” he added. Sir Stelios also called for a rights issue to bolster the group’s liquidity.

The battle with its founder comes as the low cost carrier fights for its survival in one of the worst crises to hit aviation in recent memory. Roughly a third of the world’s population is now in lockdown as governments seek to contain the spreading coronavirus, including with bans on international travel. Some airlines have called on governments for state support to overcome the crisis.

easyJet has been in discussions with Airbus about its orders as the crisis widened, a person with knowledge of the situation said. The group had a “really flexible” deal with the European aircraft maker that allowed it to move delivery dates around.

Airbus shares tumbled almost 10 per cent in Paris trading on Monday.

While airlines around the world are fighting for survival to bridge a severe liquidity crunch due to the collapse in air travel, many of the strongest are also thinking longer-term about the opportunities that will be available to take market share when the crisis is over. Airlines will be reluctant to cancel all orders outright as the industry expects passenger traffic to return to growth in the medium to long term. Airbus and Boeing have order books stretching out several years and securing a timely delivery slot in time could be difficult.

Last week **easyJet** said it had £1.6bn in net cash and a \$500m revolving credit line.

“**easyJet** maintains a strong balance sheet, with no debt refinancing due until 2022 and we are in ongoing discussions with liquidity providers,” the group said in a statement on Monday. “We will respond privately to the letter shortly.”