

# Interim results

11 May 2010



**easyJet** plc

# Introduction

Andy Harrison

Chief Executive Officer



**easyJet** plc

# Strong performance despite disruption

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## Improvement in revenue, margins and cash

- Continued network improvement has driven better than expected revenue performance +0.8% per seat at constant currency
  - Underlying yields steadily improving
  - Passenger numbers grew by 10.6%; load factor improved by 2.1ppt to 85.0%; seats flown grew by 7.9%
  - Market share growth from 6.5% to 7.6%, over the last year
- First half pre-tax loss decreased by £51.1m to £78.7m
  - Driven by unit fuel benefit of £80m partially offset by the £25m of snow disruption and reduction in interest income of £11m
  - Good progress against 2012 cost saving target of £190m; 25% delivered in H1'10
- Continued strong cash generation; cash and money market deposits grew by £283m to £1.36bn

# Strong performance despite disruption

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- First half snow disruption caused additional cost and lost contribution of £25m; 2,938 flights cancelled affecting 380,000 passengers
- Volcanic disruption to date; 6,512 flights cancelled affecting 850,000 passengers
  - 200,000 stranded passengers repatriated within five days
  - Estimated additional cost and lost contribution £50m to £75m
- Underlying business performing well:
  - Estimated full year pre-tax profit would have been in the range of £175 million to £200 million at current exchange rates and fuel price, prior to the recent volcanic ash related disruption.
  - This disruption has caused additional cost and lost contribution estimated at between £50 million and £75 million.
  - Therefore, the Company has revised its profit expectations for the year to a range of £100 million to £150 million at current exchange rates and fuel price.

# Finance review

Mark Adams

Chief Financial Officer



**easyJet** plc

# Financial results



£m	H1 '10	H1 '09	Change
Total revenue	1,170.7	1,032.8	13.3%
Fuel	305.4	356.5	14.3%
Operating costs excluding fuel	842.5	717.2	(17.5)%
EBITDAR	22.8	(40.9)	155.7%
Finance and ownership	(101.5)	(88.9)	(14.1)%
Pre-tax loss (underlying)	(78.7)	(129.8)	39.4%
Margin*	(6.7)%	(12.6)%	5.9ppt

Revenue growth with margin improvement

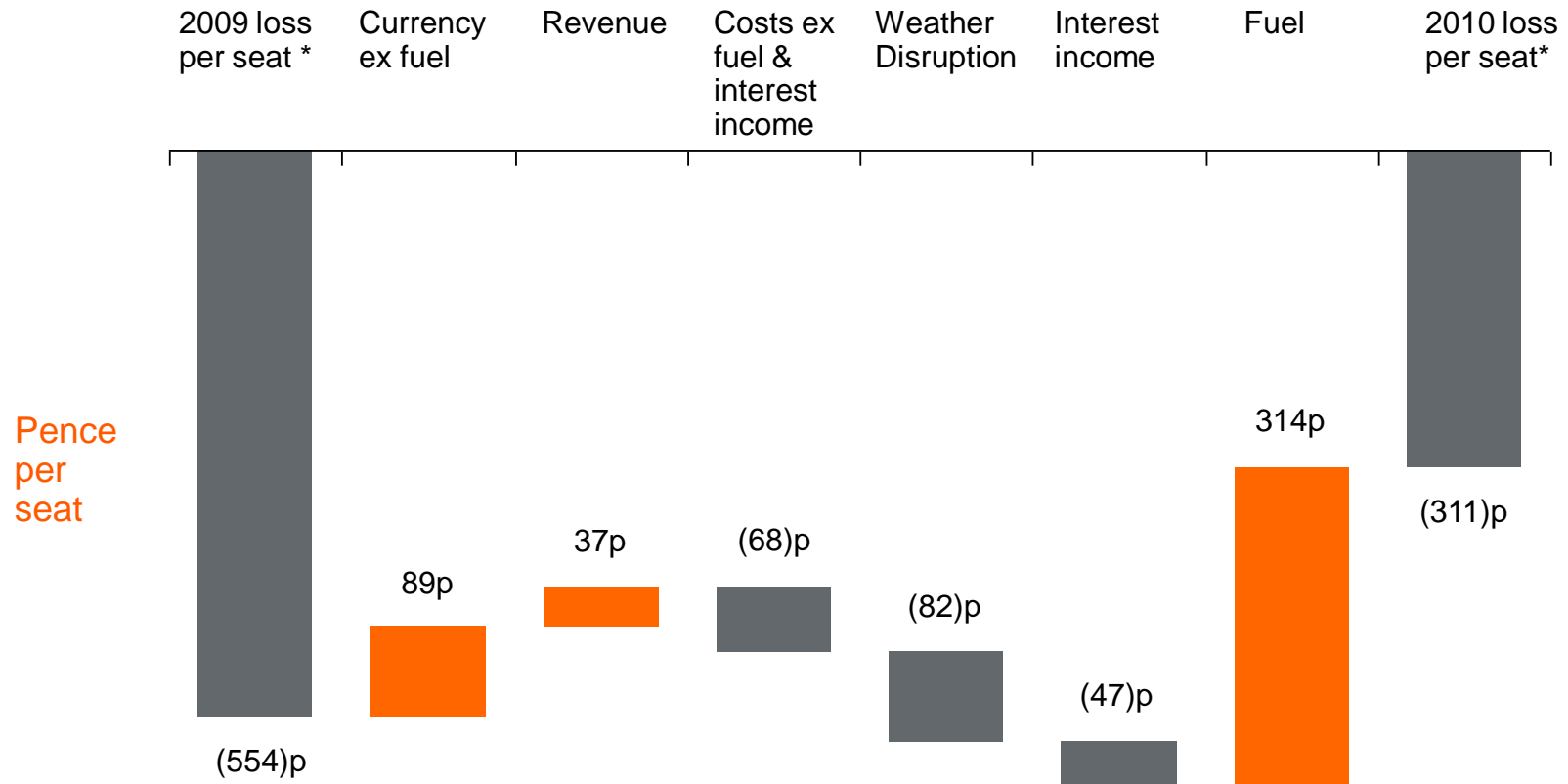
# Net income, EPS, ROE



£m	H1 '10	H1 '09	Change
Pre-tax loss (underlying)	(78.7)	(129.8)	39.4%
Profit on sale of aircraft	-	13.3	-
Pre-tax loss (reported)	(78.7)	(116.5)	32.5%
Tax credit	19.8	30.6	(35.3)%
Net loss	(58.9)	(85.9)	31.4%
Loss per share (basic reported)	(13.9) pence	(20.4) pence	31.5%
ROE % (reported)	(4.4)	(7.4)	3.0ppt

Full year effective tax rate planned at 25.2% for F'10

# Change in pre-tax result per seat





# Disruption

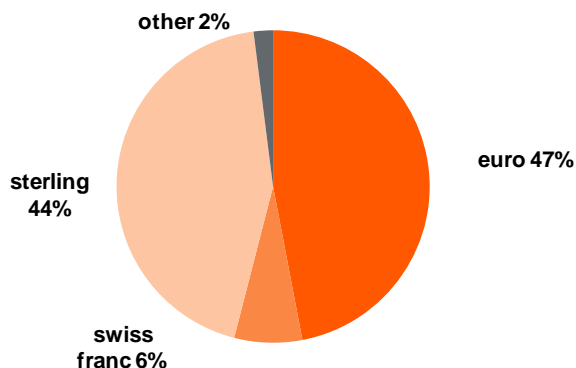


	Snow	Volcano*
Period of impact	H1 '10	H2 '10
Sectors cancelled	2,938	6,512
Passengers disrupted	380,000	850,000
Lost contribution	£4m	£20m
Additional cost (contact centre, de-icing costs)	£10m	£10m
Customer compensation	£11m	£20m to £45m
Total profit impact	£25m	£50m to £75m

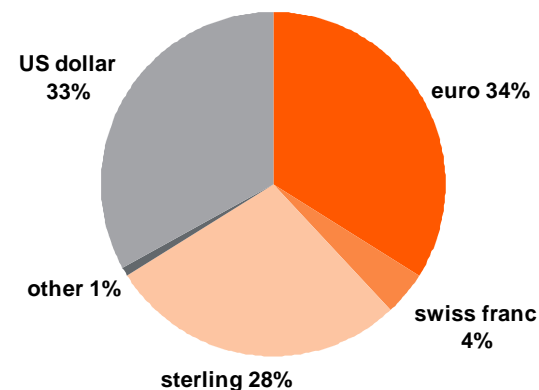
# Impact from currency



## Currency split - total revenues



## Currency split - total costs



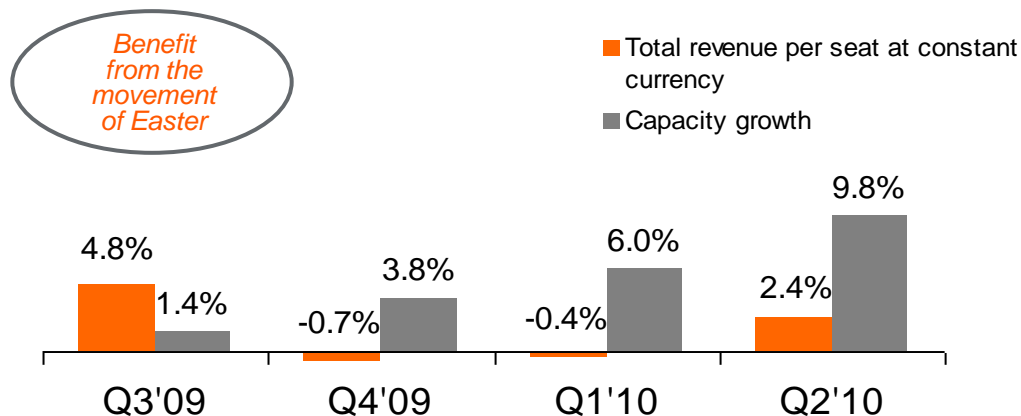
**Effective rates: dollar - H1'10 1.72 v H1'09 1.82; euro - H1'10 1.12 v H1'09 1.20**

	H1 '10	H1 '09	Change
Total revenue per seat (rps)	£46.35	£44.12	5.1%
at constant currency	£44.49	£44.12	0.8%
Total cost per seat ex fuel*	£37.38	£34.43	(8.6)%
at constant currency*	£36.40	£34.43	(5.7)%
Operating cost at constant currency	£36.53	£35.03	(4.3)%
Operating cost ex snow at constant currency	£35.71	£35.03	(1.9)%

# Strong growth in total revenue per seat



	H1 '10	H1 '09	Change
Passengers (m)	21.5	19.4	10.6%
Load factor (%)	85.0	82.9	2.1ppt
Seats (m)	25.3	23.4	7.9%
Sector length (km)	1,072	1,057	1.4%
Total revenue (£m)	1,170.7	1,032.8	13.3%
Total revenue per seat £	46.35	44.12	5.1%
@ constant currency	44.49	44.12	0.8%



# Passenger and ancillary revenues



	H1 '10	H1 '09	Change
Passenger revenue (£m)	912.4	819.2	11.4%
per seat	£36.12	£35.00	3.2%
Ancillary revenue incl. checked bag (£m)	258.3	213.6	20.9%
per seat	£10.23	£9.12	12.1%
Ancillary revenue excl. checked bag (£m)	150.6	123.3	22.1%
per seat	£5.96	£5.27	13.2%

Change in ancillary revenue per seat	vs H1'09
First bag charge	10.6%
Fees and charges (incl. Speedy Boarding)	21.6%
Partner revenues	(12.9)%
In-flight revenue	12.3%



# Cost per seat analysis



£ per seat	H1 '10	Change vs H1'09	
		Reported	Constant currency
Maintenance	3.08	-5.0%	-6.0%
Ownership	4.02	+5.8%	-1.2%
Crew	6.20	+0.6%	-1.2%
Navigation	4.47	+6.9%	+2.0%
Airports / handling	14.79	+7.8%	+4.2%
Overhead & other costs	4.82	+44.9%	+48.7%
Total (ex fuel)*	37.38	+8.6%	+5.7%
Total (ex fuel) per ASK (pence)*	3.49	+7.0%	+4.3%

Excluding weather disruption and interest income operating costs up 1.9%  
at constant currency

# Cost per seat - key drivers at constant currency



	change**	drivers
Maintenance	-6.0%	→ Benefiting from new arrangements with SRT and fewer leased aircraft
Ownership	-1.2%	→ Exit of Boeing 737-700 from fleet offsetting reduction in interest income of £11million
Crew	-1.2%	→ Crew productivity initiatives offsetting growth ex UK
Navigation	+2.0%	→ Eurocontrol price increases mainly UK, France and Italy
Airports / handling	+4.2%	<p>→ Increased de-icing costs due to exceptional weather conditions across Europe</p> <p>→ Airport prices increases of c.£10m, negative mix of c.£6m due to the move to more expensive airports partially offset by savings of £8m</p>
Overhead & other costs	+48.7%	<p>→ Additional costs due to snow e.g. contact centre, customer compensation</p> <p>→ Gain from Boeing spares in the prior period (c.£8m)</p>
Total (ex fuel)*	+5.7%	

## Progress on maintenance, ownership and crew costs

# Fuel and currency impact



	H1 '10	H1 '09	Difference
<b>Fuel \$ / tonne *</b>			
market rate	662	646	16
effective price	744	1,003	(259)
<b>US dollar rate</b>			
market rate	1.60	1.55	5 cents
effective price	1.74	1.82	(8) cents
Actual cost of fuel £/ tonne	429	552	(123)

£123 per tonne is equivalent to £80 million benefit v H1'09

# F'10 hedging positions and sensitivities

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## Hedging position:

- 62% of anticipated US dollar requirement hedged using forwards at \$1.70
- 78% of anticipated fuel requirement hedged using forwards at \$743/MT
- 83% of anticipated euro surplus hedged using forwards at €1.15

## Sensitivities\*:

- \$10 move in un-hedged jet price moves PBT by £1m
- 5 US cent move in un-hedged USD rate moves PBT by £7m



# F'11 hedging position and sensitivities

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## Hedging position:

- 42% of anticipated US dollar requirement hedged using forwards at \$1.62
- 41% of anticipated fuel requirement hedged using forwards at \$740/MT
- 52% of anticipated euro hedged using forwards at €1.09

## Sensitivities\*:

- \$10 move in un-hedged jet price moves PBT by £7m
- 5 US cent move in un-hedged USD rate moves PBT by £22m

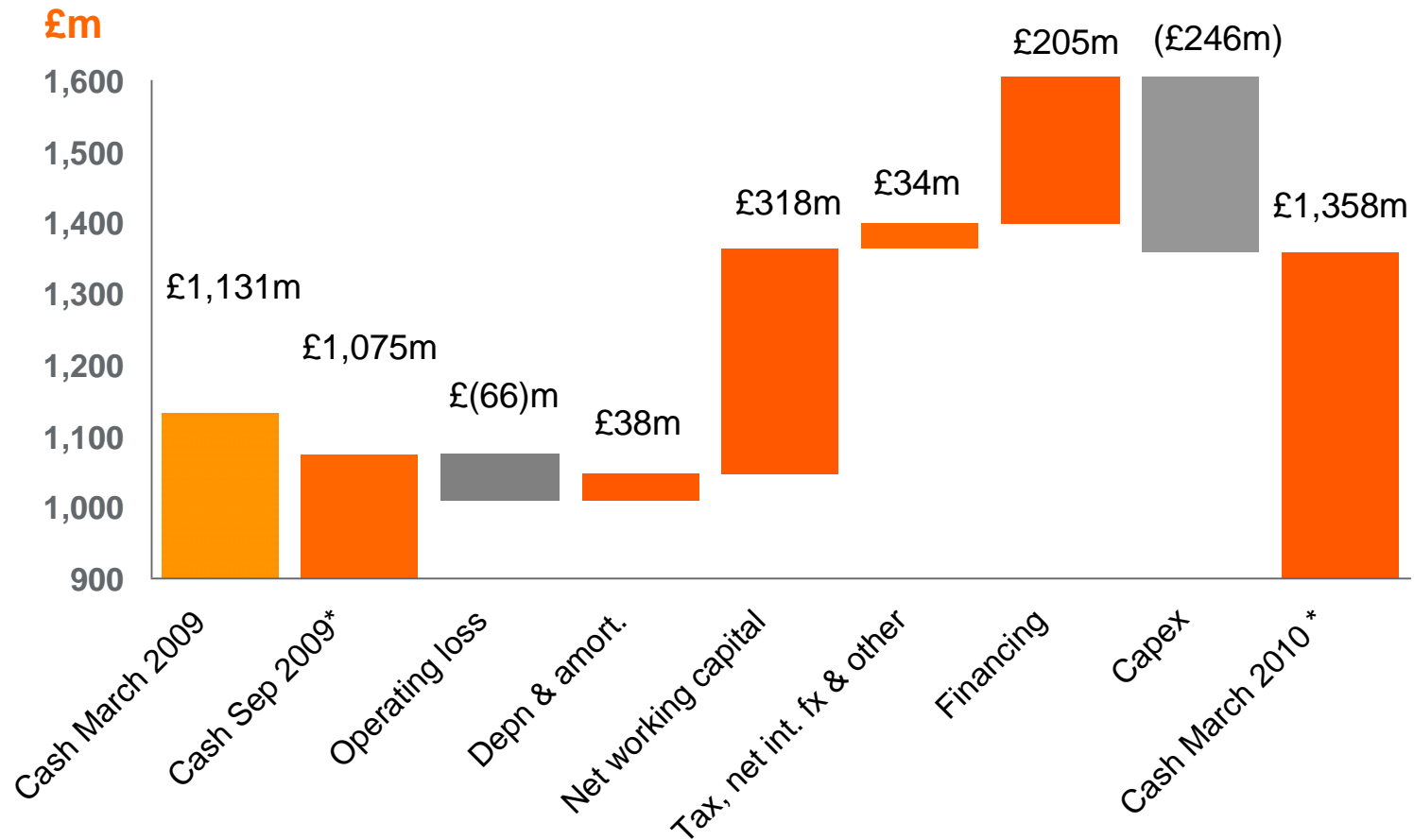
# Net increase of eight aircraft in the fleet



	March '10	Sept '09	Change
B 737-700 (operating lease)	11	17	-6
A319 (operating lease)	46	46	-
A319 (finance lease)	6	6	-
A319 (owned)	97	88	+9
A320 (operating lease)	5	-	+5
A320 (owned)	16	15	+1
	170	155	+15
GB Airways A320 (operating lease)	4	5	-1
GB A321 (owned)	4	4	-
	8	9	-1
Total fleet	189	181	+8
Owned or finance lease	65%	62%	+3pp
Operating lease	35%	38%	-3pp

4 x A321 aircraft held for sale expected to exit by September 2010, no loss anticipated at current exchange rates

# Good cash generation



Excellent progress on working capital with focus on supplier terms and restricted cash

Future capital expenditure commitments \*\*: H2 F'10 \$340m, F'11 \$550m, F'12 \$450m

# Strong balance sheet



£m	Mar '10	Sep '09
Fixed assets	1,739	1,612
Cash and money market deposits	1,358	1,075
Goodwill and other intangible assets	450	447
Other assets	585	539
<b>Total assets</b>	<b>4,132</b>	<b>3,673</b>
Debt	1,276	1,121
Other liabilities	1,514	1,245
Shareholders' funds	1,342	1,307
<b>Total equity and liabilities</b>	<b>4,132</b>	<b>3,673</b>
<b>Gearing*</b>	<b>29.4%</b>	<b>37.6%</b>

# Business review

Andy Harrison

Chief Executive Officer



**easyJet** plc

# Continued focus on drivers of margin

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## → Yield

- Focus on asset allocation to build a quality network
- Continual route performance management and network optimisation
- Underlying fares showing steady improvement

## → Ancillaries

- Potential for continued growth albeit some headwinds

## → Cost

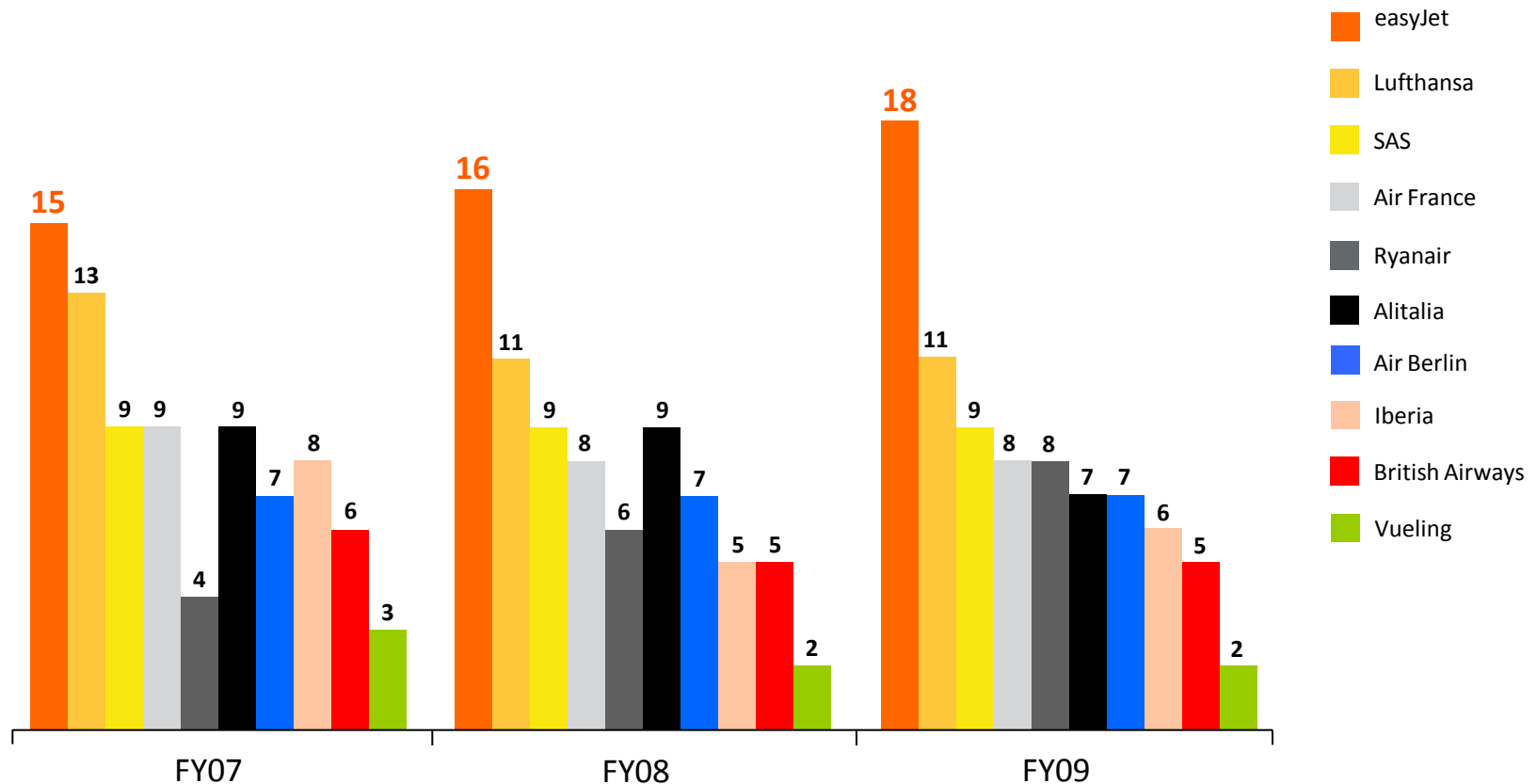
- Drive cost reduction programme
- Minimise inflation
- Efficient fleet management

**Targeting a 15% return on equity**

# Clear leadership in key primary airports



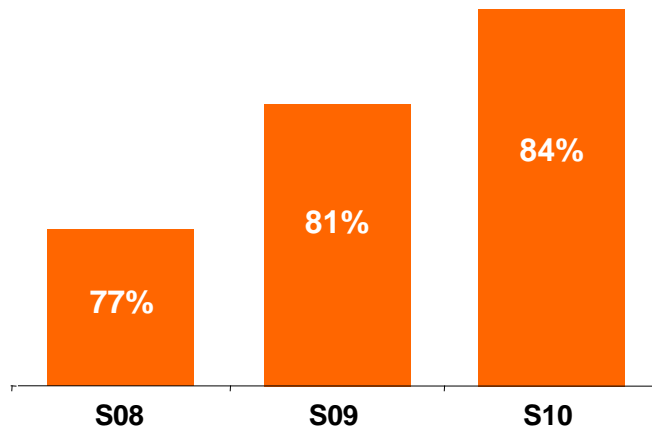
No.1 or 2 positions in primary airports located in the top 100 markets



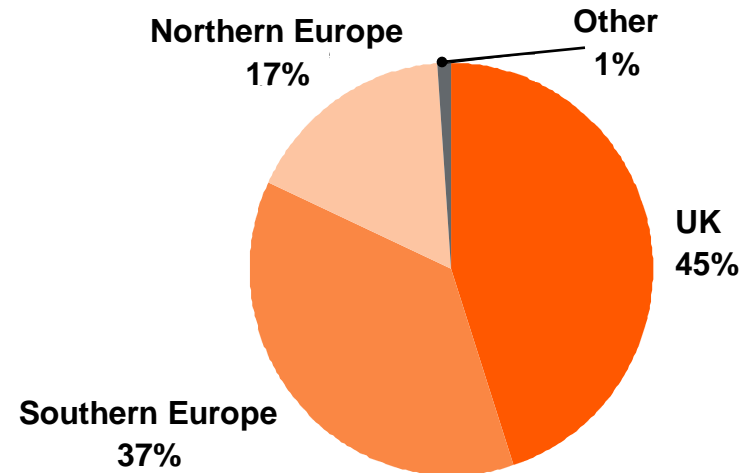
# Lowest fares to the most convenient airports



Proportion of total capacity touching constrained airports



Geographic origination of revenue H1'10



- ✈ Increasing presence at slot constrained airports supports yield growth
- ✈ Growing share of the business travel market 3.3% (2008), 4.2% (2009)\*

- ✈ Diverse geographic revenue base
  - ✈ 54% of passengers non UK originating up from 50% last year



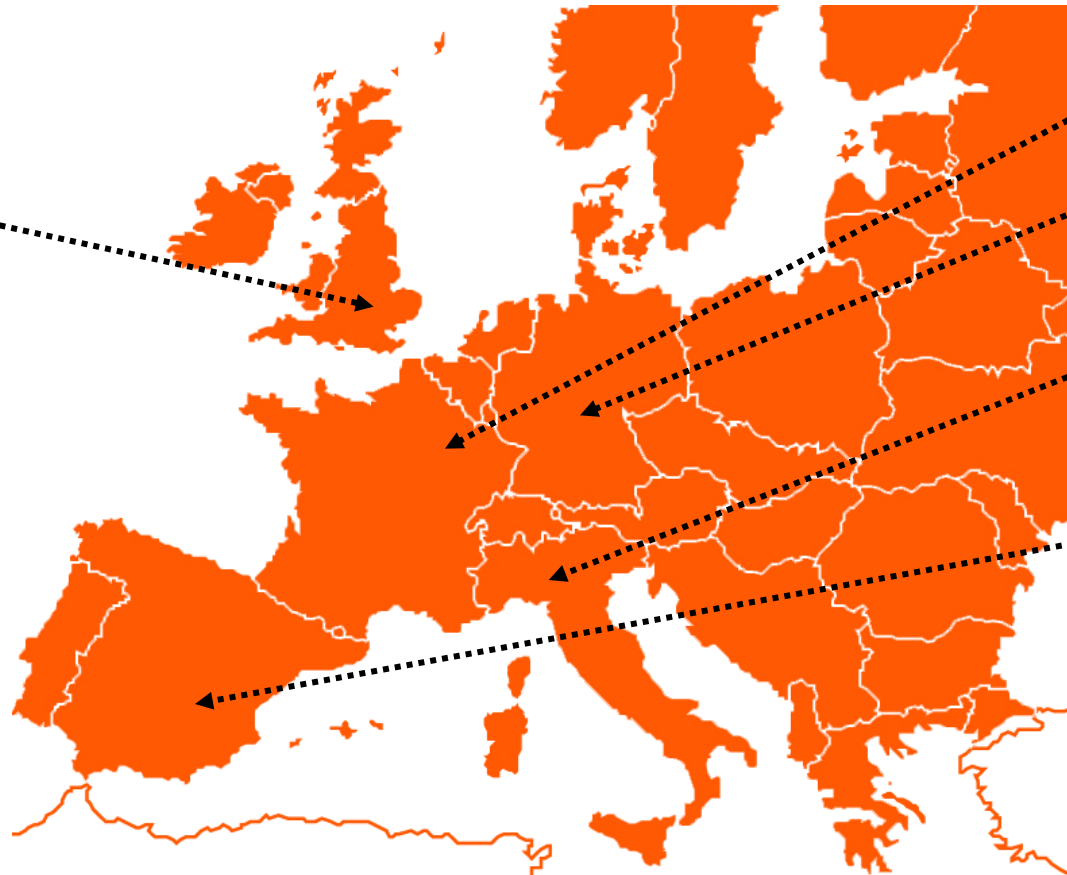
# Targeted summer growth



## Focus on Gatwick and Mainland Europe

Rest of UK  
-3%

Gatwick  
+11%



France

+16%

Germany

+24%

Italy

+16%

Spain

+7%

Mainland Europe

+15%

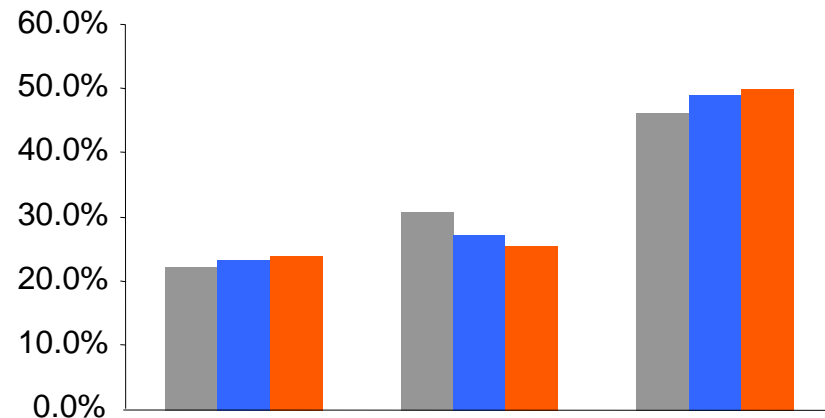
easyJet capacity up 10%, competitor capacity growth on easyJet routes is up 2%

# Network – continual improvement



- Focus on driving up RoE by optimising asset allocation and route performance
  - Closed East Midland base
  - Focus on optimising peak summer by redeploying capacity from business routes to sun markets)
- 73 new routes added for S10
  - Seven new network points
  - Build presence on sun routes to Greece/Spain/Egypt/Turkey
- 24 underperforming routes terminated
  - 10 of which East Midland based
- Improvement in business product
  - Continual improvement in peak timings
  - 50% of capacity invested in improving frequency on key routes

Summer season \*



**Continue to improve business timings**

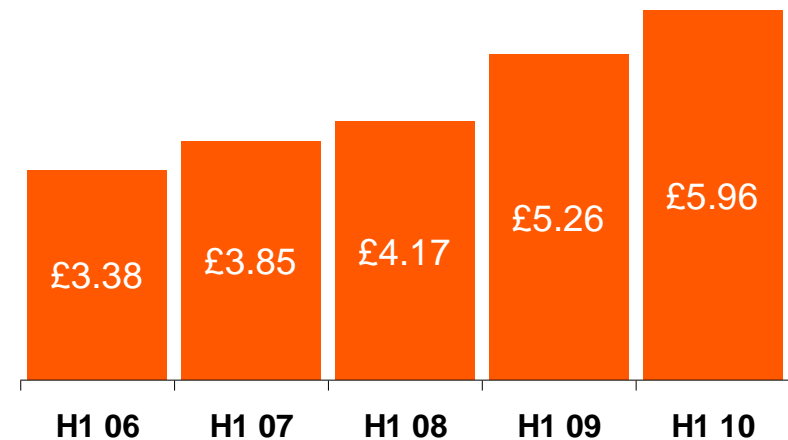
# Ancillaries potential for further growth



Targeting 50 pence per seat growth per annum:

- Hotels and car hire currently impacted by macro factors
- Insurance revenues impacted by recent legislation
- In-flight and Speedy Boarding revenue growing
- Modest increases in indirect pricing

Strong track record of delivery:



Ancillary revenue per seat growth excluding checked bag charge

# Good progress on cost reduction initiatives



	Target savings p.a. by F'12
<b>Ownership</b> - exit expensive aircraft from fleet	£30m
<b>Maintenance</b> - in-sourcing, SRT deal & further contract renegotiation, efficiency projects	£35m
<b>Overheads</b> - leverage scale	£10m
<b>Airports &amp; Handling</b> – handing & volume deals, check-in process improvement, some self handling & low cost terminals	£60m
<b>Crew</b> – productivity & flexibility initiatives, Boeing exit (no requirement to ring fence crew), new rostering systems	£35m
<b>Fuel</b> – GPU usage, flight planning, fuel reporting and pilot technique	£20m
<b>Total</b>	£190m

Delivers a net benefit to the bottom line of £1 per seat by end F'12

Actions in place to deliver 70% of the £190m, 25% already delivered in H1'10

# Efficient fleet management



	31 March 2010	30 Sept 2010	30 Sept 2011	30 Sept 2012
A319	149	159	163	173
A320	21	23	35	35
A320 GB spec	4	2	-	-
A321 GB spec	4	-	-	-
B737	11	8	2	-
Total	189 <sup>1</sup>	192	200	208

## → Flexible fleet plan

- Anticipated average annual growth rate of 7.5% per annum

- Fleet plan can be adjusted in the light of market opportunities and economic conditions

## → A320's configured with 180 seats

- Increased available capacity at slot constrained airports at peak times

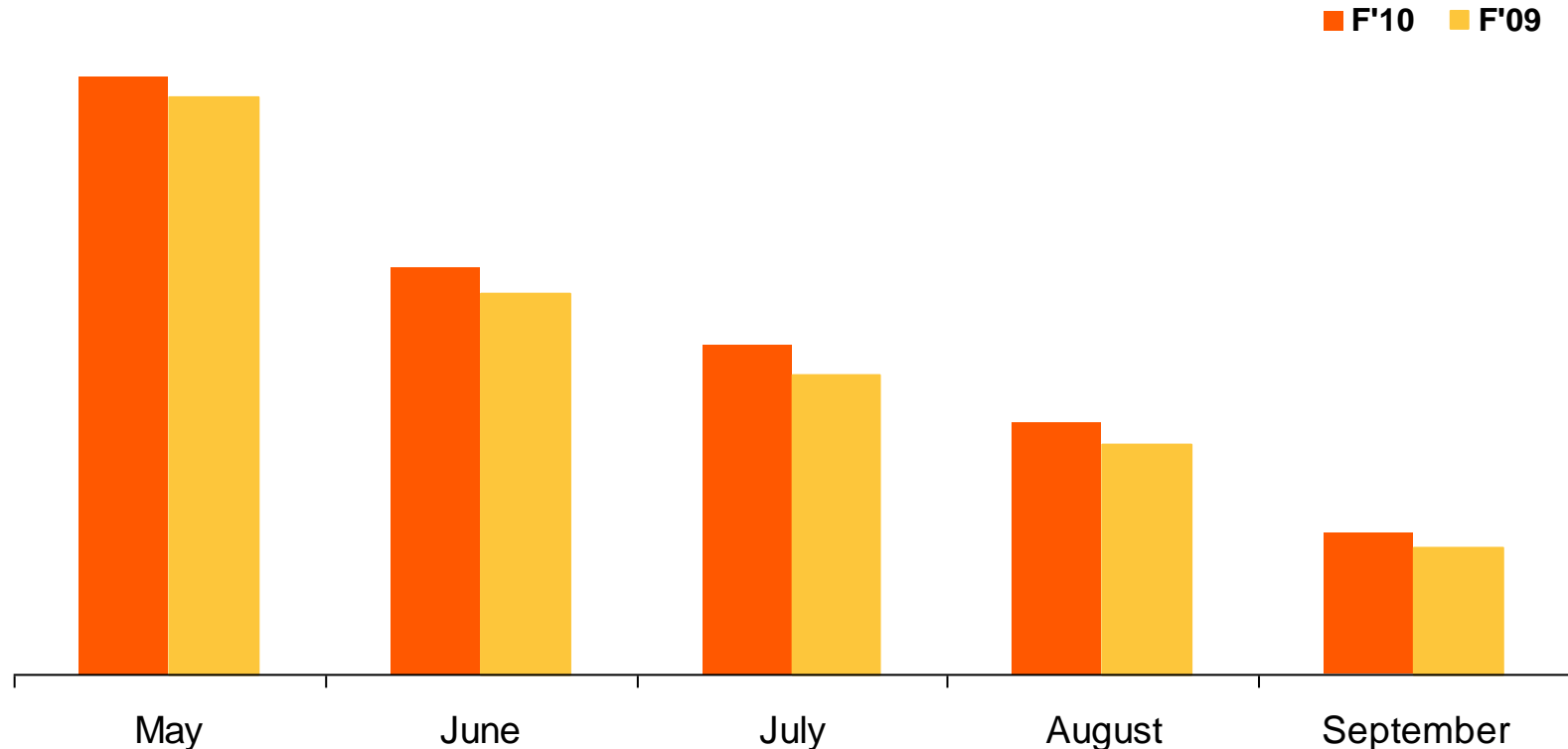
- Cost per seat 6% lower vs A319

## → Exited expensive leased Boeing aircraft

# Forward bookings



% seats sold \*



- 47% of second half seats sold, slightly ahead of same point in the prior year
- Slow incremental improvement in underlying fares ahead of volcanic disruption
- Growth in second half total revenue per seat at constant currency is expected to be similar to the growth in the second quarter of the year

# Outlook

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- Capacity, measured in seats flown, for the second half of the year, is expected to increase by 7%, giving an increase of around 7.5% for the full year compared to 2009. This is lower than the planned 10% growth due to the impact of volcanic ash related disruption. The majority of the growth will be in mainland Europe and at London Gatwick.
- With 47% of summer seats now sold, forward bookings are currently slightly ahead of the prior year and the growth in second half total revenue per seat at constant currency is expected to be similar to the growth in the second quarter of the year.
- Total operating cost per seat, excluding fuel, at constant currency is expected to be slightly up for the full year before snow and volcanic ash related disruption costs. Improvements in maintenance, crew and overhead costs are expected to almost offset the mix impact of our continued growth in primary airports.
- Estimated full year pre-tax profit would have been in the range of £175 million to £200 million at current exchange rates and fuel price\*, prior to the recent volcanic ash related disruption. This disruption has caused additional cost and lost contribution estimated at between £50 million and £75 million. Therefore, the Company has revised its profit expectations for the year to a range of £100 million to £150 million at current exchange rates and fuel price\*.

# Summary

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- easyJet continues to trade well
- Economic environment and unexpected events present challenges
- easyJet strongly positioned
  - Europe's No.1 air transport network
  - Strong, focused organisation to deliver cost savings
  - Financially resilient
- Medium term - focused growth with margin improvement
  - Grow share of European short-haul market from 7.6% to 10%
  - Return on Equity target of 15%
  - Strong cash generation





# Questions and answers



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# Appendices



# Key measures per ASK



pence	H1 '10	H1 '09	Change	
			Reported	Constant currency
Total revenue	4.32	4.17	+3.6%	-0.5%
Fuel	1.13	1.44	-21.7%	-27.6%
Costs ex fuel*	3.49	3.26	-7.0%	-4.3%
Underlying loss*	(0.29)	(0.52)	-44.6%	-45.0%
Average sector length (km)	1,072	1,057	1.4%	-

# Gearing analysis



	31 Mar 2010 £m	30 Sept 2009 £m
Debt (1)	1,276	1,121
Cash	(1,358)	(1,075)
Restricted cash	(101)	(72)
Total cash (2)	(1,459)	(1,147)
Previous 12 months lease cost	105.7	116.2
Lease costs x 7 (3)	740	813
Net debt (D) (1) + (2) + (3)	557	787
Equity (E)	1,342	1,307
<b>Gearing (D/D+E)</b>	<b>29.4%</b>	<b>37.6%</b>