

BUSINESS COMMENTARY Alistair Osborne



A strange eruption on Mount Stelios

So much for social distancing. **Sir Stelios Haji-ioannou** has spotted “an elephant in the room”. Unusually, it’s not even him. No, it’s Airbus, the pachyderm from Toulouse, poised to flatten Easyjet with its contract for 107 new planes: aircraft particularly non-essential now the rest of the fleet is grounded.

Indeed, just the thought of the new planes has sent the airline’s founder into full Eyjafjallajökull volcano mode: the sort of eruption not seen from Mount Stelios for a decade. The man who speaks for 34 per cent of Easyjet shares wants the Airbus contract axed, declaring coronavirus a “*force majeure*” event (report, pages 42-43).

Moreover, should chairman John Barton fail to see things his way, Sir Stelios says he’ll call a shareholder meeting every seven weeks to boot a random non-exec off the board, starting with Andreas Bierwith: a bullying tactic the molten founder has long prized. He’s thrown in similarly random allegations, too, over Easyjet’s deal with Airbus: a sort of nod, nod, wink, wink corruption claim, what with the planemaker having paid €3.6 billion to settle bribery investigations worldwide.

Where do you start with any of this? First, that Sir Stelios moaning about Easyjet’s growing number of “aluminium tubes”, as he bizarrely calls aeroplanes, is nothing new — even if he tends to be mysteriously quiet about fleet expansion when the shares are rising. Covid-19 has clearly returned him to financial

crisis-style panic. Then, he went about warning that it could be “game over for shareholders”. Now? That “this crisis may result in the insolvency of Easyjet”.

Second, that looks hypocritical. If he was that worried about Easyjet’s financial predicament, he wouldn’t have just snaffled his portion of a £174 million dividend. True, Easyjet should not have paid the latest dividend. But, whatever his rambling justifications, Sir Stelios took it. Apart from the money, he likes the leverage: taking out cash the company needs so he can propose reinvesting it via a rights issue as long as the board agrees to all his terms. How nice is that? Moreover, it’s largely down to him that Easyjet has been over-distributing during the good times. It was Sir Stelios who badgered the board to lift the amount of after-tax profits paid out from 20 per cent to 40 per cent and then to 50 per cent — money squirrelled away to his Monaco tax haven via his self-confessed “complex web of bank accounts”.

And third that, luckily, there are cooler heads than him running the show. The airline is already in talks with Airbus over renegotiating the plane deliveries, as Sir Stelios knows. It said as much on February 28, noting it was postponing all “non-critical” capex and “working with third-party suppliers to further reduce costs”. He also knows that the contract is not worth the £4.5 billion he quotes — that’s Easyjet’s total capex. On top, he’s got zero evidence for his bribery insinuations. Anyway, Easyjet shares

fell 7 per cent to 552p, with the

episode highlighting the different ways investors can engage with companies in this coronavirus world. Constructively, say. Or like a volcanic toddler let loose on a plane. No surprise which Stelios has chosen.

