Nomura Transport conference

Carolyn McCall

Chief Executive

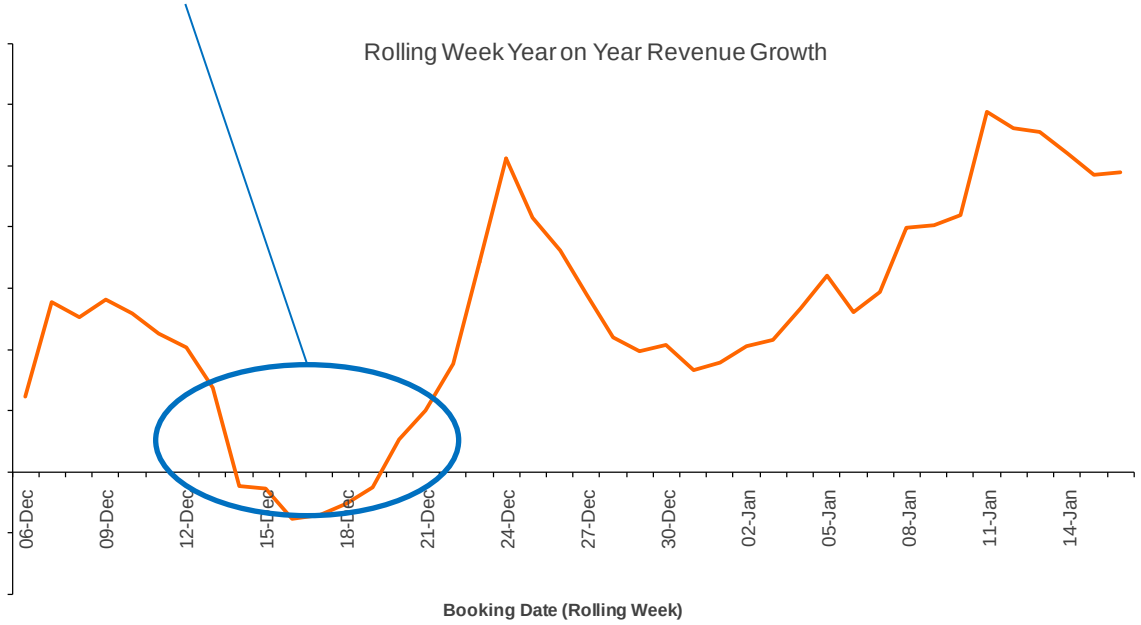


easyJet plc

Challenging environment

- Jet price up 46% in past 12 months to $1,042
- Uncertain consumer environment
- Industrial action; ATC and airports
- 30 days of severe weather disruption

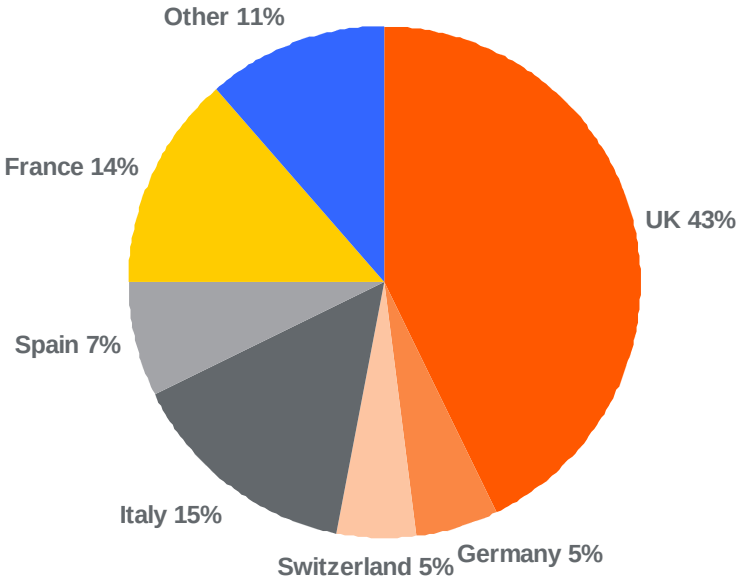
Disruption to bookings during period of snow



easyJet - proven business model

- Low cost, financially strong and highly efficient
  - Scale and cost advantage
  - High asset utilisation (average of 11 hours a day)
  - Consistently industry leading load factors
- Network of primary airports
  - Leading presence on Top 100 routes
  - Strong positions in key markets:
    - London Gatwick No.1
    - Milan Malpensa No.1
    - Geneva No.1
    - Paris No.2
    - Amsterdam No.2
- Increasing Pan European presence
  - Nearly 60% of passengers originate outside UK
  - Strong brand recognition at both ends of the route drives traffic

Departing passengers by country of origin Q1'11



Focus on the basics

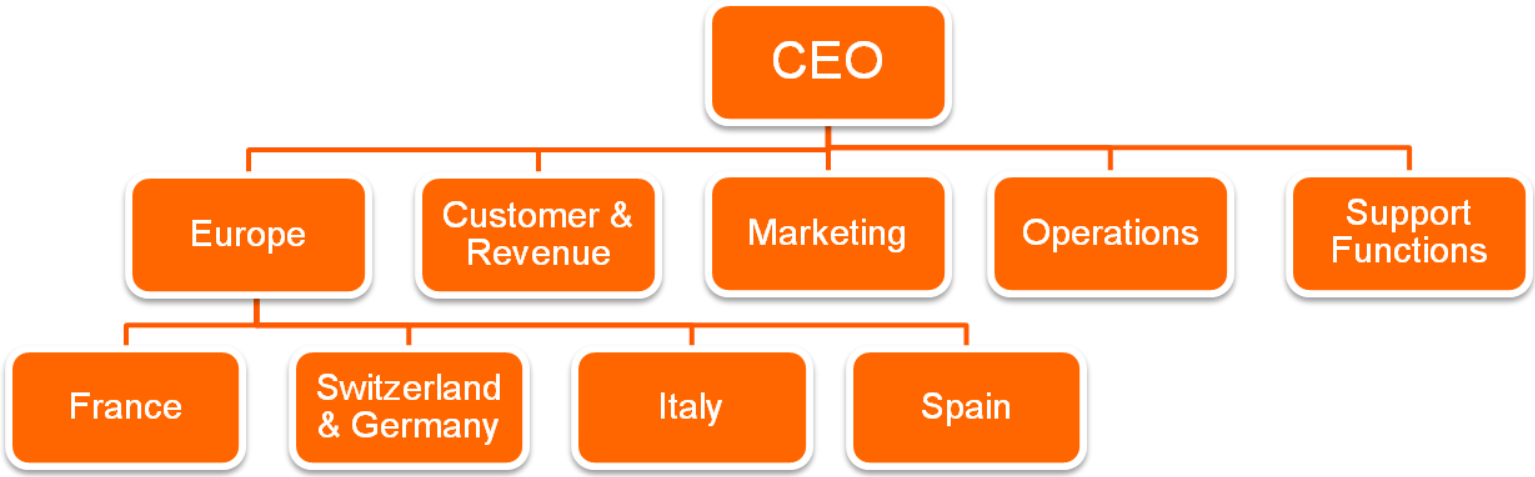


1. People
2. Operational performance
3. Cost management
4. Revenue; customer, network & ancillaries
5. Risk mitigation

1. People

Organisation aligned to strategy

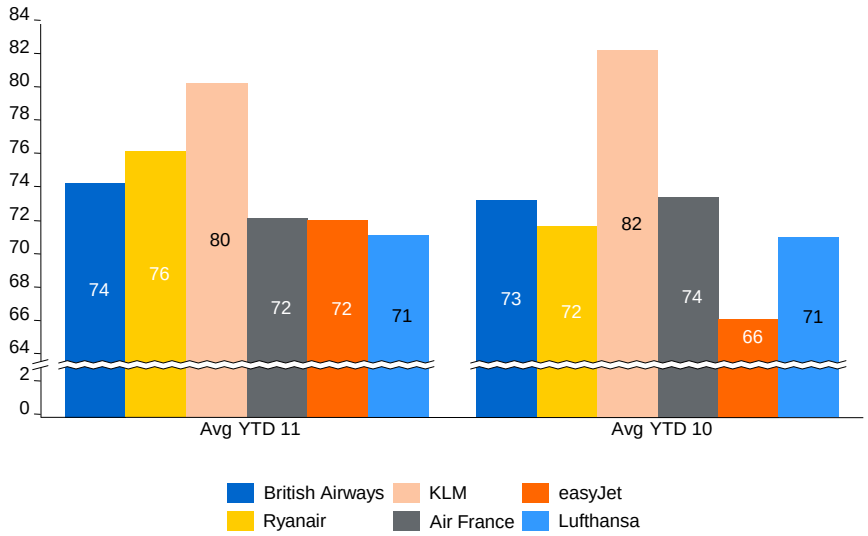
- Bonus targets aligned across the business
  - Targets set for: Profit, Cost per seat, Customer satisfaction and OTP
  - Longer term incentives will be aligned to ROCE targets
- Whole senior team focused on driving improved engagement
- Structure better aligned to strategy and business deliverables
  - Flat and lean organisation
  - Greater focus on mainland Europe



2. Operational performance

- Fix OTP
  - Focus on first wave and turnaround
  - Improved disruption management; more local decision making
  - Firebreaks in schedule
- Enough crew in the right place for the summer
  - Test the rosters early - August roster modelled in December
  - Training schedule aligned to demand
- Improve engagement
  - Visible change – 'Do what we say'
  - Better communication
- ATC and airport industrial action will continue to impact

Steady improvement in OTP



% arrivals 15 mins year to date

Source: Flightstats.com easyJet financial year to date

3. Cost management



Current trends

Navigation	✈ Some inflation, regulated cost
Crew	✈ Reinvestment to drive resilience
Overhead	✈ 10% reduction in per incident disruption cost, brand royalty
Airports / Handling	✈ Absorbing inflation through better deals and efficiency
Ownership	✈ Savings through fleet efficiency programme
Maintenance	✈ Savings from SRT and other cost initiatives

Further opportunities in crew, ground handling, overheads and fleet mix

3. Cost management

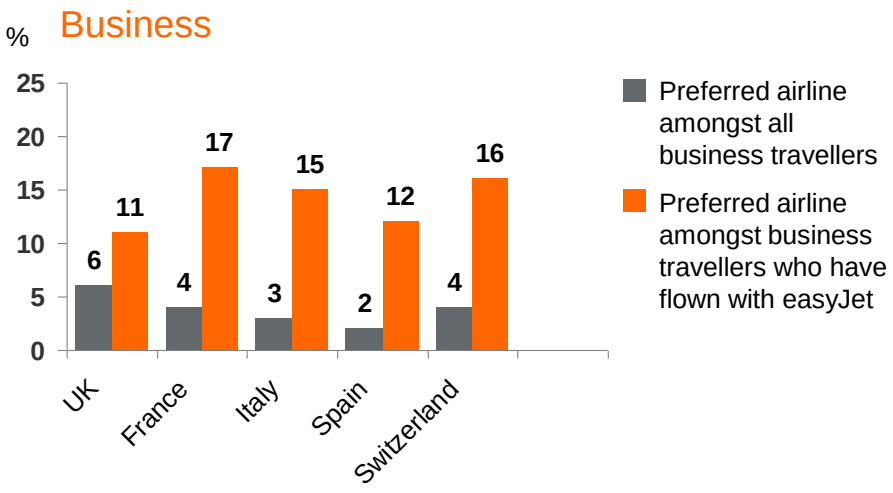
Case study - A320 introduction - undisturbed routes reviewed

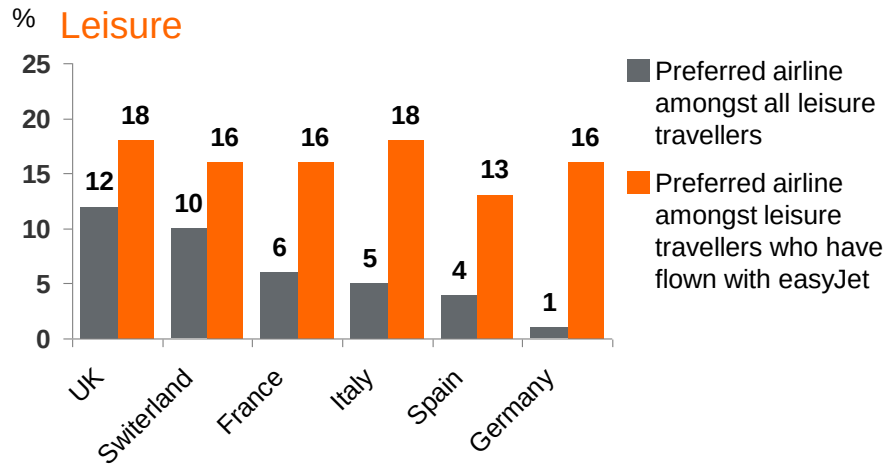
- Cost per seat reduction of 7%
- Contribution per block hour increased by 20%
- Proportion of A320's in the fleet will increase from 12% to 25% of the fleet by 30 September 2013



4. Revenue – focus on the customer







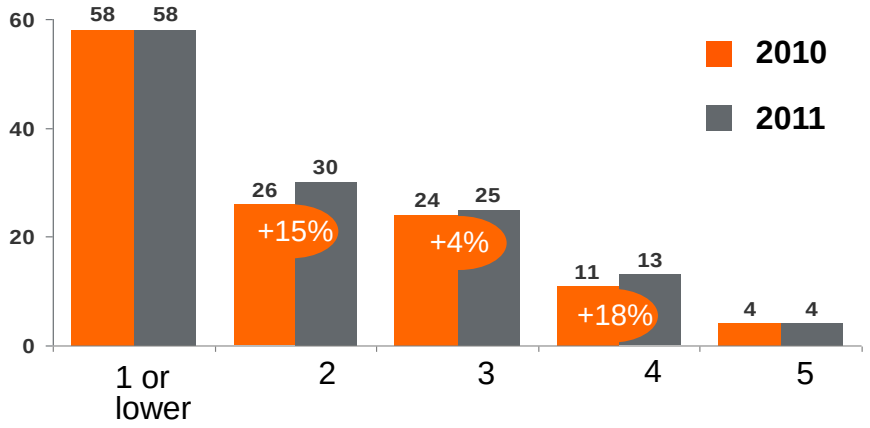


- Network ensures broad appeal across customer types
- easyJet is a positive experience for both leisure and business customers
- Reinforce strength in leisure
  - Low fares, attractive destinations, convenient schedule
  - Nectar partnership
- Drive opportunity in business
  - Convenient airports and schedule
  - Grow passenger volume
  - Increase yield premium from current c. 20%
  - Delivers less revenue volatility

4. Revenue – business travel opportunity

- Improve frequencies on key routes
- Drive distribution through API, GDS and TMC
- easyJet style sale force
- Testing flexi-fare

Improving average frequencies of business routes[1]



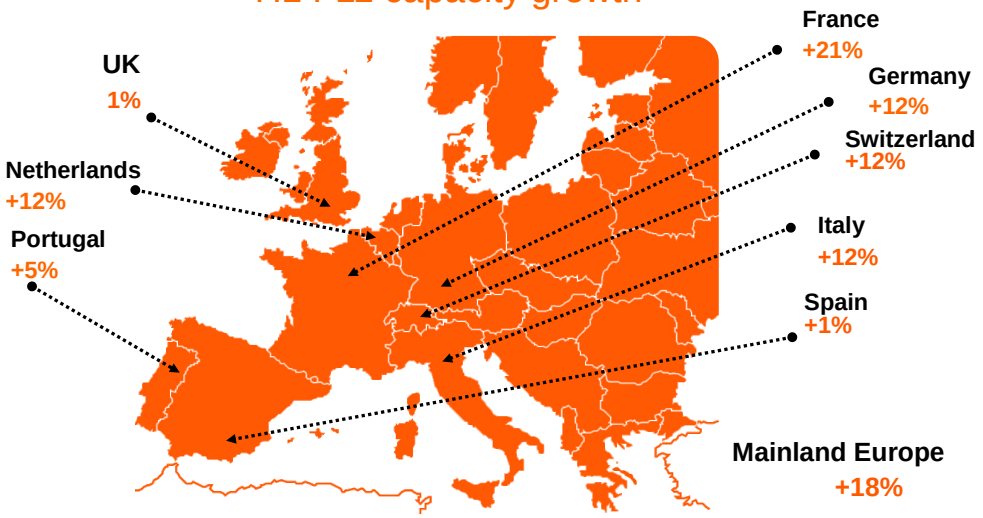
1. A/B routes classified by easyJet according to the yield profile by time of day. Broadly, A/B are "business" biased while C are leisure biased

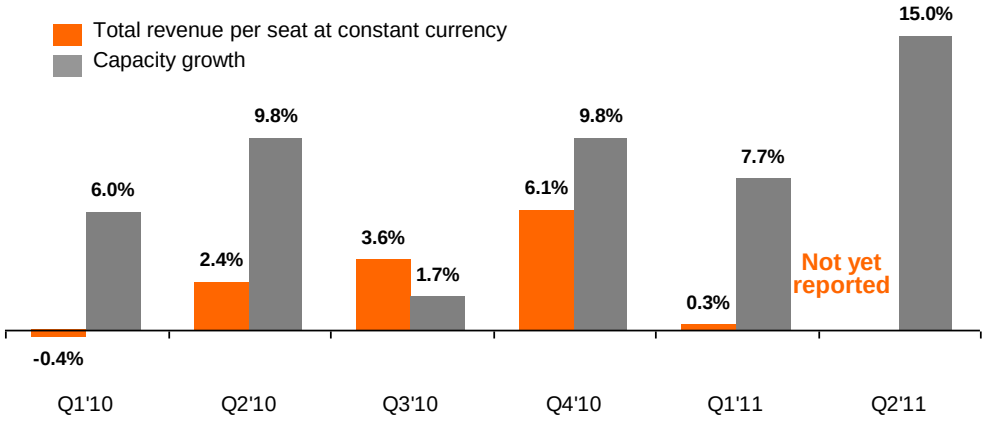
4. Revenue – network development

- Improve network returns
  - 22 underperforming routes cancelled in the last 6 months
- Develop presence in Europe

  Market share gains:*
  - UK +0.7%
  - France +1.5%
  - Switzerland +2.5%
  - Italy +0.5%
  - Germany +0.5%
- Build leading market shares
  - Continued industry leading load factors
  - Strong growth has led to yield dilution in Q2
  - No 1 or 2 position on routes up by 59 to 459

H1 F11 capacity growth



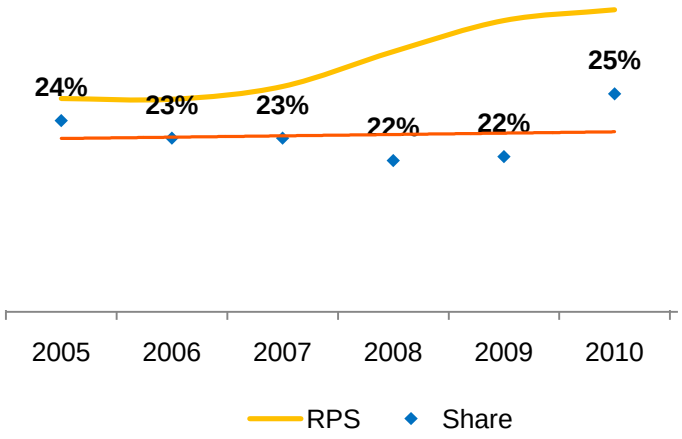


Source AG: Winter 11/10 vs Winter 10/09

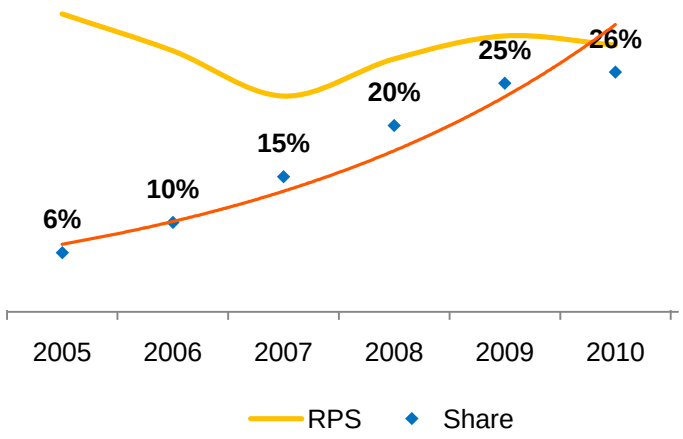
4. Revenue – network development

Market share drives revenue resilience

City pair A



City pair B



4. Revenue - network development

Growing in Europe

Paris

- Second largest market in Europe, 10% share of seats
- LCC penetration in France half the European average
- easyJet uniquely positioned to grow due to local employment contracts
- Market share 10%, 100 departures per day and c.6m easyJet customers in/out Paris in 2010

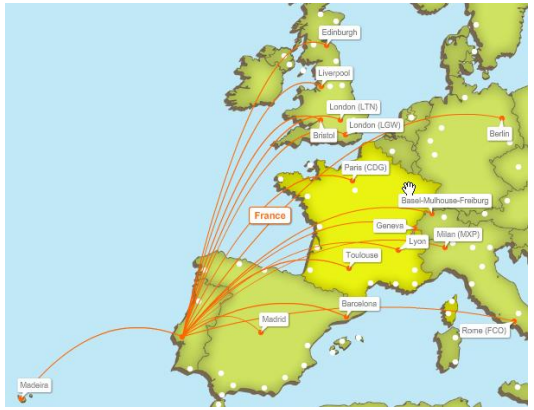
Lisbon

- Good inbound and outbound market
- Legacy incumbent
- easyJet is already Portugal's no.2 carrier carrying 3.4 million passengers per annum

Paris network

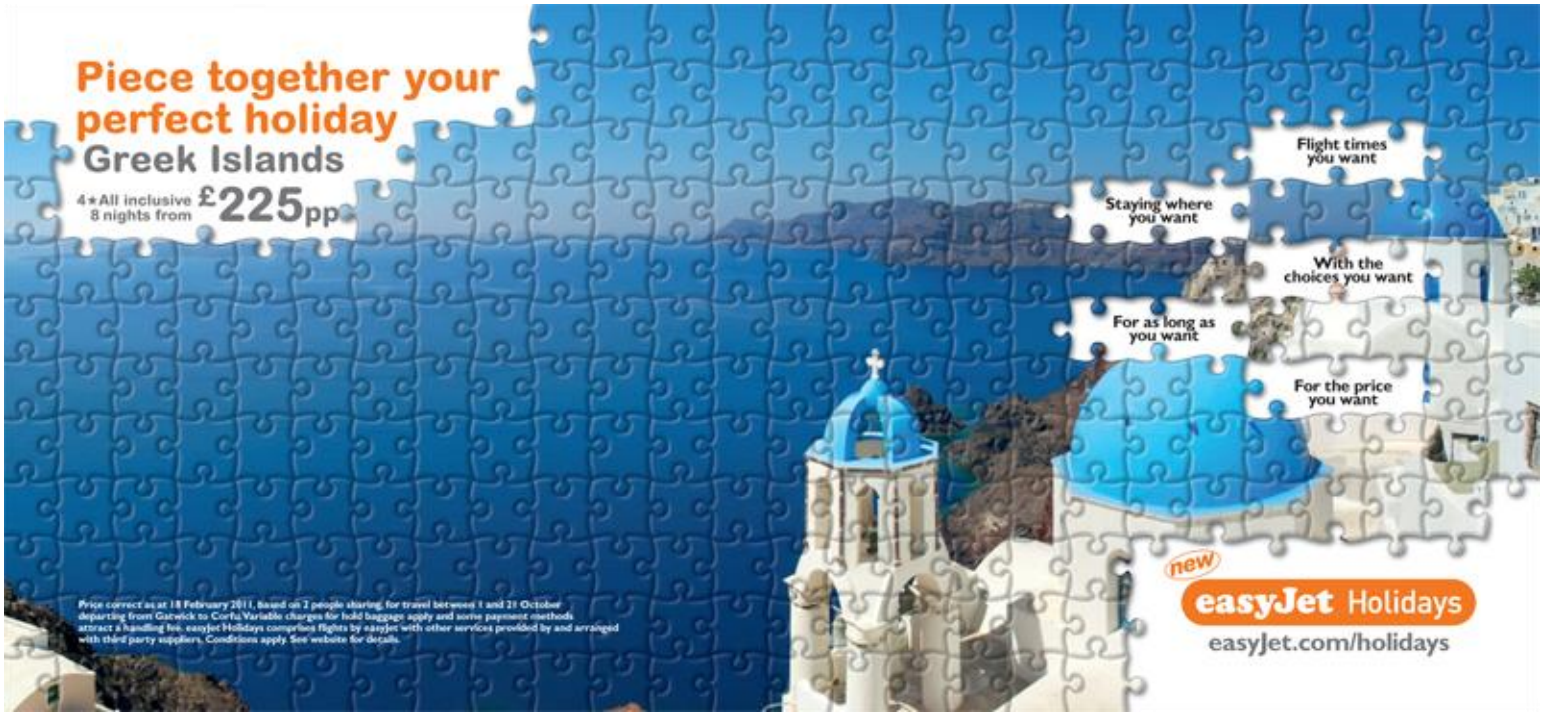


Lisbon network



4. Revenue – ancillaries

- New clearer pricing policy on hold bags based on distance and weight
- Yield manage fees and charges
- VAT and regulatory headwinds cycled by end Q2
- easyJet holidays launched



5. Mitigate risks: volatility of fuel and currency



Policy is to hedge forward on a rolling basis between 50% and 80% of next 12 months requirement & between 20% and 50% for the following 12 months

Jet fuel*

- 70% hedged for 12 months to 30 September 2011 using forwards at $734/MT
- 26% hedged for 12 months to 30 September 2012 using forwards at $808/MT

Dollar*

- 71% hedged for 12 months to 30 September 2011 using forwards at $1.60
- 50% hedged for 12 months to 30 September 2012 using forwards at $1.58

$10 movement in fuel price per metric tonne will impact F 11 fuel bill by c.$4.8m

*Hedging position as at 20.01.11.

5. Mitigate risks – flexible capacity



- Industry is cyclical thus flexibility in fleet planning is vital
- easyJet fleet plan has flexibility through
  - Aircraft deferrals
  - Lease extensions and early returns
  - Utilisation
- Growth rate can be adjusted dependant on opportunities available and economic circumstances

5. Mitigate risks - strong balance sheet



£m	Sept '10	Sept '09
Fixed assets	1,928	1,612
Cash and money market deposits	1,172	1,075
Goodwill and other intangible assets	452	447
Other assets	451	539
Total assets	4,003	3,673
Debt	1,212	1,121
Other liabilities	1,290	1,245
Shareholders' funds	1,501	1,307
Total equity and liabilities	4,003	3,673

Gearing*	32%	38%

Estimated present value of future operating lease commitments £300m to £350m

*Gearing defined as (debt + 7 x annual lease payments – cash including restricted cash) divided by (shareholders funds + debt +7 x annual lease payments – cash including restricted cash)

Focus on return on capital



Targets

- Post tax ROCE of 12% through the cycle
- PBT per seat £5

Capital structure

- Liquidity target of minimum £4m cash per aircraft
- Leverage cap of £10m adjusted gross debt per aircraft
- Net gearing not to be over 50%

Dividend policy

- 5 x cover; annual payment based on full year profit after tax introduced for F'11 results, payable F'12
- Formula provides clarity and allows for impact of extreme events (fuel, volcano)

Summary



- Challenging environment
- Proven business model
- easyJet strongly positioned
  - Advantaged network
  - Focused on the customer
  - Strong balance sheet
- Guiding principle will be return on capital employed:
  - Smart cost management
  - Business traveller opportunity
  - Network optimisation
  - Flexibility in fleet planning

Q&A



easyJet plc

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