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easyJet makes the best out of summertime blues

Low-cost airline's living looks relatively easy;

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EasyJet is making it look easy, at least compared to other airlines hit by Covid-19. Even with no revenues, boss Johan Lundgren reckons it has enough cash to see it through nine months of lockdown. Many of its global long-haul peers have already gone cap in hand to governments for bailouts.

If it looks easy, it isn't, though. In the two months since the disruption really started, easyJet has conserved as much cash as it can. It has maxed out its revolving credit facility, borrowed £600m from the Bank of England, put off plane purchases and will sell and lease back some of its existing fleet. Weekly operating cost cash burn has been cut by 70 per cent.

Payment terms have been stretched out. Claiming a customer refund for cancelled flights has been made into a Herculean task. Far easier — and better for easyJet — if passengers opt for a voucher or new flight, which they can choose online and without delay.

EasyJet may be storing up trouble. Aircraft won't fetch high prices now and the financing costs of leasing them back will last long into the future.

The airline's models count on things not worsening. One assumption is that the ratio of refunds to rebooking and vouchers will stay at a steady rate. But the longer the pandemic lockdown lasts, the more likely it is that customers will ask for their money back instead. That would be costly — unless governments take fright and act to exchange customers' rights to a coronavirus cancellation refund for coupons.

That said, easyJet still has options even if more storm clouds do gather. Analysts say the group can still trim back its historically high cost base. Sir Stelios

Haji-Ioannou, founder, and his family, which owns a third of easyJet, might back a rights issue — if Sir Stelios and the airline can stop squabbling over easyJet's Airbus order. Current sale and leaseback plans leave half the fleet unencumbered.