

# Credit Suisse - June 2009

Rachel Kentleton, Head of Investor Relations



**easyJet** plc

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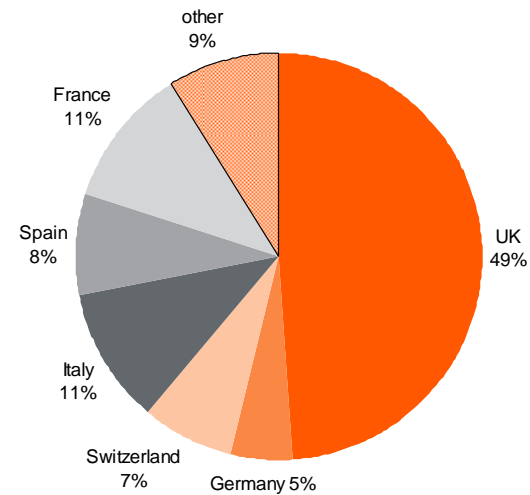
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# Introduction to easyJet



- Europe's no. 1 Air transport network
  - 6.5% share
  - 43 million passengers
  - 400 routes, 103 airports
- Diverse consumer base
  - Attractive to all key customer groups
  - Strong brand appeal
- Increasing geographic spread
  - Over half of passengers originate outside UK
  - Third of flying does not touch the UK

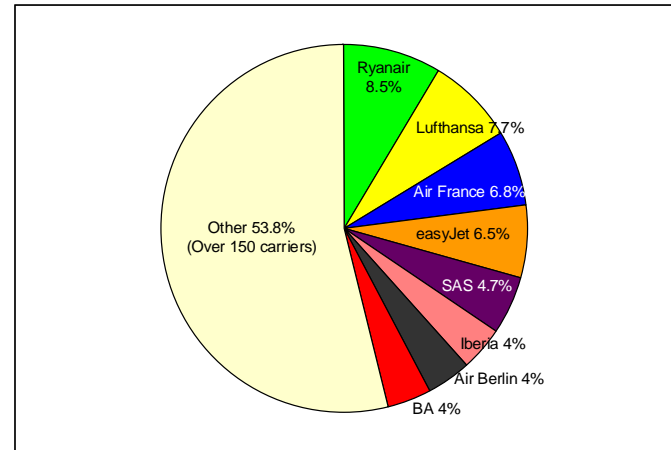
Departing passengers by country of origin Q1'09



# The market – European short-haul aviation

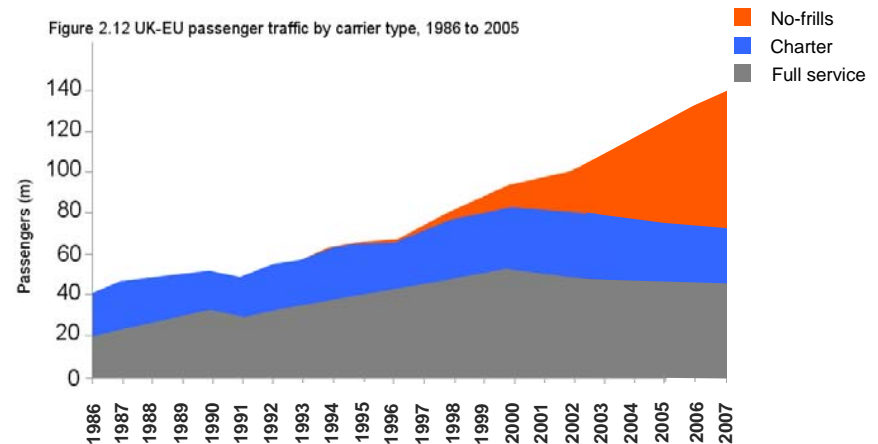


- European short-haul aviation – a fragmented market average growth 4.5% p.a.
- Weakening economic conditions have caused industry capacity to be cut back
  - Consolidation is already evident
  - Weaker players are struggling to survive
- easyJet has grown via market share gains from charter and legacy carriers not just market stimulation



Market share by seats offered 12 months to Summer 08 – Source OAG

## Short haul aviation in Europe - a fragmented market



Source CAA Airport Statistics

# easyJet - the priorities

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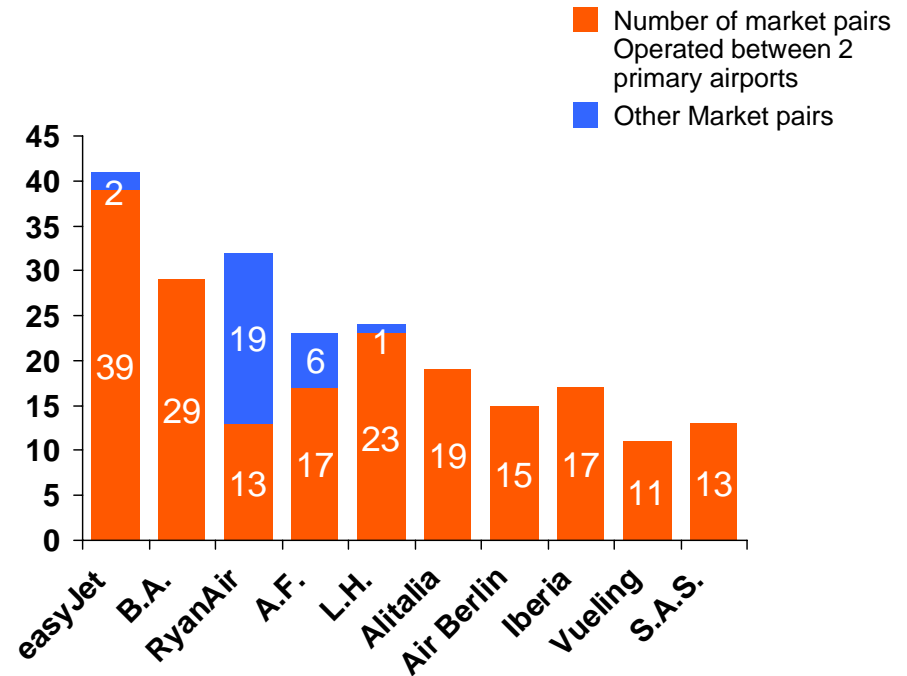


1. Develop Europe's No. 1 Air transport network
2. Focus on margins; drive revenue and reduce costs
3. Mitigate risks from volatility of fuel and dollar
4. Prudent management of cash and capital expenditure

# 1. Develop Europe's No 1 Air transport network



- Leading presence on Europe's top 100 routes
- Convenient airports attractive to time sensitive consumers
- Strong positions in key markets:
  - London Gatwick No.1
  - Milan Malpensa No.1
  - Geneva No.1
  - Paris No.2
- No.1 consumer reach
  - Over 289 million passengers within one hours drive



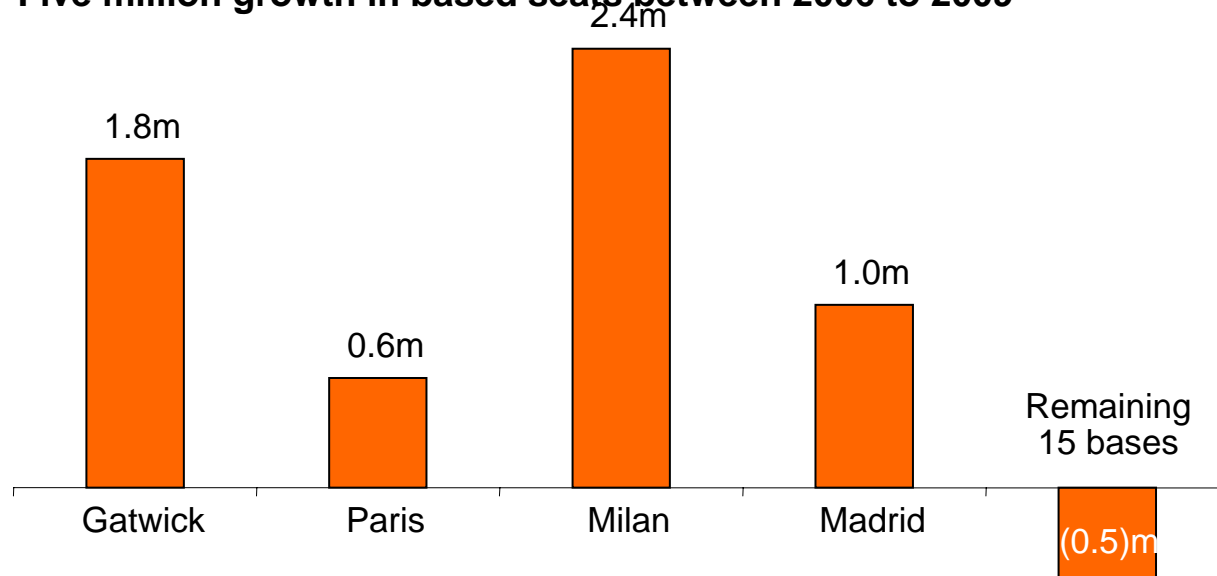
Presence on top 100 routes (market pairs)

# 1. Develop Europe's No. 1 Air transport network



## Strategy of targeted growth delivering

Five million growth in based seats between 2006 to 2009



- easyJet passengers on Mainland European based routes up 21% in H1 2009 compared to market reduction of c.5%
- Contribution on based aircraft at LGW and mainland Europe above network average
- Capacity reduced at underperforming bases e.g. Stansted
- Dortmund base closed October 2008

# 1. Develop Europe's No 1 Air transport network



## France – opportunity to grow the market

- ➔ Exciting opportunity
  - ➔ LCC penetration 50% of European average
  - ➔ Industry structure has suffocated market with high costs and high fares
  - ➔ easyJet no.2 short-haul airline in France
  - ➔ Growth focused on Paris
  - ➔ Investing in Lyon for the longer term
- ➔ easyJet – “the acceptable face of low cost in France”
  - ➔ Positive engagement with key stakeholders
  - ➔ Good employer – local contracts
  - ➔ Main driver of tourism growth (eJ will represent around 60% of Paris airports growth in 2009)
  - ➔ Lean efficient operation with potential to drive further cost savings at CDG



Route maps - Paris





# 1. Develop Europe's No 1 Air transport network



## Italy – gaining share

- Leading carrier at Malpensa
  - Moving rapidly to fill Alitalia vacuum
    - 27% share of seats
    - Significantly higher load factors than our competitors
    - Strong brand awareness from 65% to 90% in 12 past months
  - Network serves the best business & leisure routes
- Growing in Rome
  - Presence at Ciampino and Fiumicino
  - New routes e.g. to Milan and Brindisi
  - Capacity Share => 2.8% Jan 08 Vs 4.3% Jan 09
- Developing Italian domestics
  - Capacity Share (Domestic Traffic) => 2.5% Jan 08 Vs 6.7% Jan 09



Route map - Milan

# 1. Develop Europe's No 1 Air transport network

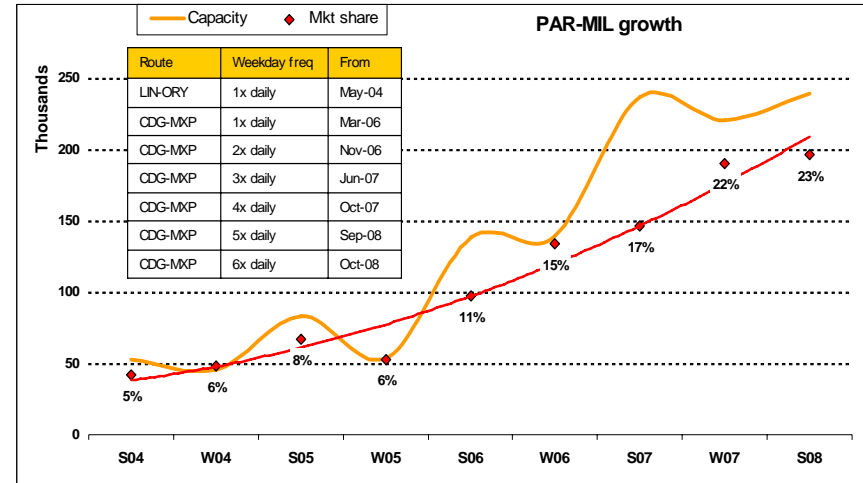
→ Leading market shares on key routes:

- London - Geneva.
- London - Malaga, Faro, Alicante
- London - Prague
- Milan - Palermo

→ Building presence:

- London - Amsterdam
- Madrid - Paris
- Lisbon -- Madrid
- Entry winter '08 / '09 on Rome - Milan (5 dailies)

## Paris – Milan



LIN-ORY = Milan Linate- Paris Orly  
 CDG-MXP = Paris CDG-Milan Malpensa

# 1. Develop Europe's No 1 Air transport network

## Network ensures strong appeal

→ Across all customer groups

### Business people



### VFR & Commuters



### Short breakers



### Long breakers



→ Strong customer perception

Source: Gfk Brand tracker	easyJet	BA	Ryanair
Value for money	No.1	No.3	No.2
Friendly service	No.2	No.1	No.3
Efficient	No.1	No.2	No.3

→ Europe's leading airline website

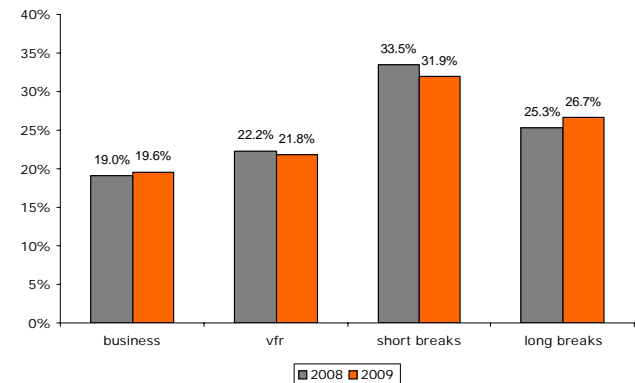


# 1. Develop Europe's No. 1 Air transport network

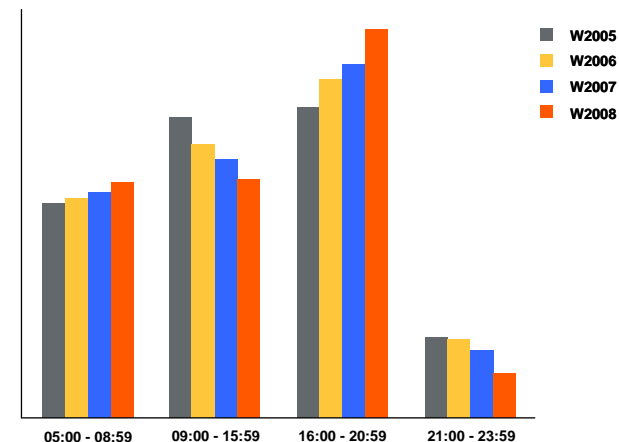
## Balanced customer mix provides resilience

- H1 '09 – the growth in long breaks and business offset weakness in discretionary travel
- easyJet has a great business product:
  - Convenient airports & leading presence on Europe's top 100 routes
  - Improving schedule
  - Speedy Boarding
  - Available via GDS/API
    - 10% of business bookings now originate from this channel
    - Revenue per seat c. 20% higher than easyJet average
- Good value; ITM research shows that:
  - easyJet cheapest carrier on 78% occasions over all itineraries surveyed
  - savings by flying with easyJet of over £100 on 44% of occasions

Change in passenger mix (volume)



Increasing peak time departures



## 2. Focus on margins – drive revenue



- Actively manage our route portfolio
  - Eliminate under-performing routes c 10% churn p.a.
  - Take advantage of competitor capacity reduction
  - Optimise our slot portfolio at Gatwick
- Drive ancillary revenues through improved execution and innovation
  - Continual improvement to easyJet.com drives conversion on car hire and hotels
  - In-flight improved product offering



Ancillary revenue per seat growth excluding checked bag charge

## 2. Focus on margins – reduce costs



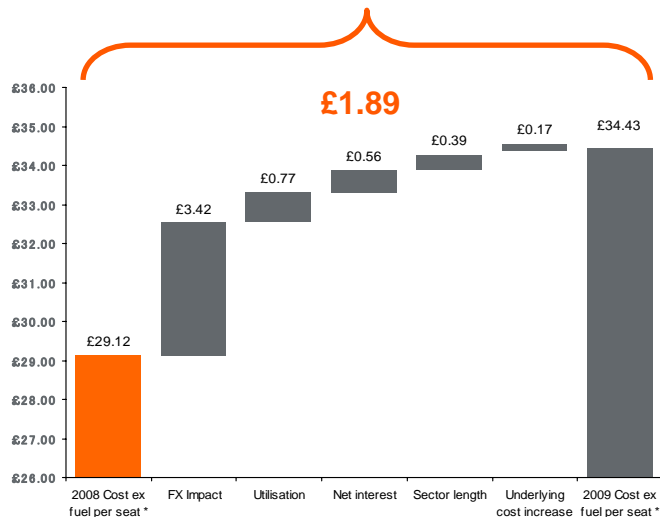
### Cost per seat ex fuel



### Further opportunities for cost reduction

- **Ownership** – target £40m p.a. by F'11
  - Boeing and GB A320 returning to lessors
  - GB A321 sales ongoing
- **Maintenance** – target £10m p.a. by F'11
  - In-source maintenance planning
  - Leverage scale and competitive tendering
  - Renew major contracts (air frames, engines)
- **Crew** -- target £30m p.a. by F'11
  - Better processes and systems
  - Improved flexibility
  - More progress required
- **Fuel burn** – target £30m p.a. by F'11
  - New flight planning system
  - Weight saving
  - Better descent planning

### H1 09 cost per seat performance excluding fuel



### 3. Mitigate risks: volatility of fuel and currency



- Policy is to hedge forward on a rolling basis between 50% and 80% of next 12 months cover
- For the six months to 30 September 2009:
  - Fuel - 70% of remaining requirement hedged at \$1,073 per tonne, (H2 '08 effective price of \$1,031 per tonne\*)
  - US dollar - 60% of remaining dollar requirement hedged at \$1.95, (H2 '08 effective rate of \$1.95)
  - Euro - 56% on remaining euro surplus hedged at €1.24, (H2 '08 effective rate of €1.26)
- For the year to 30 September 2010:
  - Fuel - 42% of anticipated requirement hedged at \$796 per tonne\*
  - US dollar - 34% of anticipated dollar requirement hedged at \$1.78
  - Euro - 42% of anticipated euro surplus hedged at €1.23.

**Fuel costs depressing margins in F'09**

**Strong margin upside potential once current fuel hedges are exhausted**

# 4. Prudent management of cash and capex



## Strong balance sheet

£m	Mar '09	Sep '08
Fixed assets	1,335	1,103
Cash and money market deposits	1,131	862
Goodwill and other intangible assets	446	446
Other assets	772	690
<b>Total assets</b>	<b>3,684</b>	<b>3,101</b>
Debt	1,022	627
Other liabilities	1,621	1,196
Shareholders' funds	1,041	1,278
<b>Total equity and liabilities</b>	<b>3,684</b>	<b>3,101</b>

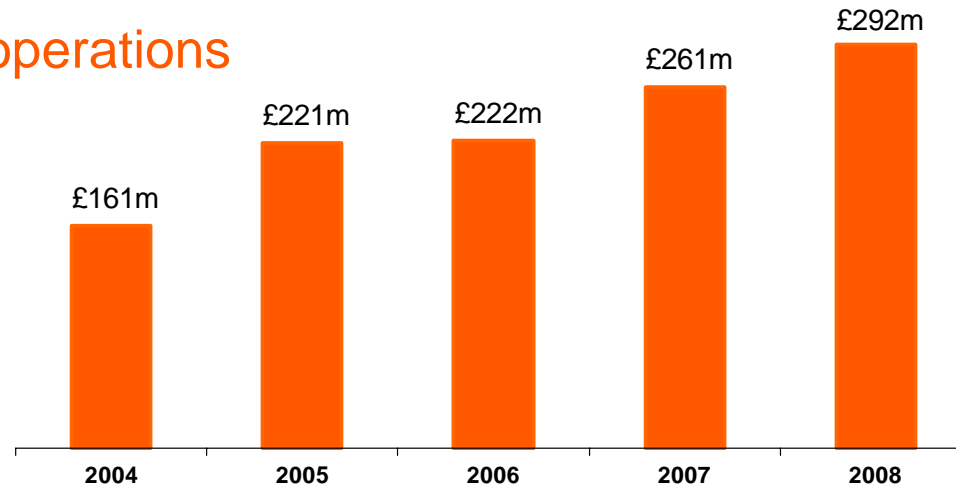
Gearing*	37%	29%
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# 4. Prudent management of cash and capex



## Cash flow from operations



- Prudent approach
  - Board approved gearing targets >25% <50%
  - Minimum liquidity of 3 months operating cash
- Excellent treasury execution
  - No cash collateral against hedges
  - No MAC's or financial covenants on debt facilities
- Further working capital opportunities
  - Moving to core inventory on sale 12 months ahead
  - Improved supplier terms e.g. AENA, fuel suppliers

## 4. Prudent management of cash and capex



	H2 '09	F '10	F '11
Capital expenditure	\$550m	\$850m	\$750m
Deliveries	17	27	24
Net increase in fleet size *	(1)	15	7

### Sources of financing:

1. Strong operating cash flow generation
2. Cash and money market deposits of £1,131m
3. Significant financing available at excellent rates (<100bp's above LIBOR) broadly spread amongst counterparties
  - 2006 standby facility \$250m
  - December 2007 undrawn facilities \$430m
  - No MAC or financial covenants
  - Facilities available until F'11
4. Flexibility of 24 cash purchased aircraft owned outright
5. Proceeds from sale of aircraft

# easyJet on track in a difficult environment

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## Results for 6 months to 31 March 2009 in line with expectations

- Increase in underlying pre-tax loss from £48.4m to £129.8m driven by:
  - increase in unit fuel cost: £90.6m, largely driven by net impact of hedging
    - net adverse impact of c. £70m in H1 '09 vs c. £25m net benefit in H1 '08
  - movement of Easter c.£20m
  - reduction in interest receivable of £13.7m
  - underlying margin improvement excluding fuel and currency
- Strong total revenue performance; +7.6% per seat at constant currency
- Total underlying cost per seat ex fuel; +6.5% at constant currency
- Second half bookings and total revenue per seat in line with last year
- Full year guidance unchanged
  - profitable at current fuel prices and exchange rates

# Summary

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- 2009 continues to be tough and uncertain
  - Very weak consumer environment
  - Volatility of fuel and currency
  - Unpredictable impact from swine flu
- easyJet strongly positioned
  - Europe's No.1 air transport network
  - Strong, focused organisation with potential for further cost savings
  - Great customer proposition drives flight to value
  - Financially resilient
- Growth focused on key markets
- Continued management of cash, cost and revenue



# Questions and answers



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# Appendices



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# Fleet – exit expensive sub-fleets



- Current plan is for net increase of 21 aircraft to 30 September 2011
  - H1 '09; two A321 sold; three A320 and five B737 returned to lessors
  - 47 further aircraft exiting the fleet by F'11
  - Sale of five A321 and five A319 progressing but financing market difficult
- Growth flexible beyond F'10
  - Some orders can be deferred up to 2 years
  - Regular review by Board of fleet plan; decision taken to defer 6 aircraft
  - Current growth equates to 1% market share increase of European short haul market

	F'09	F'10	F'11
As at 31 March 2009	173		
Deliveries	17	27	24
Lease returns	(8)	(12)	(17)
Aircraft held for sale*	(10)		
Year end total	172	187	194

# Fleet plan



	F'08	F'09	F '10	F'11
A321 (GB spec)	7	-	-	-
A320 (GB spec)	9	5	2	-
A320 (easyJet spec)	-	15	23	23
A319	120	135	154	169
A320 family	136	155	179	192
B737	29	17	8	2
Total	165	172*	187	194

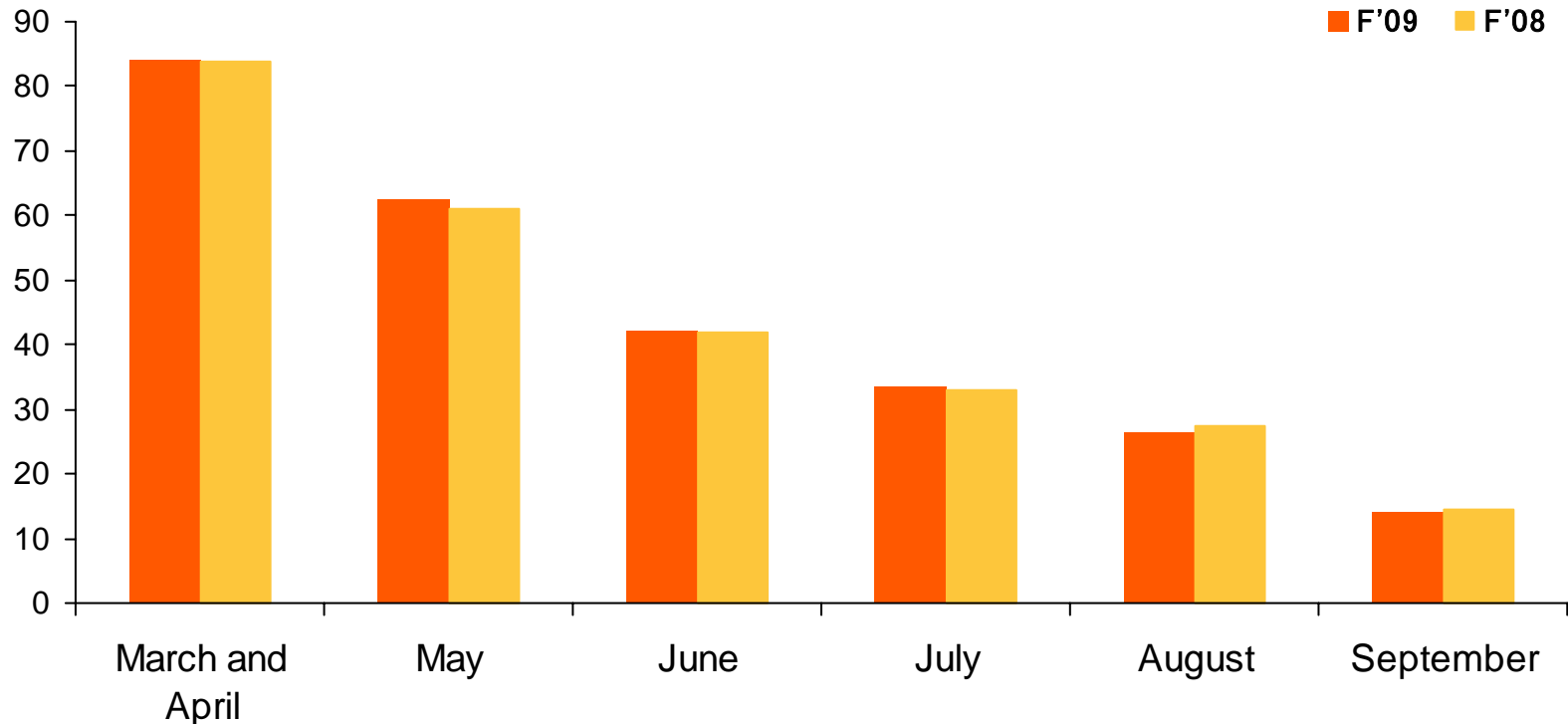
\* Assumed 10 aircraft for sale exit fleet by September 2009



# Forward bookings



% seats sold \*



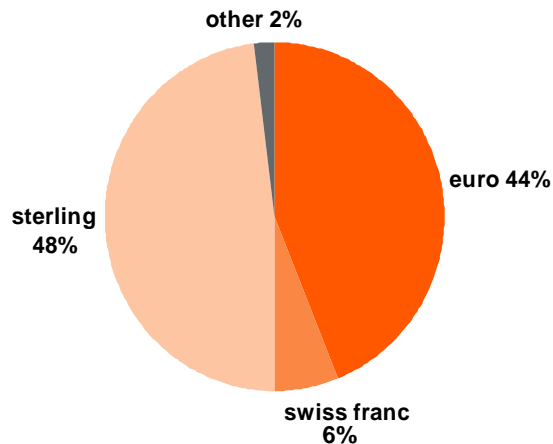
- Second half load factors broadly in line with prior year
- August load factors slightly behind 2008 strong performance but within our expectations
- Total revenue per seat for the second half is in line with prior year

# Impact from currency

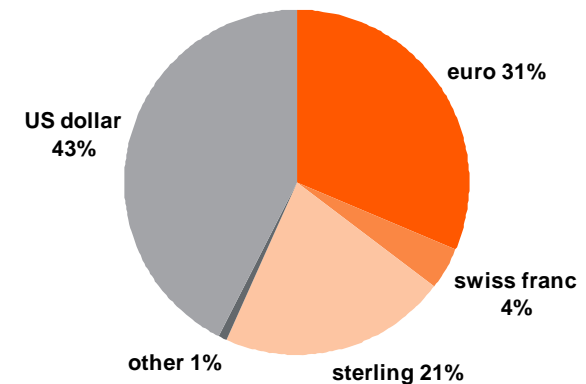


➔ Over 50% of easyJet's business is non UK originating

Currency split - total revenues



Currency split - total costs



	H1 '09	H1 '08	Change
Total revenue per seat (rps)	£44.12	£38.40	14.9%
at constant currency	£41.31	£38.40	7.6%
RASK at constant currency	3.91pence	3.81pence	2.7%
Total cost per seat ex fuel*	£34.43	£29.12	(18.2)%
at constant currency*	£31.01	£29.12	(6.5)%
CASK ex fuel at constant currency*	2.93pence	2.89pence	(1.6)%

# Outlook

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- easyJet expects market capacity measured by seats flown on easyJet routes, to fall by 6% this summer compared to the prior year. In the second half easyJet will grow its seats flown by around 2%, as previously indicated; average sector length and load factors are expected to remain broadly in line with last year.
- The revenue environment remains uncertain due to rising unemployment across Europe and the impact on UK consumers of the strengthened euro. It's too early to assess any potential impact on easyJet's business from the recent outbreak of swine flu but naturally the Board are closely monitoring developments. In this difficult trading environment easyJet's network remains well positioned against the competition and is clearly benefiting as a flight to value by business passengers is offsetting some of the weakness in discretionary leisure travel. Second half bookings are broadly in line with last year with over 40% of the summer now booked and easyJet's current expectation is that total revenue per seat for the summer will be in line with last year on a constant currency basis.
- Revenues in the first half of the year were slightly ahead of easyJet's expectations, the benefit from this will be partially offset by the recent fall in interest rates which will result in a year- on-year reduction in net interest income, of around £30m for the full year. Additionally, delays in achieving crew cost reductions mean that full year operating cost per seat excluding fuel at constant currency will be up mid single digits, slightly ahead of previous guidance.
- At current fuel prices and exchange rates, second half unit fuel costs are expected to be in line with the same period last year.
- While we remain cautious about the consumer economy, at current fuel prices and exchange rates, easyJet expects to be profitable for the full year.
- easyJet is financially strong, with cash and money market deposits as at 31 March 2009 exceeding £1 billion, and has good and well-established market positions and the Board remains confident in easyJet's future prospects.