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Airline proved right to batten down hatches

Jim Armitage

COMMENT

EASYJET was clumsy as it thrashed out its furlough scheme last month, needlessly antagonising staff. But you can't fault it for battening down the hatches.

Chief executive Johan Lundgren has screwed down every cost he can — grounding its planes (obviously), postponing deliveries of 24 new additions to the fleet and deferring previous airport and ground handling fees.

The result of this, achieved in little more than a month, is to take out £1 billion of capital spend and reduce its weekly cash burn from £125 million to £30 million — just enough to keep the operations ticking over to return when it's allowed.

He's been rewarded with two new loans totalling £400 million to add to the £1 billion from the Government's Covid commercial paper scheme and an overdraft boost.

The new loans are mortgaged against older planes in the fleet, but he would not have got them were he not able to prove the business could survive nine months of grounding.

Oh yes, and he's exploring raising more cash through sale and leasebacks of planes, too. That's dicey given the (hopefully) short-term plunge in aircraft values, but worth exploring.

All this at a time his biggest shareholder, Sir Stelios Haji-Ioannou, has been agitating for more radical pruning and a cull of directors.

In a nod to the founder, Lundgren is cutting the fleet. In fact, he could go from 337 to 281 if he wanted — not far short of Stelios's 250 proposal.

But why do that yet, when we have no idea how the recovery will be? Flexibility to adapt to an uncertain future is what this business needs, and Lundgren is delivering it.

@ArmitageJim