Finsbury Easyjet-268928-22Jul11-DP

Speaker key

OP Operator
CM Carolyn McCall
CK Chris Kennedy
RK Rachel Kentleton
PE Peter
NE Neal
SF Steven Furlong
JW John Wohmer
UM Unidentified male speaker
AB Alan Bates
WE Win Elliot
AN Andrew
ES Edward Stanford
PB Paul Butler
DV David Vincent

OP Good morning ladies and gentlemen, welcome to the EasyJet Q3 IMS conference call. My name is Dave and I'll be your coordinator for today's conference. For the duration of the call you will be on listen only, however at the end of the call you will have the opportunity to ask questions. If at any time you need assistance please press star zero on your telephone keypad and you will be connected to an operator. I'm now handing you over to Carolyn McCall, chief executive of EasyJet, to begin today's conference. Thank you.

CM Thank you. Good morning and thank you all for joining me to discuss our interim management statement for our third quarter, 2011. With me this morning is Chris Kennedy, our CFO and I'm also joined by Rachel Kentleton [?] our head of investor relations. I apologise for the short notice of this call, thank you to those of you in the room for attending the breakfast. You should have been sent the slides along with the IMS and the slides are also available on our corporate website. I plan to keep the presentation as short as possible to give you plenty of time to ask questions that you may have.

Turning to slide two, this has been a satisfactory quarter for us at EasyJet, obviously we're not through the summer yet but a number of factors have combined to produce a strong performance from the business. Our total revenues grew by 23.2% to £935 million; our total revenue per seat grew by 5.2% to £56.2p, up 4.6% on a currency basis. Passenger revenue grew by 2.5% per seat as the investments we made in an additional capacity last year and during the first half of this year began to mature. And as a result of the action we took earlier this year our ancillary revenues grew up 17% a seat to £11.65. Our cost per seat, excluding fuel, is up 2.7% or 1% on a constant currency basis. This increase is in line with our expectations. Our on time performance has been strong, it's over 80%. We have continued to implement strategies through the launch of flexi fares to business travellers. We are network optimising and we are focused on delivering EasyJet lean. As a result we are seeing the initial benefits of the strategy flowing through to the bottom line. We now expect to deliver pre tax profits for the full year of between £200 and £230 million pounds and [unclear] which approximates to a range between 10% and 12%. This number includes some level of [unclear] disruption for the remainder of the summer.

Slide three now. Our improved operational performance in this quarter has been strong, on time performance is about 78% of the year to date, benchmarked very well against our rivals. And I'm glad to say that the operation issues we had at Gatwick last summer are now behind us and that Gatwick is one of the best performing bases across our whole network. This improved on time performance has been reflected in an improvement in customer satisfaction, they are highly correlated, which is up 5% in the quarter to 78%.

If you look at slide four, revenue this quarter was robust, this stronger revenue performance is due to the capacity last year and the investment in that capacity and during the first half of this year is beginning to mature. And our total revenue per seat across all market shows improved performance compared with the second quarter. And our city to city groups have been performing particularly well. Now, of course, there have been some pockets of weakness. North African routes, which continue to show some weakness due to concerns about the political instability in those regions, a short term oversupply on beach routes to Spain following redeployment of [unclear] operator capacity from the UK, the introduction of APD in Germany and the possible effect of public sector cutbacks in the northern UK regions. However, these factors have been more than offset by the revenue per seat growth or capacity, based in France, Switzerland, Spain, Italy and London.

On slide five, our ancillary revenues are also strong this quarter. We optimised our fees and charges at the end of the second quarter in response to increased costs from fuel and inflationary pressures. We know from our research that our customers value our transparent pricing and these changes did not affect demand. Bag revenues have stabilised following changes to our bag pricing strategy, which I discussed at the half year, and which we implemented at the end of the second quarter. Bag revenue per seat was up 2.8% at £4.73 in the quarter, as nearly 80% of the third quarter bags were booked before the change in pricing structure. Bag revenues are expected to show further growth on a per seat basis in the fourth quarter.

We reviewed our speedy boarding pricing structure and that has resulted in revenues which have grown strongly this quarter reflecting continued demand from customers for this service. And the robust commercial performance in the quarter also reflects the strength of the EasyJet network, which is strongly advantaged in Europe, all the way across Europe.

On slide six, given the high cost of fuel uncertain consumer demand across Europe and the introduction of ETS, the emissions trading scheme, in January 2012 EasyJet is taking a cautious approach to capacity deployment, capping aircraft at a maximum of 204 over the next two winters. And [unclear] the number of seats flown at no more than 4% for the whole of 2012.

Flight schedules will include increased frequency on our busiest segments, [unclear] key business routes. While we are maximising frequency on our busiest routes where we see opportunities for growth we will also close selected routes, which are unprofitable, in order to maintain our flexibility.

If you look at slide seven it outlines our finance strategy. Maintaining a robust balance sheet and capsule position is, of course, one of EasyJet's key strengths. You will recall from our presentation at the full and half year our target is to achieve 12% [unclear] through the cycle and the management is completely focused on achieving and delivering this. EasyJet remains committed to providing appropriate returns to shareholders, we expect to pay our first dividend with respect in respect of the year 30th of September 2011, based on a cover of 5 times available earnings. We continue to review our balance sheet against our capital commitments. And we will look again at the end of the financial year as we've said at the half year at our balance sheet, trading outlook and cash position, to determine whether or not there should be a return in excess of the 20% dividend policy we have proposed.

On slide eight, hedging update. Despite the ongoing high price of aviation fuel we are well hedged for the remainder of this year. However we remain sensitive to movements in prices of jet fuel. Each $50 per ton price movement will result in an impact of plus or minus £7million on our full year profits.

Slide nine; forward bookings for quarter four are strong. We've booked approximately 75% of our seats for the period, but over 83% sold for July, about 60% for August and approximately 35% for September. And on slide ten, on outlook, turning now to the outlook capacity measured in seats flown for the second half of the year is planned to increase by 8% on an underlying basis of adjusting to the impact of volcanic ash, or 12% on a quarter basis. As a result of strong forward bookings for Q4 we've raised our guidance for a year on year increase in the second half, total revenue per seat, to 5% to 6%.; the planned improvements in yield, bag charges, and other ancillary revenues. Consequently full year total revenue proceeds at constant currency is expected to grow by around 2% to 3%. Higher than expected load factors have led to an additional four million of airport cost. However, continuing good progress on cost reduction initiatives means that on a constant currency basis cost per seat excluding fuel and before the impact of the volcano will fall by between 1% to 2% compared to 2010.

So taking all of this into account and assuming normal conditions we now expect, at current fuel prices and exchange rates, to deliver a pre tax profit for the full year of between £200 and £230 million. Thank you for listening to that, I'd be very pleased to take any questions you may have. Perhaps we could start with some questions in the room first and then I'll hand over to you, David, to take some questions by call. Any questions?

NE [Unclear] with regard to the booking [unclear] are you seeing any short move there, I just wanted to get a feel for how much of, how much [unclear].

CM I'll take one at a time, Neal, knowing your questions. On the forward bookings we're absolutely in line with last year, there's been no acceleration or late bookings or anything like that. So the trend has been exactly the same as last year so we've been on that. There's no discernable trend.

NE Second of all maybe in terms of what you mentioned on the potential [unclear] distribution frame [inaudible] it does suggest that if the winter looks okay you might actually look to [inaudible] then or would you look to maybe a bit further.

CM What we said and we said at the half year is that we believe 20% dividend policy is the right policy for an airline like us. What we also said at the half year and we're saying again today is that we know, we've been talking to all our shareholders and we believe that we need to look at the end of this financial year. And we've kept the balance sheet under constant review to see whether there is any excess cash. And we won't know that until the end of the financial year until we've banked this summer. And also we have some visibility into the winter. So we will make any decisions around that at the end of this financial year. And so we'll tell you about that in the full year.

NE And then just one final one, you have ancillaries in the fourth quarter, can you give us any feeling what we should expect in terms of the run rate, 17 in the third quarter [unclear].

CK I think in Q4 obviously you'll see the benefit of the charge coming through on top of that, so within the 5% we're expecting that strong end sort of growth.

PE Pete [unclear]. Could you just talk a bit more about the success of the corporate side of things and whether you think that, or how much you [unclear] in Q3 or how much that translates or might translate into sustainability, let's say through the winter. Because I suppose the down the line questions is you seem to have reversed average fares very quickly from Q2 to Q3. Do you think that's because the industry's put the fares up or so you think it's because the French routes and [unclear] corporate people down trading to you? Can you give a bit of colour on that [unclear] of this sort of festival fare raising strategy?

CK I mean, business passengers were up 20% on the quarter but it's very early stages with business so we haven't yet launched the flexi fare on the GDS system in a meaningful way. It's available but that's still to be developed. And on EasyJet dot com it hasn't been around too long. So I think in answer to your question, Peter, it's not the main...business is not the main driver of the performance [unclear] and there is still a long way to go and it is a long haul one that. So it is an 18 month to two year strategy.

CM And I think for us, how sustainable, we have definitely seen that we can pass on some of fuel. And that we've been able to do increasingly. And that is a result of a mix of factors. It's not one single thing that helps out. We've seen strong yield on ticket prices, we've...but actually capacity has not come out of the market. But there's demand but in addition to that we have really optimised what we're doing on all of the other things other than ticket price as well. So it's a mix of factors, I think that's helping us.

UM [Unclear]supplementary [unclear] fees which have obviously gone up, [unclear] fare unless it's kind of required.

CM Yes, we've a very clear view on this which is our exposure on debit card fees, which is what the OFT is very focused on, is very low. It's the lowest in the industry. We have said actually we would have no problem in incorporating that into the headline price. In fact we would prefer it because we are, even now if you go onto EasyJet booking site you will see it's up front, it's very transparent, our pricing. And I think consumers appreciate that. What we've said is we prefer to put it in our headline price but we can't do that unless it's a level playing field. And for it to be a level playing field that includes Ireland as well as Europe, so that's where we are.

RK I think we should take a few calls, David, from you, if that's all right? A few questions from the call.

OP Yes, certainly. Ladies and gentlemen if you'd like to ask a question please press seven now on your telephone key pad. If you change your mind and want to withdraw your question please press seven again. You'll be advised when to ask your question. The first question is from Steven Furlong from [unclear]. Please go ahead Steven.

SF Morning, Carolyn, Chris, good performance. I just have one or two questions just generally on cost maybe because there are a lot of folks in revenue this morning. You might just talk to me to your process where I see you've marginally increased the fuel hedging policies quite significantly I see, in how much you hedge this year and next. The second thing I was wondering if you might talk about a bit is when you talked about capacity this winter, and you're quite conscious of capacity, and you talk about the ETS scheme. Have you looked into how much that is going to cost an airline like EasyJet which obviously has very high load factors etc.. And just generally your thoughts overall on [unclear] programs, and if you're happy with all the initiatives you've looked into over the next couple of years, that would be great.

CK So Steven, the hedging and the ETS. On the hedging we are well hedged for this year and as we said at the interim for next year we are averaging in to a – certainly fuel is the most important for us, we're averaging in to between 60% and 7% hedge by the 1st of October for the start of the financial. As you know fuel has been trading between 1,000 and 1,100, in that range for the last two months. We have been able to put a fair amount of hedging in close to the $1,000, which is reflected in the good hedge prices we've got now. So that's the hedging. On ETS obviously we won't know exactly what it's going to cost us until the total amount of credit in the market is published, which is [unclear] calendar year. We're expecting it to be fairly neutral for EasyJet with our higher load factors, which would benefit us being offset by lower sector length. So in terms of the average for the airline industry we're in good shape. And the cost will be between 20 and 25 million for next year. It's a nine month impact for us.

CM Yes, so there is an impact on ETS but we have been in favour of that because if you think actually if there is going to be an environmental tax then this is actually an incentive for airlines to do the right thing environmentally. And it has a lower impact on us because of our higher loads, etc etc, than it does do on other airlines. So from our perspective because it is an even playing field, although it is a cost to the business we'd rather not have, we can manage it. On the cost initiative, and I'll ask Chris to talk about that, one thing I would say about that and that is instead of having targets of cost buckets to go after we've found it far, far better organisationally to have a program of constant cost reduction, which we call EasyJet lean in the organisation. And you all know, we've talked about this before, but what I'm pleased to report is that it's really embedded in everything we do. So we have a load of cost initiative under these EasyJet lean. There are work streams on airports, around handling, maintenance, engineering, every single item of cost, including overheads in the hanger, which are pretty lean. But there's always more we can do. And Chris sponsors, if you like, and chairs EasyJet lean for the whole of EasyJet. But Warwick is very involved in that and there are a lot of very key people driving big chunks of cost. So I think what you'll find for the first time in a long time EasyJet will have a unit cost reduction rather than saying we've saved 100 million over three years but actually the unit costs are going up. Because what we've found really is that you can achieve targets but your unit costs can still go up because other people are spending money somewhere else in the airline. And it's not kind of looked at in one coherent whole. So we are very structured, extremely kind of focused and obsessed about cost, and it is something that is done in a very kind of managed and program led way. So we have weekly meeting, steering groups, etc, etc. So actually it's something that I think has just got real attraction in the business and delivery targets and deadlines etc. Is there anything you want to add to that.

CK No, I think you've said it all.

SF That's great, Carolyn, yes. Thanks, Chris, as well.

OP The next question is from John Wohmer [?] from [unclear], please go ahead John.

JW Thank you very much. A couple of questions please. Firstly, on your fleet plan, you've been clear for a while that you're going to keep the number of aircraft, in the next couple of winters flat at 204 aircraft. Can you say anything about your thoughts for the summers in the coming years? Whether there's flexibility for that to go up. And the second question is whether you can comment any more on the issues raised by Stelios in his recent letter?

CM Chris fleet and I'll do Stelios.

CK So on fleet, we've said in the IMS we're expecting capacity for next year to be up to 4%, which means that we will be growing in the summer. So we do have the flexibility because now we are at a fairly sizeable fleet. We have exits and deliveries each year so by managing the profile of that across the year we will be going up in summer and coming back down in the winter.

CM It's a matter of public record that Stelios has written to Mike Rake, our chairman. I think the thing I would say about that is that the airline is completely focused on delivering its numbers and its targets. So one of the most important things for me is to keep the airline really focused, to keep management's attention on the business and on delivering a very clear and straightforward strategy. And, actually, things are… we have got a strong team now; they are very, very focused. Everybody in the airline understands what we have to do. So we would rather, I think, deal with the issues Stelios has raised, none of which are new, in private. And we will be talking to all shareholders privately about the issues.

JW	If I can just come back on the fleet, what would your expectation for the number of aircraft for next summer and the following summer?

CK	I think you should be able to go back into that, that's the 4% growth over…

JW	So there's no change in utilisation, it's just in line with the fleets [?]?

CM	For summer, yes. We already [unclear] about planes pretty hard in the summer.

JW	Thank you.

OP	The next question is from Alan Bates from Deutsche Bank.

AB	Morning, guys, just a quick question. The PBT guidance for the full year from 200 to 230, I was just wondering how much of that is on currency?

CK	When you say on currency, the currency rates we've used is it's a €1.13 to the pound and €1.60 a dollar. The sensitivity around the Euro is higher than the dollar, so one Euro cent [?] is plus or minus two million because we'd booked our income, a substantial price of the income, so really now we're incurring the cost, so that's the sensitivity on the Euro. And then on dollar, five cent [?] movement, it's plus or minus a million, so we're fairly insensitive to the dollar now.

AB	Thank you.

OP	Ladies and gentlemen, as a reminder, if you have a question or comment, please press seven now.

CM	Any other questions in the room while we wait for that?

WE	Win [?] Elliot [?] at Numus [?]. Can I ask two questions; one on ancillaries. With the performance in Q3, maybe you see scope for more, what do you think is the opportunity over the next two or three years? What should be [unclear]… to govern ancillary. And the other question is, just looking at what you've got now for your hedging for next year, assuming fuel stays where it is and with the cost initiatives that you've got, what do you think you need to do in terms of driving additional revenue per seat to offset the cost pressures? What do you need?

CM	More yield. We'll give you a fuller answer on that.

CK	On ancillaries, obviously, there's a step change because of the restructuring of the bags and speedy boarding, so the sector [?] length, and then for the feeding [?] charges. So I wouldn't expect this rate to continue long term. After this year, once these comparatives have worked through, it's then optimising seasonality really and optimising around the edges, so you're going back to much more normal levels of ancillary growth.

CM Can I add to that, what we have changed as part of the review on ancillaries is that we are… the ancillary revenue sits… is part of the management team, so we've changed how we do it internally. And, actually, because it will be yield managed, we'll have a lot more visibility on what we can optimise and what we can't. So that change is beneficial, but, as Chris said, don't expect… because we've actually shifted things, we've step changed things on ancillary by taking quite aggressive action.

WE So low single digit is a reasonable expectation?

CK Yes, I would say so.

CM And the second question you said is what else do we have to do on ticket prices?

WE Well, revenue per seat; what do you need in additional revenue per seat just to offset all the cost pressures?

CM I think it's a really good… Clearly, we need to see some of those costs going through to yield, so we need to get more money per ticket. There's a combination of things we can do on that. Clearly, the demand is strong, so our yields already for August, September are looking good, so that demand is important. So stimulating demand and doing it in a cost efficient way. So how we use our marketing budget has already changed and will change even more. So really making sure we understand consumers in the market, what is the barrier to purchase. Because unlike in the UK, when you're in markets in Europe where we are not as well understood as a consumer proposition, there's quite a lot we can do, so that's one way; stimulating demand. And I think it will be about capacity. It will be about total capacity in the markets we operate in and if total capacity comes out, yields will go up for everybody. So that's another thing that we were obviously going to keep an eye on and make sure we take full advantage.

CK And the two big cost numbers for next year, as you say, it's fuel, which will be about 200 million higher, so [unclear].

WE [Inaudible]…

CK £100 million.

WE 300?

CK 200. So, again, you can do the maths on the yield improvement to cover that. And then airport charges are still a concern, especially the Aiena [?] charges and now they're contracted the [unclear] in Italy. So if there are two elements of cost that we're concerned about, it's those two.

CM And APG.

WE And can you have a feeling for what overall cost per ticket is going increase by next year?

CK We'll do that later in the year when we can.

CM Andrew?

AN You're obviously very keen to bring the debate with Stelios over his issues into the private domain and out of the public domain. How optimistic are you that he will abide by that? And what tools have you got to encourage him to do so?

CM I think we're doing our very best to do that and we will keep our channels of communication open with Stelios all the time, so it's just that we will continue to work hard at that. And I guess they're not tools, but it is… The brand license is working, that was the right decision and the fact that we are operating the brand licence well to date is a good example of how it can work. I think the shareholder issues have to be dealt with as we would deal with any shareholder, and the tools there are that we just want to make it a company to do really, really well. Clearly, having a constructive dialogue with all your shareholders is what you want.

AN Can I just say on this, in the context of the brand licence debate and building up to the agreement, he made it clear or he tried to argue that he had sanctions over you if you potentially defamed the Easy brand. Is that in the context of the brand licence agreement or the comfort letter, is there any language that gives any reciprocal obligation on him not to destabilise the company or destabilise its management or shareholders in order to secure his brand licence?

CM It's not specific about destabilisation in our comfort letter or the agreement. There is a mutual respect clause in both that you can see which is on our website.

CK It's in the original R&A [?] [unclear].

CM There's a mutual respect clause.

AN Then just one more, could you just explain what's been going on with the small industrial [unclear] situation in France and Germany.

CM Sure. In France, what we had is around a pay deal. And, as I said in the IMS, our view is in an inflationary environment, in a high rising cost environment, we have to be fair but very pragmatic about what we're doing on pay across our whole network. So what's happened in France is that the local management team work incredibly hard and gained an agreement on pay with two of the big unions and a union which is UNAC, didn't agree the pay deal. Now, they have 60 members, six, zero, and they're predominantly in Orly, so we did have some strike action last week, in fact, I was actually in Charles de Gaulle when there was strike action. I have to say, the attitude and morale of everybody else was fantastic in the base and we managed it extremely well. So we would rather not have that, but there was nothing we could do about it and that was that.

On Germany, we have been in negotiations with the team there and, again, the local management have been extremely involved in it, in trying to resolve it. It's much more complicated in pay in Schoenefeld; it's three or four years of lots of different issues. The good news is that we have come to an agreement which is being put to a vote, so it's not completely agreed yet. It's being put to a vote on Friday. Is today Friday? Friday or Monday next week, but I think what it will mean is that we get an agreement for the summer and probably will take us through to the end of the calendar year, and we should not see strikes in Schoenefeld between now and then. We will resume negotiations in October on the long term issues in Schoenefeld.

ES Edward Stanford from Oriel. Can I just ask two questions, first of all, on the guidance you've given? You mentioned there was some… you framed some ATC disruption into that, can you give some flavour of the sensitivities between the 200, 230 million of how your thinking evolves along those lines? And, secondly, just a short one to be clear on your review of the balance sheet, but if you did decide there was surplus capital, that would be a one-off type payment rather than an acceleration of the dividend?

CK So last year, the disruption caused by external factors was around £13 million, so within the 200 to 230 in terms of strikes and so on, we'd notionally put around £10 million to cover disruption for the quarter. On the excess capital return, if any, again, we'll make that decision later in the year as to whether it's [unclear]…

CM But to nail the point, we're not saying it's about 20%, 20% is what we believe is the regular dividend every single year that we would be wanting to pay, if we can. Anything we would do would be over and above that. It wouldn't be increasing the 20% necessarily. Paul and then we'll go back to the callers.

PB Paul Butler from the Quarry [?]. Just two questions, if I may. Firstly, just going back to the fantastic operational improvements, are you happy with where it's at or is there more opportunity to improve from where you are at the moment? And, secondly, how long does it take to get the benefit in terms of the reputation with customers? And there's still more to go there in terms of improved customer loyalty.

CM On OTP, I'm very pleased with what the ops team have done. It's not just the ops team, clearly, but I'm very, very pleased with the performance on operations. We will expect to see a dip in the summer, so don't expect these numbers through Q4. It's very, very congested air space, there's a lot of weather related thunderstorm issues across Europe that cause ATC delays, so you will not see figures like this. Our operation control centre could not believe we did an 88% yesterday in July. They could not believe it because we've never done that before, I don't think, in history. So this is about managing what you've got. What we're now very good at is managing the disruption that we experience much, much better, which is why our figures are stable and they tend to be anything between late 70s, early 80s. We are completely, it is like a religion now, we're looking at within three minutes, not just within 15 minutes. We're looking at turn times, so that's the way to improve the efficiency behind the OTP. So I don't expect us to get very much higher than that, we don't really need it to get much higher than that. Our passengers are very, very happy at around this level of OTP.

On the reputation point, I think you make a very good point because it was not just the UK, there were many markets in Europe that had significant issues last summer. And what I would say is I've sent out an email to 30,000 passengers in the UK, and I'll probably send an email out to another 30,000 passengers in Europe who've been disrupted over the last year, last summer, effectively. I had nearly 1,000responses to that, so it's quite a high conversion rate, so quite a lot of engagement on that. And a lot of them were just saying thank you. Some of them were going I can't believe you've emailed me, but that's quite good because then you can go back to them. So I think reputation, but I think that's what you have to do. I think you've got to just re-engage people to get them to realise that they can sample [?] you again and we will deliver the service that we promised. So I think it's getting better for us, reputationally. Lots of very positive emails about how Easyjet is back to form, if you like. And I think the more we sustain that, which we will, the better the reputation will be, so it's about building that back up again.

PB If I could just have one more. You said that you're not seeing capacity coming out of the market, I'm just wondering if you could comment about what you think it would take to see capacity come out of the market. If fuel prices stay where they are and the economy muddles along.

CM I think the winter will see capacity come out of the market, no question. Lufthansa, Italia coming out of Italy, is already a signal of that.

CK Ryanair has said, down, falling capacities for winter. So you wouldn't expect to see it coming out in the summer because that's when people are making money; it's the winter. And, I guess, as we studied the OAT data and we'll follow it, but winter, we're hopeful that there will be capacity restraint, as we are being restrained. But we're not waiting for capacity to come out. Again, what we said at the half year, the reason for our very cautious approach in the next two winters is whilst we are confident that capacity will come out, we're not going to rely on that and we're going to drive our own ship, keep our capacity tight and focus on the markets where we know where we can win.

CM Any other questions on the call?

OP There is a question from David Vincent [?] from Barclays. Please go ahead, David.

DV Thanks, good morning, everyone. Just a quick couple of questions on the cost side, just coming back to some of the commentary for next year. You mentioned the Easy lean [?] for [unclear] that you can actually get unit cost down. I'm just a little curious that some of these with a flat winter capacity, do you think that actually holds in the winter or is that more of a full year comment. And then, as a piece of that, how much fixed costs on labour do you have to carry in the winter? Is there any flexibility with the schedules and leaves to try and move some of that labour cost around or you will have an efficiency on the labour side [?].

CM I'm going to ask Chris to come in here, but I just want to be very, very clear when I was talking about unit costs coming down, it was for this year, not giving you any guidance for next year. So when I talked about that, it's really important to say and we will, obviously, Easyjet lean will be there forever, but I just want to be very clear that I was talking about cost reductions for this financial year. Do you want to…

CK On the flight capacity in the winter, obviously, the fleet flexibility helps because we've contained the fleet around the two winters to reduce ownership costs. Your point about the crew is well made because that's a fixed cost over the winter. On cabin crew, we have a significant amount of flexibility, certainly with our first officers as well, we've got a good proportion of flexi crew. So we're really talking about captains and we are in active dialogue with them around ways we could get a win / win with them, so that they can have some time off in the winter and earn in the summer. So that's on the crew side. Other than that, I'll just reiterate what Carolyn said which is the Easyjet lean is there to offset the natural inflationary impact.

DV That's very helpful, thanks.

CM Any other questions on the call?

OP Currently, there are no more questions coming through, but, as a reminder, if you have a question or comment, please press seven now on your keypad.

CM Any other questions in the room? If there are no more questions, I'm very happy to wrap that up, David. You might just ask one more time then we'll wrap it up.

OP Ladies and gentlemen, if you do have a question or a comment, please press seven now on your keypad.

CM If there aren't, thank you very much to everyone who dialled in and thank you all in the room as well for attending breakfast at such short notice. I hope you enjoy the bacon buttie. That's it, thank you, David.

OP Thank you for joining today's call, you may now replace your handsets.