# easyJet plc

## Year to 30 September 2011

## Pre-close statement presentation



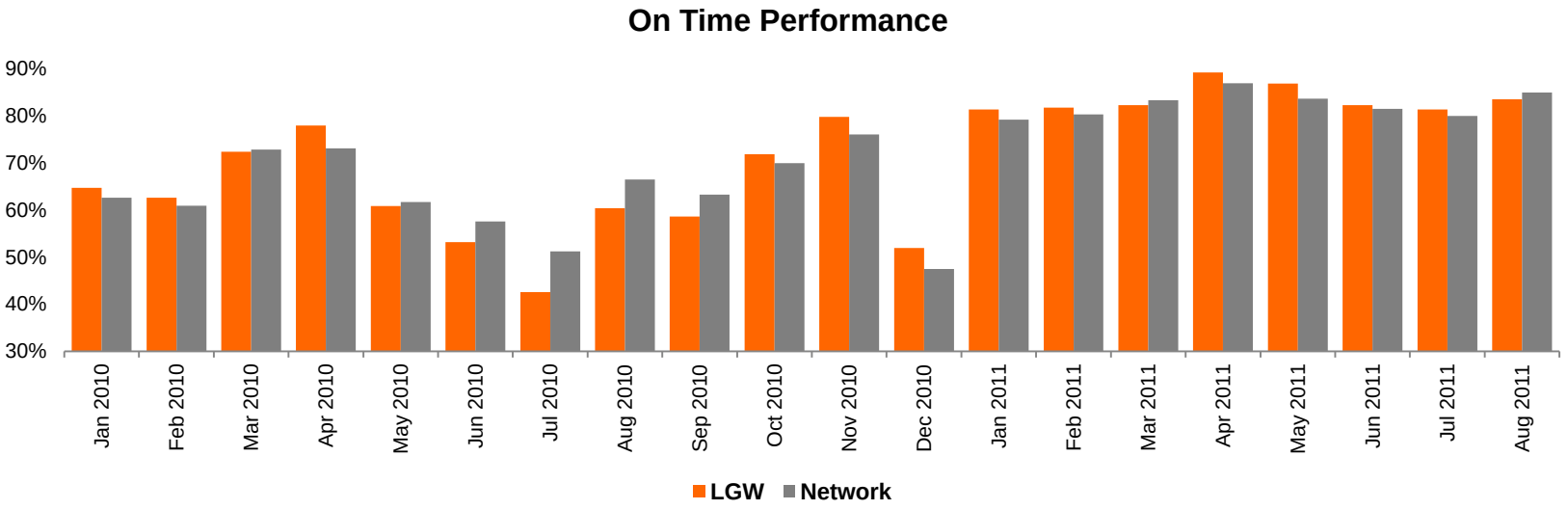
# Driving performance

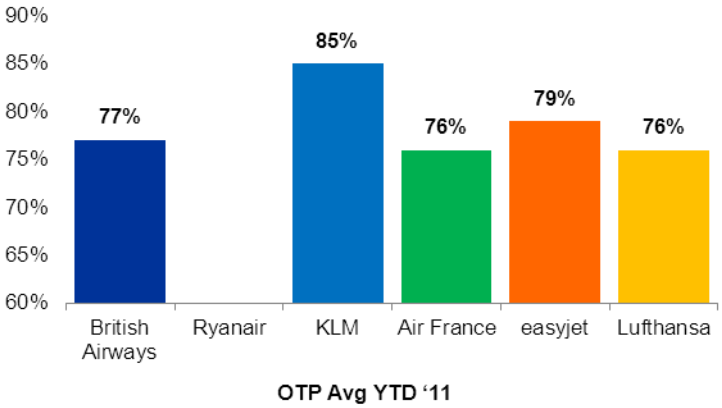


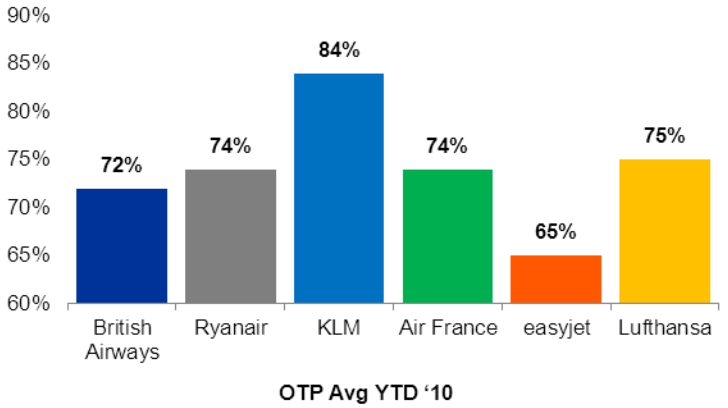
- Re-build operational robustness ✓
- Complete and focused management team ✓
- Revenue; yield and ancillaries ✓
- Brand deals ✓

# Strong operational performance






No independent data for OTP available for Ryanair since May

# Current trading – better than expected



**Guidance for year to 30 September 2011**

| | 22nd July 2011 Q3 IMS | 22nd Sept 2011 |
|---|---|---|
| Revenue per seat | | |
| FY | +2% to +3% | +3% |
| H2 | +4% to +5% | +6% |
| FY Underlying cost per seat ex fuel (constant currency) | -1% to -2% | -1% to -2% |
| Pre-tax profit | £200m to £230m | £240m to £250m |
| ROCE | 10% to 12% | >12% |

# Hedging update



| Percentage of anticipated requirement hedged | Fuel requirement | US Dollar requirement | Euro surplus sale |
|---|---|---|---|
| Full year ending 30 September 2012 | 73% | 69% | 71% |
| Rate | $956MT | $1.59 | €1.13 |
| Full year ending 30 September 2013 | 27% | 32% | 34% |
| Rate | $1006/MT | $1.62 | €1.14 |

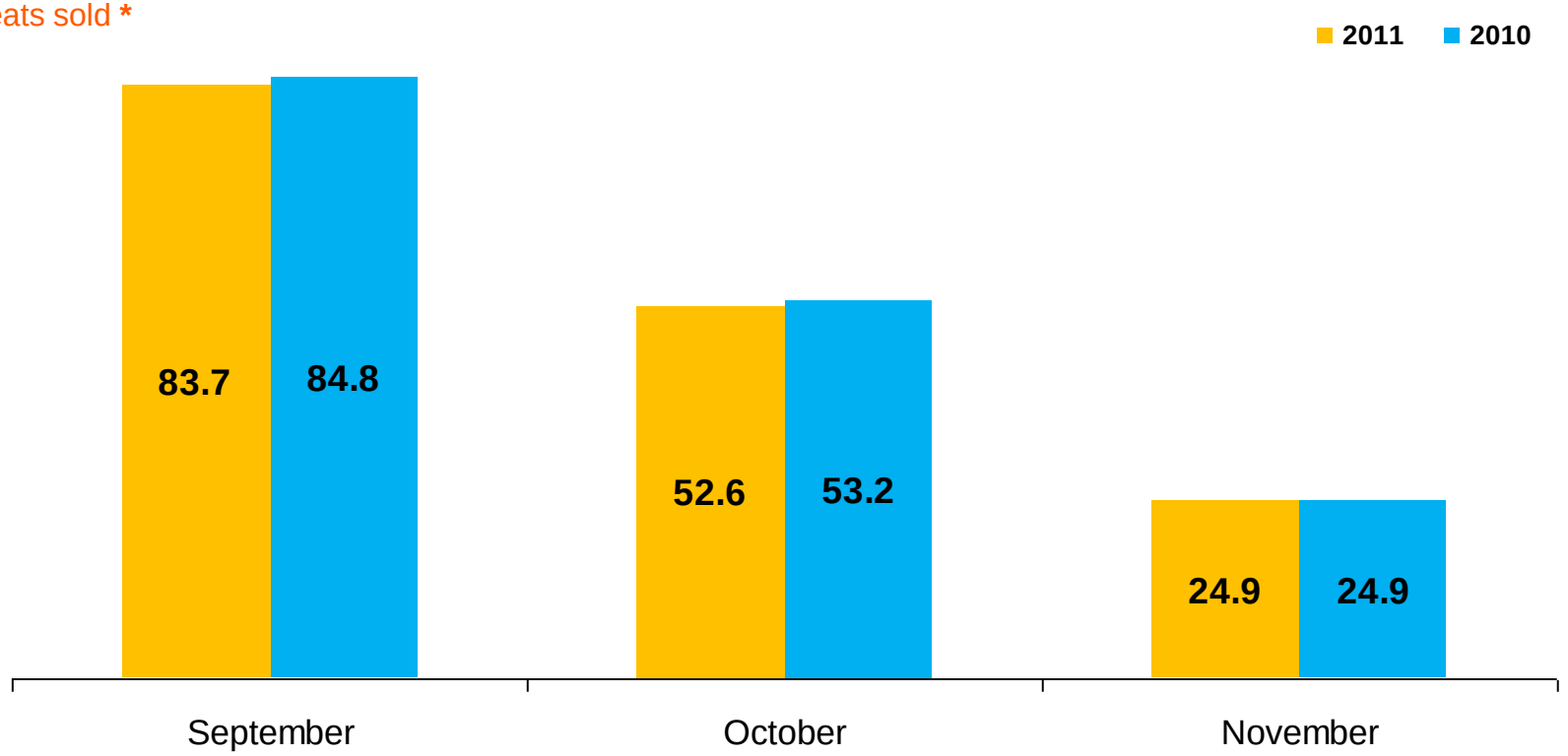
- At current fuel and exchange rates* it is anticipated that easyJet's 2012 fuel bill will increase by around £220 million



As at noon 21.09.11 Jet CIF $1,009 per metric tonne
US $ to £ sterling 1.57 euro to £ sterling 1.15

# Forward bookings and costs

% seats sold *




- Third of F'12 seats now booked and total revenue per seat continues to show improvement versus the prior years albeit at a lower rate of growth that the strong fourth quarter of F'11
- Costs headwinds in F'12 from ETS and regulated airports in Spain, Italy and the UK

# Agenda



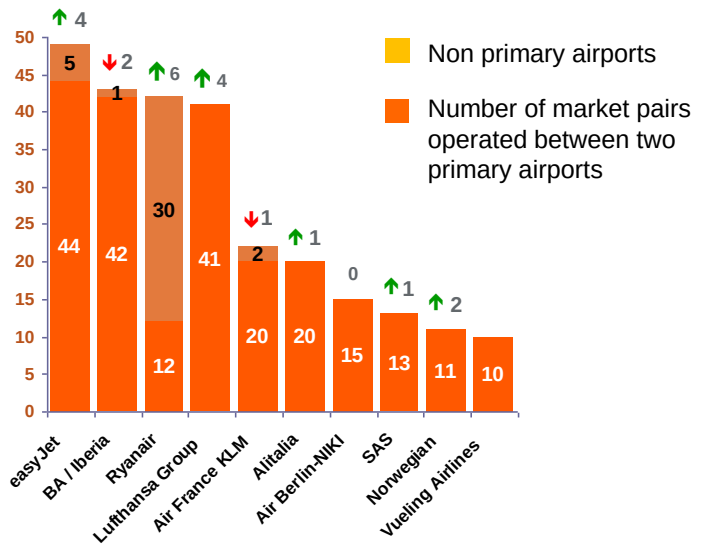
1. Current trading
2. Strategic context

# easyJet competitive advantage

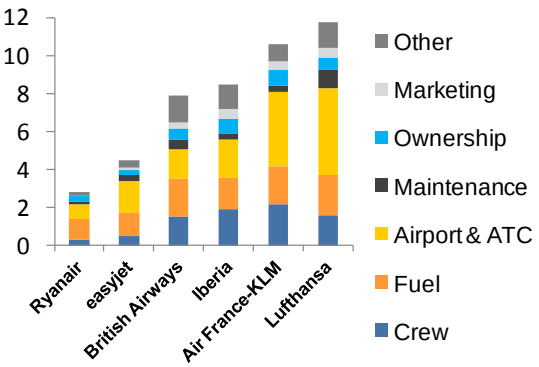
## Excellent market positions and highly attractive business model

- Leading short-haul network in Europe
  - Leading presence on Top 100 routes
  - Strong positions in key markets
  - Good range of leisure and business destinations
- Low cost and efficient
  - Scale and cost advantage compared to carriers flying to similar airports
  - High asset utilisation (average of 11 hours a day)
  - Consistently industry leading load factors
- Financial and balance sheet strength

### Presence in top 100 market pairs *




### Cost per ask * *




easyJet has a significant cost advantage compared to carriers flying to similar airports

easyJet plc

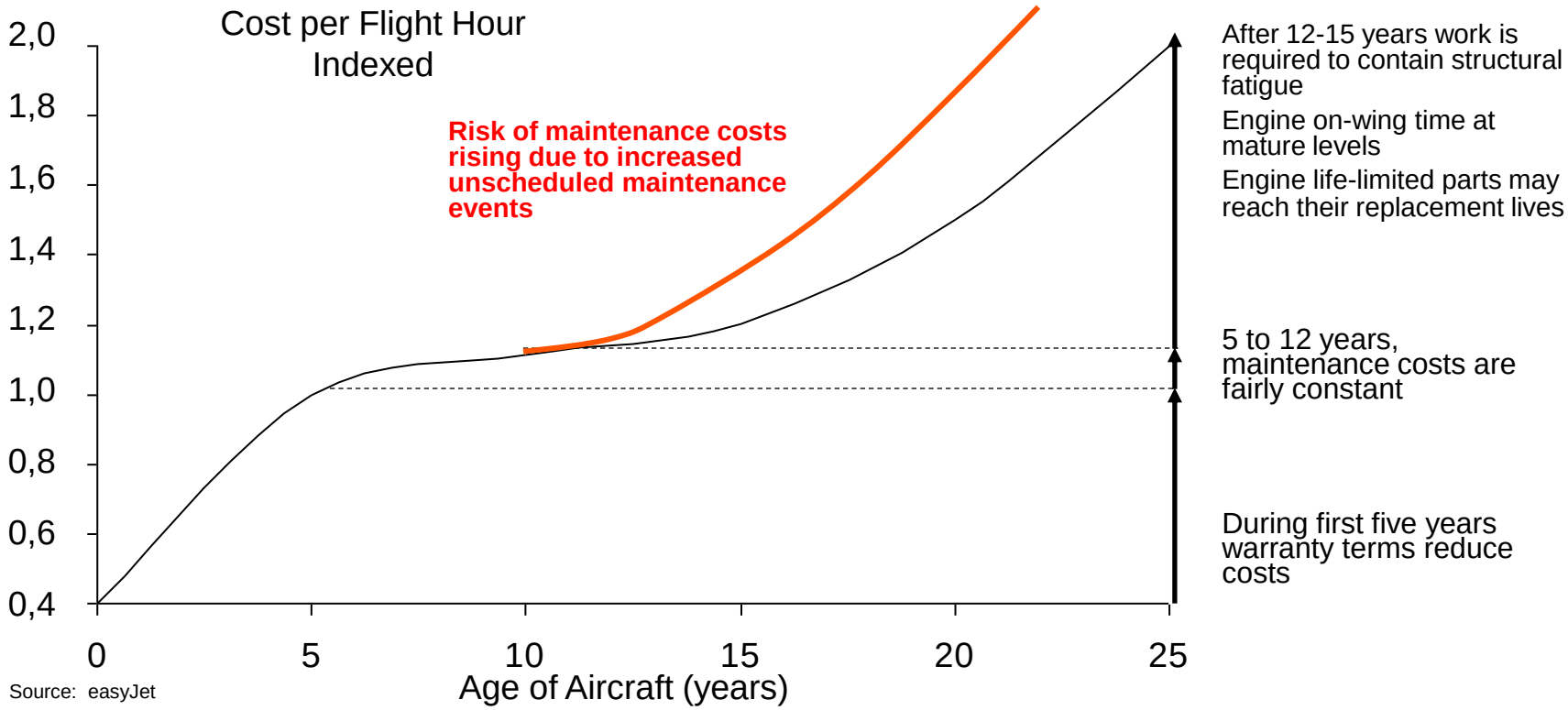
* Source: OAG 12 months to Sep10, OAG market definitions
Primary airport = airport over 10 mppa or largest airport in market
Lufthansa Group includes Austrian, bmi, bmibaby, Brussels Airlines , germanwings, Swiss

* * Source: Deutsche Bank

# easyJet fleet dynamics

## Young fleet intrinsic to achieving high asset efficiency

- Operating a young fleet is an intrinsic part of our business model
- Maximises aircraft availability and hence utilisation
- Minimises operating costs, especially maintenance
- Specification of new aircraft improves over time and hence reliability




Source: easyJet

# Background to capacity plan



July 2009:

- Board incl. SHI agree a medium growth rate

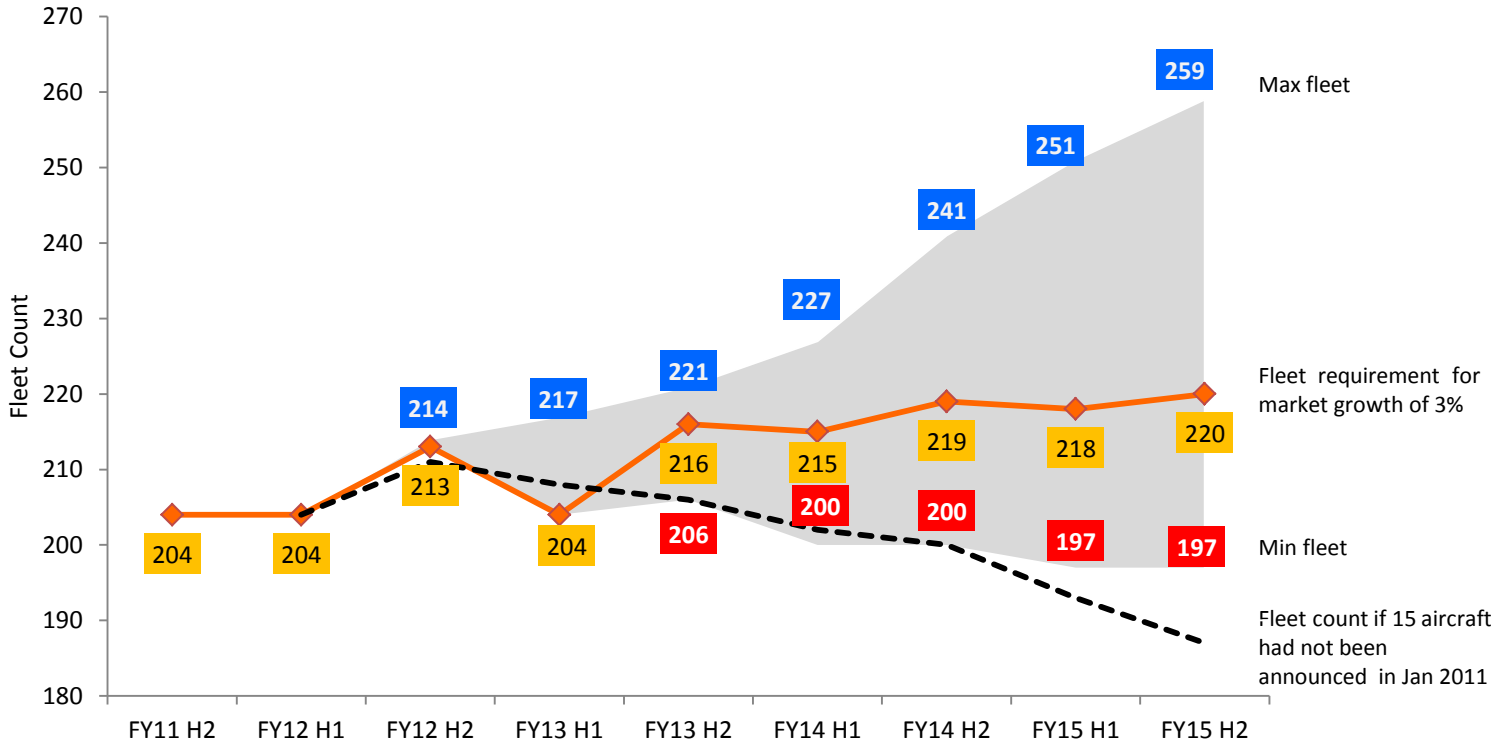
November 2010:

- Incoming CEO / CFO carry out rigorous independent strategic review:
  1. Switch to focus on ROCE as the key metric
  2. Reconfirm medium growth rate
  3. Flexibility in capacity and fleet is critical

May 2011:

- Board announced it was utilising flexibility to take a cautious approach to capacity and in light of high cost of jet fuel and uncertain consumer demand will cap the fleet at 204 aircraft for Winter 11/12 and 12/13

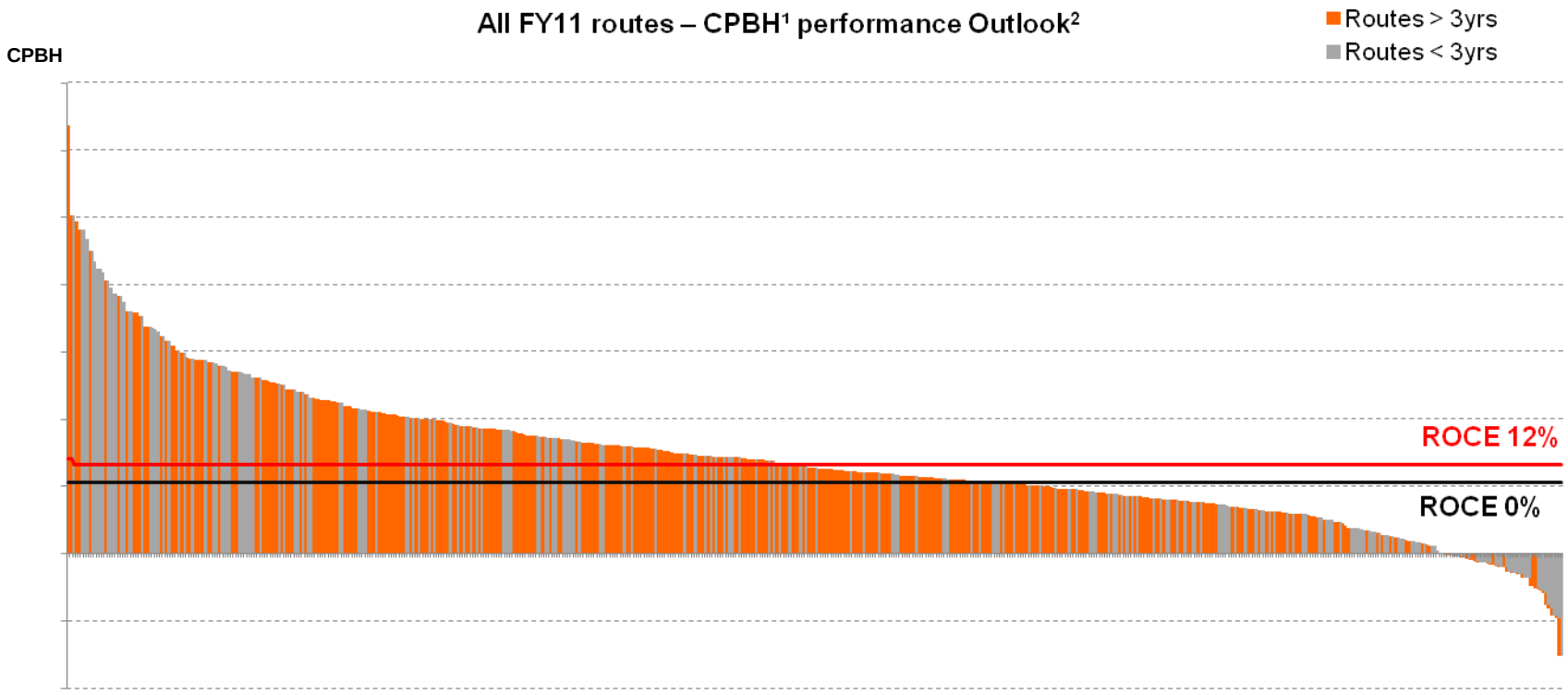
# High degree of fleet flexibility




**Required deliveries**

| | FY11 H2 | FY12 H1 | FY12 H2 | FY13 H1 | FY13 H2 | FY14 H1 | FY14 H2 | FY15 H1 | FY15 H2 |
|---|---|---|---|---|---|---|---|---|---|
| Min Fleet | 16 | 3 | 17 | 5 | 2 | 1 | 3 | 1 | 3 |
| Market Growth | 16 | 3 | 17 | 5 | 5 | 3 | 6 | 7 | 9 |
| Max Fleet | 16 | 10 | 10 | 6 | 6 | 8 | 11 | 9 | 10 |

# Framework for managing route performance




Source: easyJet management plan

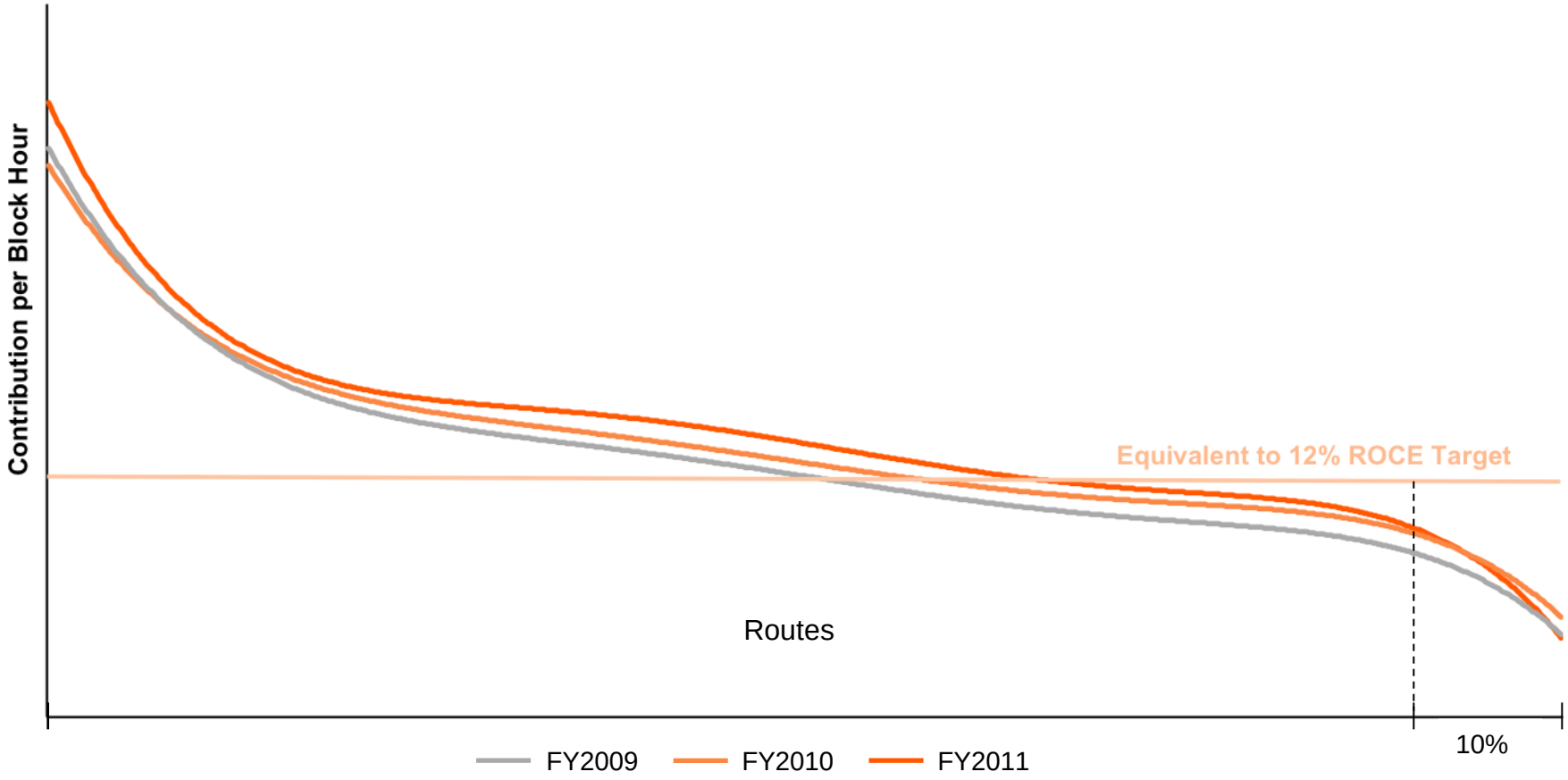
1. CPBH or Contribution Per Block Hour expresses total contribution in terms of aircraft operating time, using the industry standard metric, namely "block hour". For a given level of capital employed, we derive the direct contribution per block hour required to cover overhead and achieve a 12% ROCE

2. Analysis based on actual performance of the FY2011 route network up to July 2011(10 months) plus outlook for the remainder of FY2011

# Managing route performance

## Evolution of ROCE by route evolution (2009 routes)

✈ **Track record of improving performance over time**



# easyJet finance strategy



| | Objectives | Measures |
|---|---|---|
| **Return Targets** | ✈ Earn returns in excess of cost of capital through the cycle<br>✈ Invest in growth opportunities where returns are attractive | ✈ Improve PBT per seat to GBP5<br>✈ Post tax ROCE of 12% through the cycle |
| **Capital Structure And Liquidity** | ✈ Ensure robust capital structure<br>✈ Return excess capital to shareholders<br>✈ Maintain sufficient level of liquidity to manage through the cycle and industry shocks | ✈ Maximum gearing of 50% *<br>✈ Cap of GBP 10m adjusted net debt per aircraft<br>✈ Minimum GBP 4m cash per aircraft |
| **Dividend Policy** | ✈ Targeting consistent and continuous dividend payout | ✈ 5x cover, subject to meeting gearing and liquidity targets<br>✈ Annual payment based on full year PAT; introduced for FY 2011, payable 2012<br>✈ Consider returns over 5x cover to reduce excess capital |
| **Aircraft Ownership** | ✈ Maintain flexibility around fleet deployment and size | ✈ Target of 70% owned aircraft, 30% leased aircraft |
| **Hedging** | ✈ Insulate short term operating performance against adverse movements in fuel price and exchange rates | ✈ 65%-85% of the next 12 months' anticipated requirements<br>✈ 45%-65% of the following 12 months' anticipated requirements |

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

# Capital allocation



Ordinary dividend:

- 5x cover or c. £40m or c.  9 pence per share based on current guidance

One-off capital return:

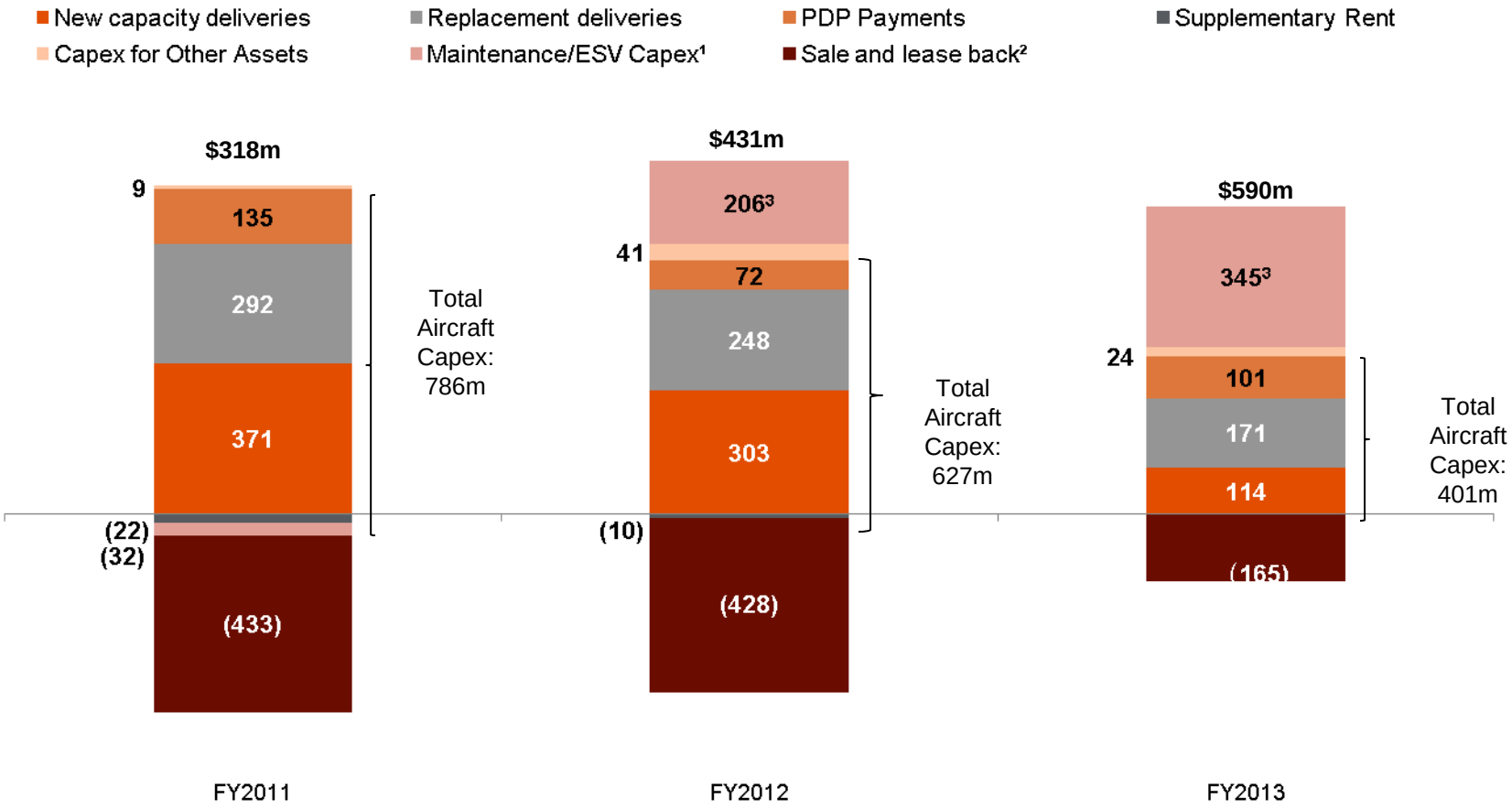
- Board expects in November 2011 recommend a one-off capital return, of £150 million, likely to be in the form of a special dividend payable early calendar 2012

Capital expenditure:

1. Maintain fleet size (replacement of leased aircraft and engine overhaul)
2. New network opportunities; required to deliver on-target returns within a tight and defined timescale

# Capital cash flow including financing and overhauls

Assumes capacity growth in line with the market




Source: easyJet management plan

1) Including $118m of proceeds from disposals and $101 additional cumulative capex
2) Capex is shown pre-financing – current plan is to maintain 70%/30% owned/leased mix
3) Shop visits are assumed at an engine life of seven years

# Summary



- Business continues to trade well
- Board has committed to delivering returns in excess of the cost of capital and returning excess capital to shareholders
- easyJet has significant flexibility in its capacity and fleet planning
- easyJet has a robust framework for allocating capital and will not allocate new capital unless it will deliver target returns in a tight and defined timescale