UBS

2005 Transport Conference

19 – 20 September 2005







Start-up to 100m passengers in 10 years

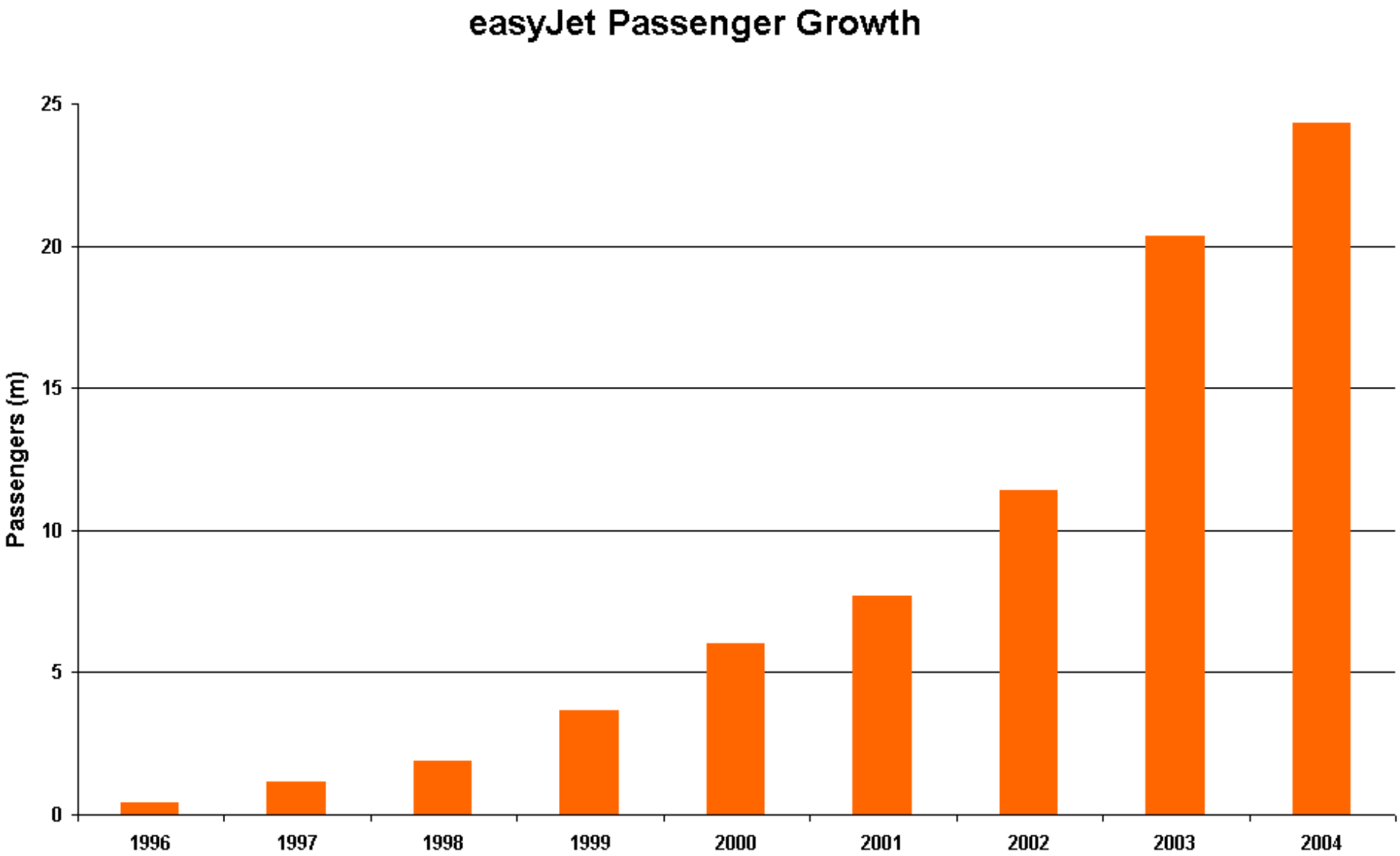


Has anyone beaten that?

10 years ago….



Organic growth, with one big acquisition



easyJet today

- 29m passengers in last 12 months
- Over 700 flights every day
- Over 85,000 passengers every day
- 218 routes - 65 airports in 62 cities
- 109 aircraft
- 3,850 employees
- 25% of network outside UK



Agenda

1. Four ways to be a low-cost pioneer
2. Why have profits not kept pace?
3. What's changing now

Four ways to be a low-cost pioneer (1)

easyJet

High asset turn with low fares

Point-to-point network, no hubs	PIONEER = SOUTHWEST
Simple fleet	PIONEER = SOUTHWEST
Balance of small / large convenient airports	PIONEER = SOUTHWEST
Quick turnaround, high utilisation schedule	PIONEER = SOUTHWEST
High seat density	**BEYOND SOUTHWEST**
High load factor	**PIONEER = EASYJET**

Four ways to be a low-cost pioneer (1)

High asset turn with low fares - how it works in practice

Boeing 737-700, 2004 flight	easyJet	Southwest	**EZY vs WN**
Average fare	£42.35	£49.21	**-14%**
+ ancillaries	£2.55	£1.96	
= total revenue per pax	£44.90	£51.17	**-12%**
x paying ratio	100%	87%	
= revenue per emplaned pax	£44.90	£44.73	**0%**
x load factor	84.5%	69.5%	
= revenue per seat	£37.94	£31.09	**+22%**
x seats per plane	149	126	
= revenue per flight	£5,653	£3,917	**+44%**
/ assets per flight	£4,708	£5,292	
= asset turn	1.20x	0.74x	**+62%**

Four ways to be a low-cost pioneer (2)

Revolutionary, simple pricing model

One-way pricing on all flights	**PIONEER = EASYJET**
No restrictions (Saturday nights etc)	**PIONEER = EASYJET**
One price on each flight at any one time	**PIONEER = EASYJET**
Price goes up, not down, closer to departure	**PIONEER = EASYJET**
Transparent, consumer-friendly, easy	**PIONEER = EASYJET**

Four ways to be a low-cost pioneer (3)

Revolutionary, low-cost distribution model, from start-up

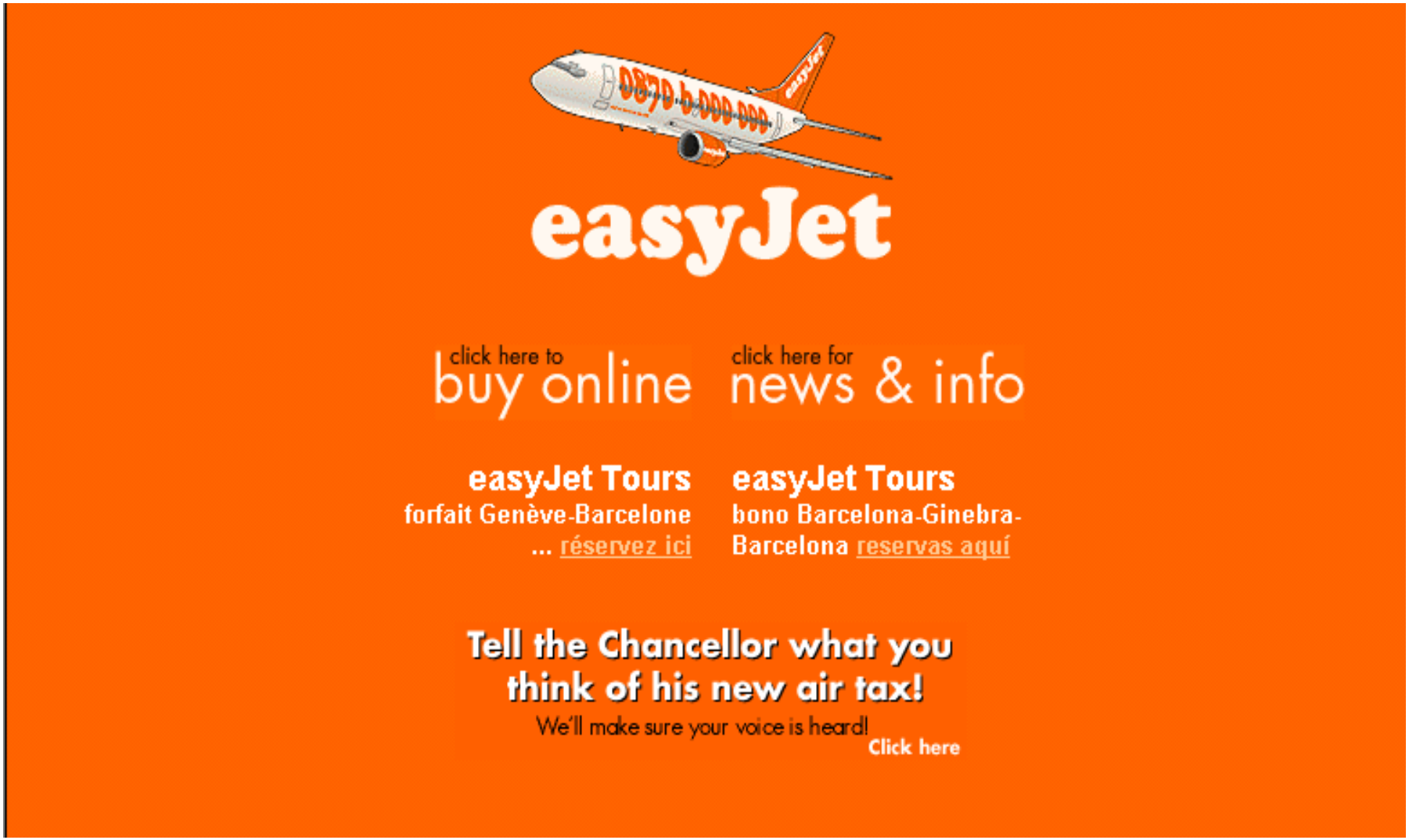
100% ticketless	**PIONEER = EASYJET**
100% direct to the consumer	**PIONEER = EASYJET**
Zero travel agents' commission	**PIONEER = EASYJET**
Zero use of Global Distribution Systems	**PIONEER = EASYJET**
Initial sales through call centre, phone number on side of plane	**PIONEER = EASYJET**
Now near 100% web distribution	**PIONEER = EASYJET**

The original call centre…



easyJet.com launched in April 1997

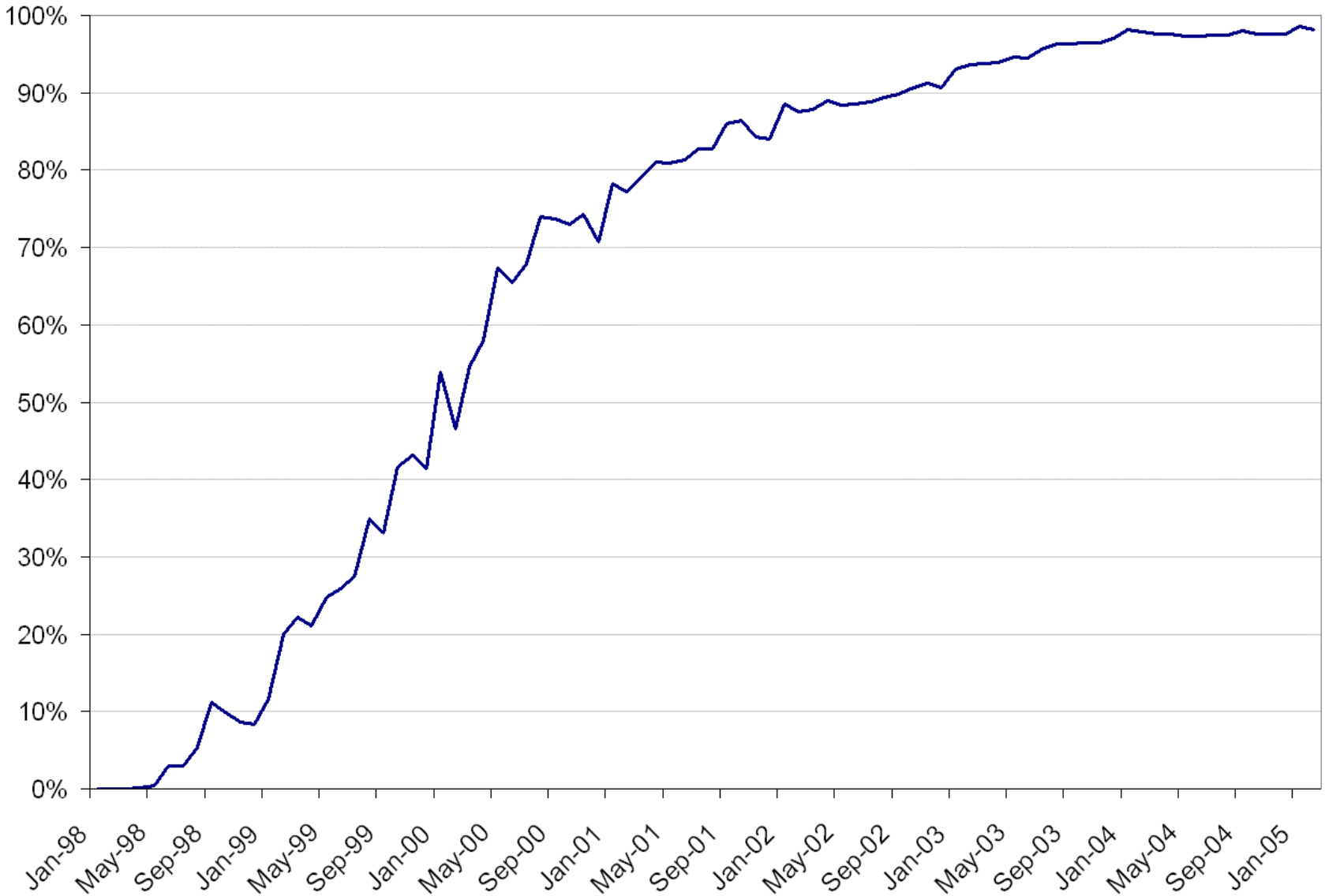
"The web's favourite airline" by 1998



Internet bookings reached 90% in 2002

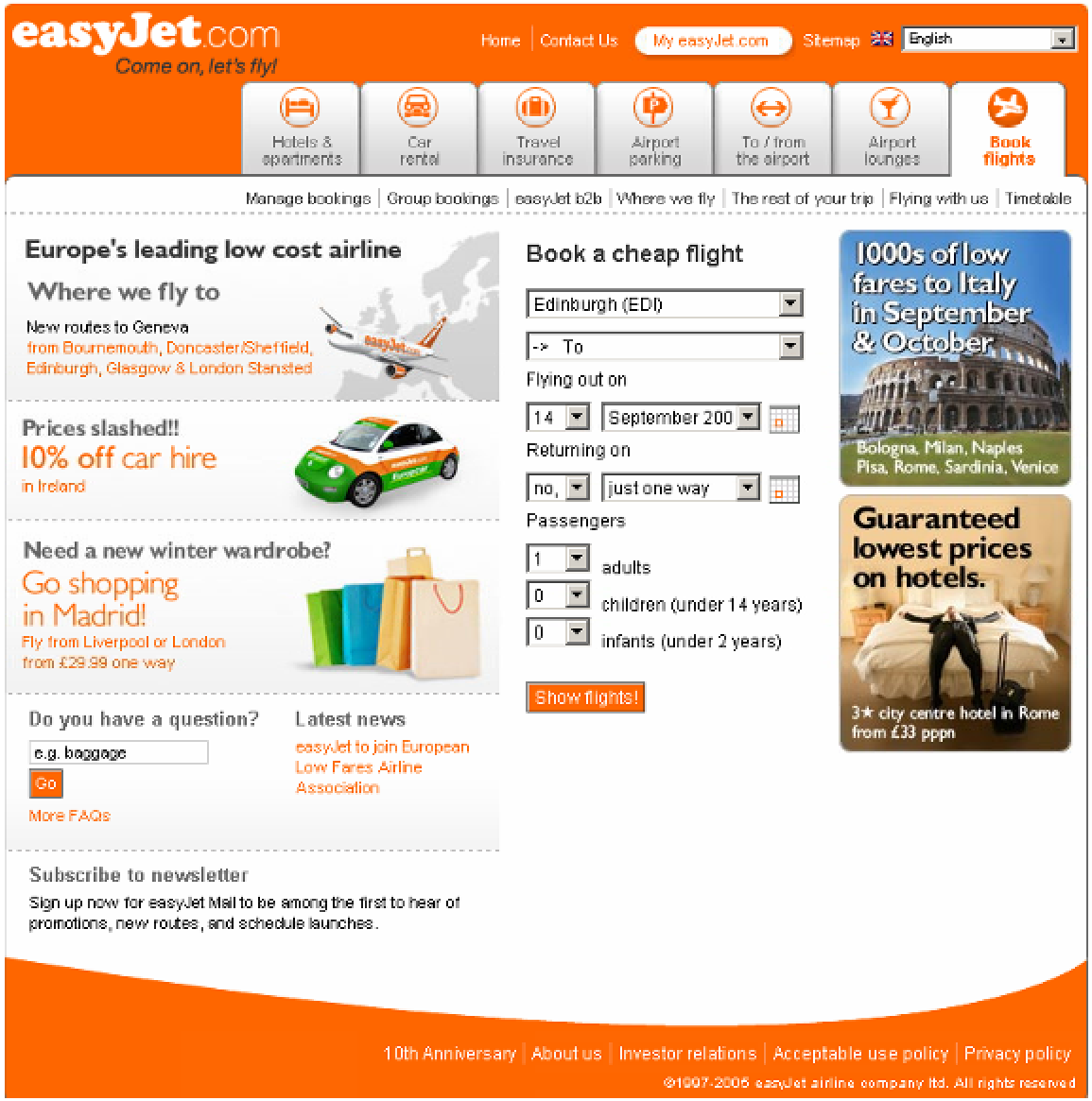
easyJet

Now 98% online



Our website now

easyJet



Four ways to be a low-cost pioneer (4)

Simple product, everything possible outsourced, no legacy

- Simple crewing, no seniority scales
- Simple ground crew, fast turn times
- Multiple bases, lean staffing
- Simple management, cheap HQ

Life at an easyBase: they work for us…



…and so do they



They don’t work for us (normally)…



He’s a bit confused…



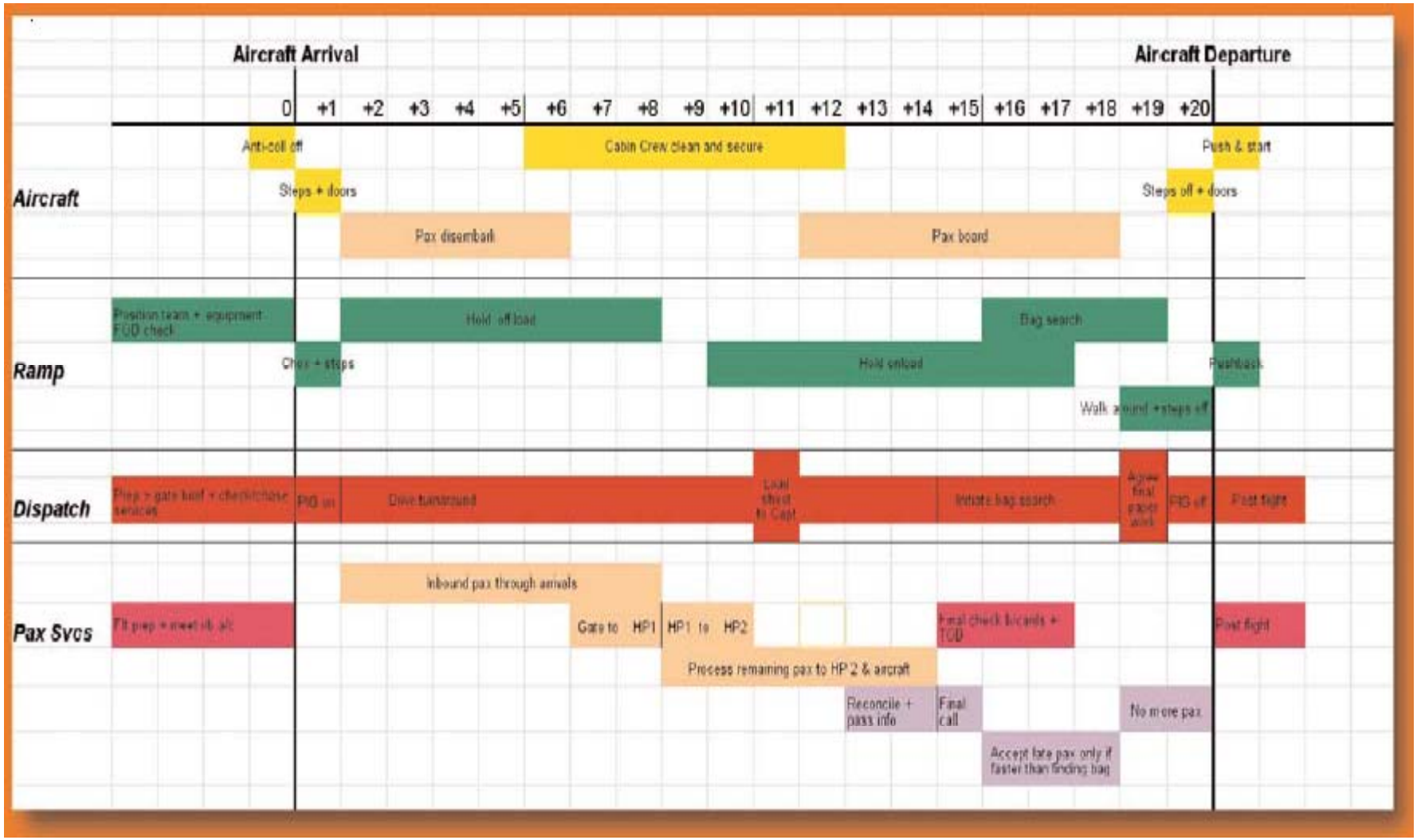
This is where the crew check in..



These are the people that manage the base..



This is what they all aim for: the 20 min turn



It’s all managed from a tin shed in Luton



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My forecasts at the time of IPO - and actuals

easyJet

- Cost performance gains (PBT equiv): crew 4.1m, distribution 35.7m, other costs 13.6m, aircraft ownership 1.9m
- Cost performance losses (PBT equiv): fuel 38.9m, maintenance 18.3m, navigation 11.9m, airports / handling 52.6m
- **Net PBT drag**: 66.4m

					% of sales		
GBPm	2000A	2001E	2004E	2004A	2000A	2004E	2004A
Sales	**263.7**	**339.5**	**679.1**	**1,091.0**			
crew	32.7	41.8	81.5	126.8	12.4%	12.0%	11.6%
fuel	33.7	36.2	67.2	146.9	12.8%	9.9%	13.5%
maintenance	20.6	25.7	52.1	102.0	7.8%	7.7%	9.3%
distribution	20.9	24.8	49.7	44.1	7.9%	7.3%	4.0%
navigation	18.4	22.6	47.2	87.7	7.0%	7.0%	8.0%
airport / handling	49.4	74.5	155.7	302.7	18.7%	22.9%	27.7%
other costs	27.0	33.5	65.4	91.5	10.2%	9.6%	8.4%
EBITDAR	**61.0**	**80.4**	**160.3**	**189.3**			
margin	23.1%	23.7%	23.6%	17.4%			
rentals	16.6	16.6	16.6	96.4	6.3%	2.4%	8.8%
depn / amort	15.8	24.0	55.0	42.4	6.0%	8.1%	3.9%
EBIT	**28.6**	**39.8**	**88.7**	**50.5**			
margin	10.8%	11.7%	13.1%	4.6%			
net interest	(6.6)	(8.0)	(18.8)	11.5	-2.5%	-2.8%	1.1%
other non-operating	0.0	(3.6)	0.0	0.2			
PBT	**22.0**	**28.2**	**69.9**	**62.2**	**8.3%**	**10.3%**	**5.7%**
tax	0.0	3.4	12.1	21.1	0.0%	1.8%	1.9%
Net profit	**22.0**	**24.8**	**57.8**	**41.1**	**8.3%**	**8.5%**	**3.8%**

Recent challenge #1: the Go merger



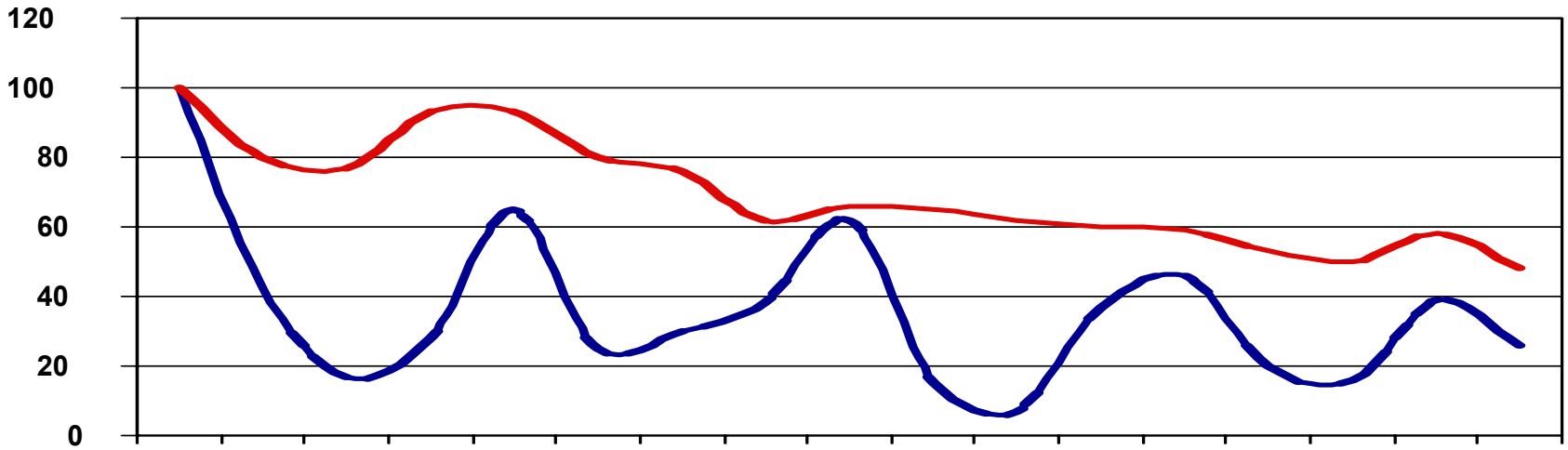
Recent challenge #2: changing the fleet



Recent challenge #3: launch in Germany



Latent challenge: competitors have improved



	easyJet	Ryanair	British Airways	Southwest
Website *screens to completion*	2000: 4 2005: 4	2000: 6 2005: 5	2000: 5 2005: 9	2000: 5 2005: 5
Pricing structure	2000: uniform one-way pricing 2005: uniform one-way pricing	2000: 6 fare categories 2005: uniform one-way pricing	2000: multiple fare categories 2005: one-way pricing available	2000: 11 fare categories 2005: at least 6 fare categories

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New management incentive programme

- Approved by EGM last Thursday (15th September)
- First time the management has had explicit return-based financial target
- One times salary in shares if 15% RoE reached by FY 2008 (from 7.5% now)
- Double-digit capacity growth target remains
- Gearing remains conservative

New top management

easyJet

Andy Harrison
CEO



Starts:
1st December

Jeff Carr
CFO



Started:
March 2005

Mike Szucs
COO



Started:
October 2003
A.K.A. “Fat Mike”

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