

easyJet secures enough cash for nine-month grounding of planes

Low-cost carrier does not expect to take new aircraft deliveries next year

easyJet expects 'headline' losses of £185m to £205m in the first half

By Peggy Hollinger and Tanya Powley in London
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EasyJet said it had enough cash to survive nine more months of grounding after it secured new loans and made cash savings to boost its reserves to £3.3bn. Europe's second-biggest low-cost carrier, which is in a battle with its biggest shareholder over expansion, also said it expected to take no new aircraft deliveries next year, while its base case for the size of its fleet was reduced by 10 per cent to 302 jets.

Amid one of the worst crises in the history of aviation — as governments restrict air travel to contain the spread of coronavirus — easyJet signalled it expected "headline" losses of £185m to £205m in the first half. While this was an improvement on last year's £275m

deficit, the impact of fuel and currency hedging would deliver a reported loss of between £360m and £380m, the group said.

Just hours after easyJet issued its trading update, founder Stelios Haji-Ioannou stepped up pressure on the airline calling for the removal of its chief executive and chairman over an order for aircraft with Airbus. He says the company will have to pay at least £1.5bn to Airbus in the next nine months, while the fleet could remain grounded. Sir Stelios, who holds a 36 per cent stake in easyJet, argues the order should be cancelled in order to preserve cash.

Last week, the airline attempted to ease tensions by saying it would defer the purchase of 24 aircraft over three years. Johan Lundgren, chief executive, said it was impossible to predict when the aviation industry would return to flying but stressed there were early indications that passengers would be ready to travel when restrictions were lifted. Winter bookings, which had been opened early, were significantly ahead of last year, although he admitted a big part of this was down to passengers rebooking cancelled flights. He acknowledged that demand was likely to be lower over the next one to two years compared with before the crisis.

His comments come as airlines and airports around the world have started talks with regulators and governments looking at how to improve safety and restore confidence when travel restrictions imposed due to the coronavirus pandemic are lifted. Mr Lundgren said it was clear that the flying experience would be different when operations restarted.

The carrier expected that passengers would want to sit apart — with middle seats vacant on flights. That would be possible given that demand was not expected to return to previous levels immediately, said Mr Lundgren. “Demand will clearly be lower . . . and

there won’t be a need for a normal turnround in those cases. All that helps when it comes to social distancing,” he said. “We are also looking at other measures we can take,” he added, pointing to measures such as providing masks, temperature checks, hand wipes and enhanced aircraft cleaning. “That is the way we get confidence in people taking flights again.”

But Mr Lundgren insisted these would be short-term measures aimed at restoring confidence rather than any permanent change to the airline business model.

Meanwhile measures had been taken to cut costs, preserve cash and raise new finance, which had helped to reduce the group’s cash spending from £125m to about £35m a week. The negotiation of a new agreement with Airbus — the subject of contention with Sir Stelios — had helped to cut capital expenditure by £1bn over three years.

EasyJet announced that it had signed two new loans secured against aircraft, of about £400m, maturing in 2022. This added to the £600m raised through the UK’s Covid Corporate Financing Facility and the \$500m revolving credit facility, which had been drawn down. Sale and leasebacks of aircraft were being negotiated, with anticipated proceeds expected to be in the range

of £400m to £550m. These measures would generate extra liquidity of about £1.85bn to £1.95bn, giving a notional cash balance of roughly £3.3bn, the group said.

Mr Lundgren did not rule out the possibility that easyJet might need further financing or even state aid if the crisis continued beyond the worst-case scenario of a nine-month grounding. "Our cash will last that long and longer. If this continues, which we don't anticipate, we will look toward additional funding," he said. But eventually, he added, "I am sure demand will be there and we will start flying again".