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EasyJet on course for a rescue cash battle with Stelios

Scoundrels won't get a PENNY from me, storms founder amid talk of a rights issue

By **Ben Harrington**

EASYJET is heading for its biggest showdown yet with its founder and majority owner Sir Stelios Haji-Ioannou amid growing speculation in the City that the airline may ask investors to stump up rescue cash.

One of the City's most powerful stockbrokers has said that easyJet, along with British Airways' owner IAG, may soon have to issue new shares to raise capital if planes remain grounded and there is little prospect of a return to normal any time soon.

Mark Manduca, an analyst at Citigroup, wrote in a note to clients that the bank could not 'rule out an equity capital raise at either IAG or easyJet' because of 'talk of empty middle seats... at least nine months of skeleton schedules, the need to wear masks on flights and a possible consumer downturn'.

Sir Stelios last night threatened to scupper the plans before they even got off the ground, telling The Mail on Sunday that easyJet 'won't get a penny' from him unless the 'scoundrels' on the board – including its chairman, John Barton, and chief executive Johan Lundgren – resign and a huge order of Airbus planes is cancelled.

As easyJet's largest shareholder, Sir Stelios would have to back any equity fundraising with millions of pounds from his family investment vehicle for it to go ahead.

Analysts estimate that easyJet has enough cash to last nine months, having taken out £400 million of commercial loans and a £600 million taxpayer-backed loan from the Government.

But Sir Stelios, who has been

'Taxpayers will not get their £600m back'

embroiled in an acrimonious row with the board over the Airbus planes order, believes it will take at

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least three years for easyJet's sales to return to pre-Covid-19 levels, putting pressure on the company to raise more money.

The founder of easyJet, whose family vehicle still owns 34 per cent of the airline, said cancelling the £4.5billion order for 107 planes from Airbus, which dates back to 2013, must come before shareholders reach into their pockets.

Sir Stelios said: 'EasyJet will have to replenish the equity that it will lose with fresh equity. Loans do not solve the problem.

'Whilst any of the current 11 scoundrels are on the board and the Airbus contract has not been cancelled, I am not giving them another penny of my money.

'They will send our money to Airbus and then place the company in administration. There is no business case to invest new money into easyJet unless the Airbus contract is cancelled.

'UK taxpayers will not see their £600million back in March 2021 unless the contract is cancelled.'The Greek-Cypriot tycoon has waged a long campaign against the Airbus order, but stepped up his fight with the board after the pandemic forced easyJet to ground its entire fleet of 330 planes and furlough many of its 15,000 staff.

Talking of the airline industry as a whole, Citigroup said: 'We strongly disagree with anyone who believes this is just a three-month hiatus.'

On Friday, Gatwick Airport, which relies on easyJet for almost half its traffic, released annual results in which the company appeared to back Sir Stelios's assessment of a prolonged cash crunch, saying it 'currently expects post-Covid-19 passenger numbers will return to recent levels within 36 to 48 months'.

Sir Stelios pointed out that Credit Suisse, easyJet's house broker, has forecast only a 5 per cent drop in revenues in 2021, compared to 2019. 'This is completely at odds with the sensible business prediction of Gatwick Airport,' he said. 'EasyJet must give guidance as to which of these two contrasting views – Credit Suisse versus Gatwick Airport – is correct, otherwise people are buying and selling shares under false assumptions.'

He added: 'EasyJet directors

'Buying shares under false assumptions'

sticking their heads in the sand, refusing to guide the market on revenues and ignoring the statutory obligations is not what they are paid to do.'

Chairman John Barton has hit back at Sir Stelios, labelling his attack as 'destructive'.

Meanwhile, speculation is mounting in the Square Mile that IAG – owner of British Airways, Aer Lingus and Iberia – will have to ask shareholders for fresh cash. British Airways has already grounded a substantial part of its fleet, struck a deal with unions to furlough 30,000 of its staff, and scrapped a £292million dividend.

Analysts had initially thought that IAG had sufficient cash reserves to keep going for at least two months, but if the travel bans and lockdowns continue over the next three to six months then it would face severe difficulties, as it burns through millions of pounds a week.

Rishi Sunak, the Chancellor, has indicated the Government isn't willing to bail out airlines before they have pursued other avenues first, 'including raising further capital from existing investors'.

Charles Hall, head of research at stockbroker Peel Hunt, said: 'Some airlines will be nationalised and others will have to ask their own shareholders for more capital.'

It is not clear whether Qatar Airways, which owns just over 25 per cent of IAG, is willing to back an equity capital raising. The state-controlled airline has been building its stake at a significant premium to the company's current share price. On Friday, IAG's shares fell 7.2p, or 3.2 per cent, to close at £2.17p while easyJet's shares dropped 14.2p, or 2.4 per cent, to close at £5.73.

An easyJet spokesman said it had taken measures to cut capital spending by £1billion over three years and added £2billion in extra funding, taking its cash balance to around £3.3billion.

The spokesman added: 'Over the past seven weeks we have grounded our entire fleet, dramatically reduced our cash burn and delivered an updated fleet deal deferring 24 aircraft while maintaining flexibility to respond to future demand.

'We have provided no guidance on future revenues.'

IAG declined to comment.

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GROUNDED: Sir Stelios, right, wants easyJet to cancel a £4.5billion order for new planes