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Fundamental Analysis of Equities

Valuation of EasyJet with Investment Recommendation

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By signing this declaration, we affirm that the content of this master's thesis reflects our original work, augmented by the responsible use of AI.

Léopold DUBAN

Forward

I would like to express my deep gratitude to Mr Philippe Grégoire, my thesis supervisor, for his invaluable guidance and sound advice throughout this work. His expertise and availability have been a great help in bringing this research to a successful conclusion. Thanks to his methodological advice and scientific rigour, I was able to approach this complex subject with the necessary tools and an enlightened perspective.

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Thank you to all those who, directly or indirectly, contributed to the completion of this thesis. Your support and contributions have been essential to the success of this project.

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Chapter 1: Introduction

The aviation market is a dynamic and competitive sector, characterized by high demand for mobility and constant pressure on costs. In Europe, low-cost airlines play a crucial role by offering affordable alternatives to traditional flights. Among these, EasyJet stands out as one of the leading companies in this segment by offering attractive fares and optimizing its operations to maintain low costs.

However, the aviation industry faces growing environmental challenges that play a crucial role in its future prospects. The pressure to reduce carbon emissions and adopt more sustainable practices is increasingly intense, both from regulators and consumers. For airlines like EasyJet, the ability to meet these environmental expectations is critical to ensuring their long-term competitiveness.

This thesis aims to conduct a fundamental analysis of EasyJet's shares, providing a detailed evaluation of their value. The study begins with a strategic analysis to identify EasyJet's strengths, weaknesses, opportunities, and threats in the market. Subsequently, particular attention will be given to risks and opportunities, especially regarding environmental criteria. EasyJet's initiatives to reduce its carbon footprint, such as investing in cleaner technologies and improving energy efficiency, will be evaluated for their potential impact on future performance.

Finally, the financial analysis of EasyJet aims to provide a comprehensive understanding of the company's financial health. Based on the strategic, environmental, and financial analyses, a valuation of the shares will be conducted, including a primary scenario and two alternative scenarios.

The thesis will conclude with a recommendation to buy or sell EasyJet shares, offering clear and justified guidance for investors considering current economic, industrial, and environmental perspectives.

Chapter 2: Literature Review

Definition of Intrinsic Value

The intrinsic value of an asset represents its value based on a hypothetically complete understanding of its investment characteristics. Unlike the market price, which can fluctuate due to investor perceptions and behaviors, the intrinsic value reflects the "true" value of an asset according to a thorough analysis. Each investor, depending on their expertise and analytical methods, may have a different estimate of the intrinsic value of the same asset. This divergence between intrinsic value and market price is a fundamental pillar of equity valuation. (Stowe et al., 1980)

Efficient Market Theory and the Grossman-Stiglitz Paradox

Efficient market theory posits that the market price of a security is the best available estimate of its intrinsic value. In other words, in an efficient market, market prices incorporate all available information, making any additional valuation attempts unnecessary to outperform the market. According to this theory, valuation would simply require looking at the market price. However, a major critique of this hypothesis is presented by the Grossman-Stiglitz paradox (1980). This paradox argues that if market prices perfectly reflected the intrinsic value of a security, rational investors would have no incentive to incur the costs of obtaining and analyzing information necessary to form a second estimate of the security's value. Without investors willing to analyze information, it becomes unlikely that market prices could truly reflect intrinsic value. This paradox highlights the importance of research and analysis in price formation and underscores that investors engage in these costly activities only if they expect to be rewarded with higher returns compared to the free alternative of accepting the market price. (Grossman & Stiglitz, 1980)

Valuation Using the Free Cash Flow to the Firm (FCFF) Method

The valuation method based on Free Cash Flow to the Firm (FCFF) is a fundamental approach for determining the intrinsic value of a company. This method falls under the broader category of discounted cash flow (DCF) valuation, leveraging the cash flows generated by a company's operations after covering all operating expenses, taxes, and necessary capital investments. FCFF represents the cash flows available to all capital providers of the company, including

shareholders and bondholders. It is the cash flow generated by the company's operations, minus capital expenditures. The FCFF method is particularly valuable as it provides a comprehensive view of the company's ability to generate cash for its investors, often considered more accurate than models based solely on dividends. (Stowe et al., 1980)

To calculate FCFF, earnings before interest and tax (EBIT) need to be adjusted for depreciation, changes in working capital requirements and necessary capital expenditure. Once the FCFF has been determined, the valuation of the company is based on the present value of future FCFF, discounted at the weighted average cost of capital (WACC). The WACC is a discount rate that reflects the company's cost of capital, weighted according to the proportion of debt and equity in the company's capital structure. (Stowe et al., 1980)

After calculating the company's value using the Free Cash Flow to Firm (FCFF), the equity value is determined by subtracting the value of the debt from the total enterprise value. The per-share value is then obtained by dividing the total equity value by the number of outstanding shares. If the FCFF grows at a constant rate, the enterprise value can be simplified using a perpetuity growth formula. (Stowe et al., 1980)

Valuation Using Comparables

The comparable method is a valuation technique that uses valuation multiples of similar assets, known as comparables or "comps". This method values an asset using financial ratios, such as the price/earnings ratio (P/E), derived from similar assets, providing a quick estimate for comparison with its market price. It is used to determine whether a stock is undervalued, overvalued or fairly valued relative to similar assets and is also applied to enterprise value multiples (EV multiples), assessing total market value relative to financial measures such as EBITDA. Analysts compare actual valuation multiples with benchmark multiples. If two stocks with similar risk profiles and growth prospects have different P/E multiples, the one with the lower P/E may be considered undervalued. (Stowe et al., 1980)

The key steps include identifying similar assets, calculating their valuation multiples, applying these multiples to the asset being valued, and comparing the estimated value with the market value to determine whether the asset is undervalued or overvalued. (Stowe et al., 1980)

Chapter 3: Strategic Analysis

3.1. Internal Environment

3.1.1. EasyJet's Strategy

Founded in 1995 by Sir Stelios Haji-Ioannou, EasyJet is a British low-cost airline based in London. With a fleet of 336 aircraft, primarily Airbus A320s, it operates over 1,000 routes to 155 destinations in 35 countries. Known for its orange and white planes, EasyJet offers affordable flights without additional fees, attracting millions of passengers each year. Employing over 16,000 people, the company stands out for its strong presence in major European air corridors, earning it a leading position in the UK and Europe. (Annual Report, 2023)

EasyJet has been repeatedly recognized for its high-quality standards and strong brand reputation. It was ranked the second-best low-cost airline in Europe by Skytrax (2022) and won the title of Best Short-Haul Airline at the Business Travel Awards (2020). Additionally, its mobile app was named the best in the world by the World Aviation Festival (2019). These accolades underscore its commitment to operational efficiency and customer satisfaction.

Effective workforce management is another key element of EasyJet's success, fostering employee loyalty and satisfaction to enhance customer experience and productivity. Investments in the EasyJet Academy contribute to a stable supply of skilled personnel, essential for maintaining competitiveness in the market. (EasyJet Media Centre, 2015)

With a market capitalization of over £3.47 billion[1], EasyJet maintains good cost management, notably through the adoption of a single aircraft model, allowing it to offer competitive fares while ensuring operational profitability. However, EasyJet's revenue structure is heavily influenced by seasonality, with a predominance of income during the summer season. This seasonal dependency makes the airline susceptible to fluctuations, potentially affecting its profitability during off-peak periods. This situation could limit its ability to maintain optimal operations year-round. (Annual Report, 2023)

[1] EasyJet market capitalisation on 26 May 2024 from Yahoo Finance

The airline is also sensitive to variations in taxes and government fees. With tighter operating margins compared to premium carriers, any increase in tax or governmental charges could significantly impact its financial results. This vulnerability to political decisions and economic fluctuations could affect EasyJet's long-term profitability.

3.1.2. Vision of the Management Team

The future vision of EasyJet's leadership team focuses on strengthening the company's market position through several strategic initiatives. These include a strong commitment to sustainability, aiming for carbon neutrality by leveraging technological innovations and increasing the use of sustainable fuels. The company also seeks to enhance operational efficiency by optimizing processes and investing in cutting-edge technologies to reduce costs and improve customer experience. EasyJet plans to expand its network across Europe and explore new market opportunities to drive growth, while maintaining financial resilience through prudent asset and liability management. Digital transformation is a key pillar, with investments in digital platforms to provide a seamless and personalized customer experience. Additionally, the company continues to prioritize its human capital by implementing talent development programs and fostering an inclusive and innovative corporate culture. (Annual Report, 2023)

3.1.3. EasyJet's Environmental Strategy

EasyJet is committed to reducing its environmental impact by becoming the first major airline to operate net zero carbon flights. The company is moving away from its carbon offset program to adopt a direct reduction approach. The British airline has set ambitious targets, aiming to reduce its CO2 emissions by 35% by 2035 and by 78% by 2050. The current offset program will remain in place for domestic flights within France. EasyJet plans to purchase biofuels to meet five years of fuel needs and to equip its Airbus fleet with a descent trajectory optimization system. Additionally, partnerships have been announced with the world's second-largest aerospace supplier, Safran, to explore hydrogen engines and support CO2 capture. The fleet renewal with 157 Airbus A320neo aircraft between FY29 and FY34 is regarded as the most effective immediate investment for decarbonization. EasyJet is also focusing on improving the energy efficiency of its ground and in-flight operations. Measures such as optimising flight paths, reducing aircraft weight and improving airport infrastructure are helping to reduce fuel

consumption and associated emissions. At the same time, the company is investing in greener infrastructure at its offices and operational bases. (Annual Report, 2023)

3.1.4. EasyJet's Social Strategy

In its latest annual report, EasyJet highlights its commitment to diversity and inclusion, demonstrated through initiatives aimed at increasing the representation of women and minorities in technical and leadership roles, as well as through unconscious bias training programs. Employee well-being is a priority, with support programs for mental and physical health, including counseling services and stress management programs. Additionally, EasyJet actively engages in community initiatives, supporting local communities affected by the COVID-19 pandemic through partnerships with charitable organizations and educational projects. Pay equity is also emphasized, with strict policies to ensure fair pay for work of equal value and efforts to reduce gender pay gaps. Lastly, the company invests in employee training and development, offering skills development programs to foster a culture of continuous learning. (Annual Report, 2023)

3.1.5. EasyJet's Governance Strategy

The Board, led by Sir Stephen Hester, comprises a diverse mix of executive and non-executive directors, including Johan Lundgren (CEO) and Kenton Jarvis (CFO). Various committees, such as the Audit Committee and Remuneration Committee, play key roles in overseeing financial processes and remuneration policy respectively. EasyJet adheres to the governance standards of the UK Corporate Governance Code, with regular performance reviews to ensure transparency and continuous improvement. Risk management is rigorously addressed by the Audit Committee, ensuring that financial and operational risks are identified and managed effectively. In addition, shareholder engagement is highly valued, as evidenced by the unanimous approval of resolutions at the Annual General Meeting in February 2024, illustrating strong support for the company's strategies. (Annual Report, 2023)

3.2. External environment

3.2.1. Market Analysis

Current Low-Cost Aviation Market Context

The rise of the low-cost aviation market is significantly transforming competition within the airline industry. Initially focused on medium-haul routes, low-cost carriers are now expanding their horizons to long-haul flights, exemplified by Norse Atlantic Airways planning direct flights between Paris and Los Angeles. This expansion intensifies competition with traditional players such as Air France and Delta, while benefiting consumers with attractive fares on routes like Paris-New York. In response, major airlines like Air France are launching their own low-cost subsidiaries, such as Transavia, to stay competitive and explore new routes, demonstrating the intense competitive dynamics that characterize the market. Record passenger numbers, such as the 18.9 million passengers transported in a month by Ryanair, highlight the growing influence of low-cost aviation. (Capital, 2023)

Business Model of Low-Cost Airlines

Low-cost airlines adopt economic strategies focused on reducing operational costs to maintain profitability. They prioritize low fares over luxurious services, minimize travel amenities, and optimize their flight schedules by concentrating on heavily trafficked local routes. By streamlining their fleet with fewer aircraft models, choosing less expensive secondary airports, and sharing maintenance costs, these airlines manage to offer attractive fares despite narrow gross margins. However, their model remains exposed to unavoidable realities such as the cyclicality of the industry, high fixed costs, sensitivity to economic fluctuations and oil prices, and intense competition, with traditional airlines also developing low-cost services. This reflects a certain maturity of the market in Western Europe, marked by increased competition among different categories of carriers. (Zonebourse, 2022)

Market Strategy for Reducing CO2 Emissions

During the 77th Annual General Meeting of the International Air Transport Association (IATA) held in Boston, USA, on October 4, 2021, a resolution was adopted by representatives of 290 airlines to achieve carbon neutrality in the aviation sector by 2050. To reach this goal, airlines plan to reduce or fully offset the equivalent of 1.8 billion tonnes of CO2, considering a projected

global traffic of 10 billion passengers by 2050. The transition primarily relies on the use of sustainable aviation fuels (SAFs), produced from plant materials or food waste, with the aim of reducing emissions by 65% by 2050 through these fuels. (Les Echos, 2021)

However, the implementation of this plan requires overcoming significant challenges, including the rapid production and certification of new SAF production methods. Airlines also rely on carbon offset and capture systems, such as Corsia, to contribute 19% towards the carbon neutrality goal. Additional initiatives, such as the creation of a European "single sky" and efforts to reduce ground emissions, could add another 3%. While "green" aircraft, such as hydrogen-powered planes, are being considered, their significant contribution is not expected until after 2035, with an estimated 13% by 2050. Nonetheless, replacing older aircraft with current models could lead to substantial progress, with the need to renew about 80% of the global fleet by 2040. (Les Echos, 2021)

See *Appendix 1 for projected CO2 emissions from aviation industry by scenario.*

3.2.2. PESTEL Analysis

Political

International relations and political tensions can lead to operational disruptions, notably through flight restrictions. According to Les Echos (2018), Brexit has had significant implications, altering regulations, flight rights, and free movement within the European Union, profoundly impacting the European aviation landscape. Furthermore, adjustments in government support or subsidies granted to the aviation sector could create an uneven competitive environment, affecting the viability of airlines and the quality of services provided.

Economic

EasyJet is intrinsically linked to economic cycles. Its travel demand is closely tied to overall economic health, fluctuating in response to prosperity or recession. Additionally, according to RTL (2016), operating in multiple European countries, the company is subject to currency exchange rate fluctuations, which can influence both its costs and revenues. Variations in fuel prices, inflation rates, and interest rates can also significantly impact its profitability according to RTBF (2022). Moreover, factors such as consumer confidence, purchasing power, and unemployment rates are key indicators of demand for EasyJet's services, as they directly influence potential customers' travel decisions. (BFM, 2023)

Social

Current travel trends are influenced by several factors. On one hand, the rise of ecotourism is changing sought-after destinations, with travelers becoming increasingly mindful of the environmental impact of their journeys. Concurrently, growing environmental awareness and the rise of remote work are altering travel preferences, with a desire to combine travel with ecological commitments and to extend stays. Lastly, demographic and cultural differences necessitate the adaptation of marketing strategies and services to meet the diverse expectations of travelers worldwide. (Le Point, 2021 ; Le Point, 2022)

Technological

Advancements in online booking systems and e-commerce have profoundly transformed how customers interact with companies. The ease of access to digital platforms has significantly increased expectations for speed, personalization, and transaction security. To meet these growing demands, the integration of artificial intelligence (AI), automation, and robust cybersecurity measures has become essential to ensure optimal operational efficiency. (Les Echos, 2022)

Environmental

Climate change and environmental regulations have a direct impact on EasyJet's operations. Concerns about carbon emissions drive the search for sustainable fuels and increase costs through regulations such as the EU Emissions Trading System. Additionally, challenges like noise pollution, waste management, and biodiversity also affect the airline's activities. (RTBF, 2023 ; La Tribune, 2022 ; Conseil Européen, 2019)

Legal

EasyJet is subject to a multitude of legal constraints. Aviation regulations, employment laws, data protection, and environmental rules significantly influence its operations. In this complex context, strict health and safety regulations are of paramount importance to the company, given the inherent risks in the aviation sector (Europarl, 2023 ; Boursorama, 2024)

3.2.3. Competition in the European Market

To evaluate EasyJet's strategic positioning in the aviation market, it is essential to analyze its main competitors. These publicly traded airlines, located worldwide, significantly influence the industry. Their presence and strategies directly affect EasyJet's performance and decision-making.

InterGlobe Aviation Limited

Operating under the name IndiGo, InterGlobe Aviation Limited dominates the Indian aviation market. It stands out for its operational excellence and cost efficiency, with a young, fuel-efficient fleet. In 2022, its profit and sales forecasts were revised upward due to its effective marketing strategies and value-focused brand image. (Go Indigo, n.d ; Market Screener, n.d)

Capital A Berhad

Formerly known as AirAsia Group, Capital A Berhad focuses on operational efficiency, enhancing passenger experience, and diversifying its revenue through innovations like dynamic pricing. Due to the recovery in travel demand and strategic expansions, it achieved a 260% increase in revenue in 2022 compared to the previous year. (Air Asia, 2023)

Pegasus

Turkish carrier Pegasus Airlines serves 125 destinations in 47 countries. Strong in Europe, it positions itself as "Turkey's Digital Airline" (Market Screener, 2022). In 2023, Pegasus increased its revenue through strategic expansions and digital innovations. It also prioritizes sustainability in its operations, setting a benchmark in low-cost aviation. (Market Screener, 2024)

Allegiant Travel Company

Allegiant is an American airline active in leisure travel, with over 555 routes and 17 million passengers annually. It recorded an 8.6% increase in operating revenue in Q2 2023. To improve operational efficiency and customer experience, Allegiant is expanding its routes and modernizing its fleet with the acquisition of 50 Boeing 737 MAX aircraft. (Allegiant, n.d)

Wizz Air Holdings plc

Hungarian airline Wizz Air Holdings plc is notable for its rapid expansion in Europe, adding around 40 aircraft annually to increase service frequency, especially in Central and Eastern Europe. With strong cash reserves, Wizz Air can expand aggressively despite competition. Its high ancillary revenues allow for competitive ticket prices, stimulating demand. (Wizz Air, n.d)

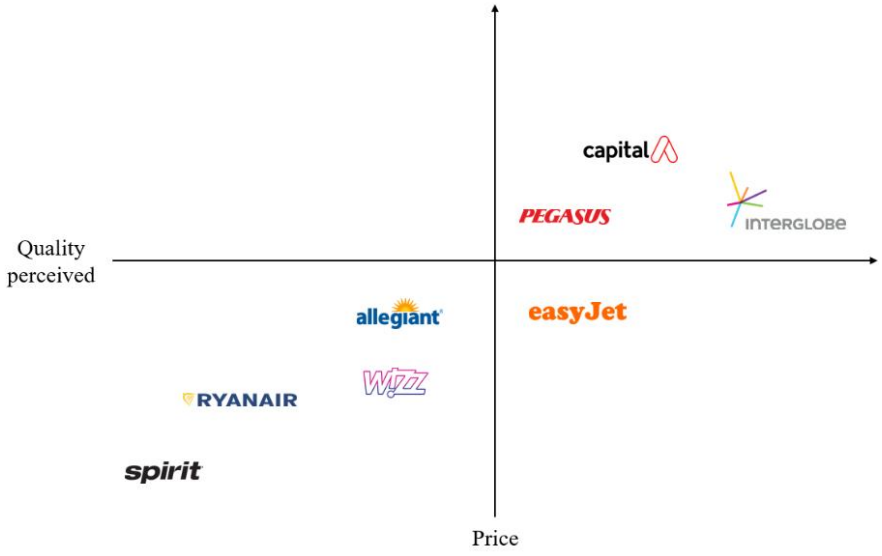
Ryanair Holdings plc

Ryanair Holdings plc, Europe's largest low-cost airline, exclusively uses Boeing 737s to minimize costs. Its business model attracts budget-conscious travelers across an extensive European network. Through aggressive marketing strategies and the use of secondary airports, Ryanair reduces costs, expands in underserved markets, and maintains solid profitability with robust profit forecasts. (Ryanair, n.d)

Spirit Airlines, Inc.

Known for its ultra-low-cost model in the United States, Spirit Airlines Inc. has expanded its network with new destinations and innovations like biometric self-service kiosks. Financially robust, Spirit has effectively managed its liquidity to support fleet expansion. This strategy has strengthened its position in the low-cost market by offering customizable travel options for budget-conscious travelers. (Spirit, n.d)

Figure 1: Competitive Positioning Map of Public Airlines in the Global Low-Cost Aviation Market[2]



[2] Ranking Based on Ratings from Flight Report and Esky

3.2.4. Sector Analysis (Porter, 1980)

Sector Rivalry - High

Intense rivalry in the aviation industry results from similar yield management systems, high fixed costs requiring optimal capacity utilization, and competition based on balanced market shares with limited differentiation. These conditions create an environment where airlines constantly strive to maximize profits while struggling to differentiate themselves in a relatively homogeneous market. (Lucidity, n.d)

Threat from New Entrants - Low

Entering the aviation industry is hindered by high barriers, including the need for substantial initial capital to acquire a fleet, licenses, and certifications. The already intense competition in a slow-growing market discourages new entrants. (Lucidity, n.d)

Threat of Substitutes - Average

The threat of substitutes is average, driven by technological innovations from start-ups, social and environmental shifts unfavorable to aviation, and existing but less practical alternatives such as trains, carpooling, and boats. While alternatives are present, they have not yet reached a critical level to significantly threaten the aviation industry. (Lucidity, n.d)

Threat from Suppliers - Average

Dependence on single suppliers, such as Airbus, poses a notable threat. The potential implications of decisions made by these suppliers, combined with airlines' reliance on them and parking contractors, as well as the volatility of aircraft production costs, enhance this threat. (Lucidity, n.d)

Threat from Customers - High

Sophisticated customers using fare search engines, demand for low prices, pressure on profitability, ease of switching airlines, and the abundance of low-cost carrier options contribute to a high threat from customers. Additionally, increasing demand for environmentally friendly practices adds an extra dimension to customer expectations. (Lucidity, n.d)

3.3. Analysis of Risks and Opportunities

3.3.1. Demand Growth and Post-Pandemic Recovery

Recovery and Current Growth

According to IATA (2023), passenger numbers could reach more than 4.7 billion in 2024, surpassing 2019 levels of 4.5 billion. This increase is representative of a robust recovery, with net profits forecast to rise from $23.3 billion in 2023 to $25.7 billion in 2024. The growth rate in demand, measured in revenue passenger kilometres, was 16.6% higher than in January 2023, underlining increased demand and expanded capacity. (Mermoz Academy, 2024)

Regional Outlook

In Europe, Eurocontrol forecasts show a gradual recovery, with traffic levels expected to return fully to pre-2019 levels by 2025. This recovery is underpinned by latent demand and strong tourist flows in Southern Europe, despite the challenges posed by events such as the Omicron wave and Russia's invasion of Ukraine. (Air Journal, 2023)

Impact of Emerging Markets

Emerging markets, notably Turkey and India, play a key role in driving future growth. These countries are showing significant momentum with large orders for new aircraft, in response to an expanding middle class and robust GDP growth. These regions are driving global demand and are expected to make a significant contribution to the increase in air traffic, which is forecast to triple by 2050. (Europe 1, 2023)

Technological Innovations

The introduction of technological innovations in the landing and take-off phases is also a key factor in supporting this growth without overloading airspace. These advances should improve the efficiency and capacity of airlines to manage a higher volume of traffic. The combination of economic recovery, the positive impact of emerging markets, and technological innovation is putting the industry on a sustained growth trajectory. Forecasts from various aviation organisations confirm an optimistic outlook for the near future, with passenger traffic expected to exceed pre-pandemic levels as early as 2024, signalling an era of renewed prosperity for global air transport. (Europe 1, 2023)

3.3.2 Transition to Sustainable Aviation

Energy Transition and Regulations

The gradual reduction of free CO2 quotas in Europe, which will fall by 25% in 2024 and be completely abolished in 2026, represents a major challenge for airlines. In 2022, free allowances covered 23.5 million tonnes of CO2, resulting in significant additional costs for airlines. These regulatory measures are designed to push the industry towards a more rapid adoption of alternative fuels and emission-reducing technologies. (Les Echos, 2024)

Development of Biofuels

The adoption of biofuels is a priority for reducing the carbon footprint of aviation, but production on the scale required remains a challenge. International initiatives and collaboration between governments are essential to increase the availability of these fuels. The contribution of sustainable aviation fuels (SAF) is estimated at 41% of the emissions reduction needed to achieve carbon neutrality by 2050. (Air Journal, 2022)

Innovation and Aircraft Efficiency

Technological advances continue to play a crucial role. Aircraft manufacturers such as Airbus and Boeing are filling their order books with aircraft designed to be more fuel-efficient and compatible with alternative fuels. Improvements in engine and aircraft efficiency are contributing to 17% of the projected emissions reduction, while the introduction of revolutionary technologies such as electric and hydrogen-powered aircraft is expected to add modestly to this reduction. (Air Journal, 2022)

Air traffic Management and Optimisation

Better air traffic management can make a significant contribution to reducing the sector's ecological footprint. According to Eurocontrol (2022), improvements in traffic management could reduce emissions by 8%. This includes optimising flight routes and improving landing and take-off procedures to reduce fuel consumption. (Air Journal, 2022)

Economic and Environmental Challenges

Economic pressures such as inflation and high oil prices add a layer of complexity to the sustainable transition. After 2025, average annual growth in flights is estimated at just 1.5%,

reflecting increased awareness of environmental impacts. This moderate growth is indicative of the need to maintain sustainable practices despite increased demand. (Air Journal, 2023)

Compliance with the CSRD

EasyJet, as a publicly traded airline, is required to comply with the European Union's Corporate Sustainability Reporting Directive (CSRD). This directive, effective from January 1, 2024, mandates extensive sustainability reporting for large companies and publicly listed entities within the EU. This means EasyJet must start publishing sustainability reports for fiscal years beginning on or after January 1, 2024, with the first reports due in 2025. (European Commission, n.d)

The CSRD requires companies to follow the European Sustainability Reporting Standards (ESRS), which adopt a "double materiality" approach. This approach means that companies must report on both how sustainability issues affect their financial performance (financial materiality) and how their activities impact the environment and society (impact materiality). (European Commission, n.d)

Key areas of focus for EasyJet include managing CO2 emissions, improving energy efficiency, and technological innovation, managing natural resources, ensuring fair working conditions and human rights, and maintaining transparent relationships with stakeholders. These areas are essential not only for compliance but also for demonstrating the company’s commitment to sustainability. (Annual Report, 2023)

The anticipated financial impacts of CSRD compliance for EasyJet are multi-faceted. Initial investments will be required to meet the new reporting and transparency requirements, and to implement technologies that reduce emissions and improve energy efficiency. However, these investments can lead to long-term cost savings through enhanced operational efficiency and potential reductions in regulatory costs related to environmental compliance. Additionally, improved sustainability practices can enhance EasyJet's reputation among investors and consumers, potentially increasing customer loyalty and market valuation.

Moreover, compliance with the CSRD will help prevent fines and penalties associated with non-compliance and mitigate legal and reputational risks related to ESG issues. It will also provide better conditions for financing and investment, attracting institutional investors focused on sustainable investments.

The transition to more sustainable aviation is imperative not only to meet regulatory requirements and consumer expectations, but also to ensure the long-term viability of the sector. The challenges remain substantial, particularly with regard to the scale of biofuel production and the costs associated with acquiring emission rights. The next few decades will be crucial in consolidating these advances and ensuring a sustainable future for global aviation.

3.3.3. Economic and Geopolitical Developments

Growth in Emerging Countries

The rapid expansion of the middle class and GDP growth in countries such as Turkey and India is driving demand for air travel. These developing economies are becoming key markets for the airline industry, offering new opportunities for expansion and revenue. For example, economic growth in these regions is leading to an increase in business and leisure travel, which in turn is stimulating orders for new aircraft and the expansion of airport infrastructure. (Europe 1, 2023)

Impact of Geopolitical Tensions

The airline industry has to navigate a complex geopolitical environment that can influence operations and strategic planning. Geopolitical tensions can disrupt air traffic flows and affect access to markets. For example, conflicts such as the one in Ukraine have direct implications for fuel costs, safety and consumer confidence. These factors can delay the resumption of air traffic and alter existing routes. (Gifas, n.d ; ACI Europe, 2022)

Consolidation and Strategic Adaptation

Faced with economic challenges and environmental pressures, the European market is seeing increased consolidation, as shown by the recent acquisitions of Air Europa by the IAG group and of ITA Airways by Lufthansa. These strategic moves are essential to manage rising costs and optimise operations against a backdrop of tighter environmental restrictions and increased competition. (Les Echos, 2024)

Challenges and Opportunities in Air Traffic Management

Forecasts from the International Civil Aviation Organization (2023) suggest that global air traffic will reach 104% of its 2019 level by 2024, reflecting a rapid recovery despite ongoing

geopolitical and economic tensions. This growth, however, will require strategic adaptations to effectively manage environmental impacts and meet increasing regulatory expectations.

Economic Projections and Impact on the Sector

The global economic outlook remains uncertain, with downside risks that could affect demand for air transport. Fluctuating fuel prices, protectionist policies and potential economic crises are all factors that require careful, proactive management by airlines. Furthermore, the expected slowdown in air traffic growth after 2025 underlines the importance of resilience and adaptability in sector planning.

See Appendix 2 for SWOT Analysis

Chapter 4: Financial Analysis

4.1. Income Statement

Figure 2: Income Statement for the Fiscal Year Ended September 30, 2023[3]

Income Statement		
Revenues	**8171**	***100%***
Passenger Revenues	5221	*63.9%*
Ancillary Revenues	2174	*26.6%*
Holiday Revenues	776	*9.5%*
Expenses	**5537**	***68%***
Fuel	2033	*24.9%*
Airports and Ground Handling	1800	*22.0%*
Crew	941	*11.5%*
Navigation	422	*5.2%*
Maintenance	341	*4.2%*
Gross Profit	**2634**	***32.2%***
Selling & Marketing	(232)	*-2.8%*
Adjustment for Depreciation & Amorti	(402)	*-4.9%*
Other Operating (Expenses)/income	(1261)	*-15.4%*
EBITDA adjusted	**739**	***9.0%***
Depreciation & Amortization	(271)	*-3.3%*
EBIT	**468**	***5.7%***
Net Interest Expenses	(47)	*-0.6%*
Currency Translation Gain/loss	27	*0.3%*
Unusual Items	(16)	*-0.2%*
Income Tax Expense	(108)	*-1.3%*
Net Income	**324**	***4.0%***

See Appendix 3 for Income Statement for the fiscal year Ended September 30, 2023, 2022, 2021, 2020

4.1.1. Key Elements of EasyJet's Financial Performance

The margin rate of 32.2% indicates that EasyJet makes a profit of 32.2 cents for every euro of revenue generated by the sale of its services, which is a key indicator of its profitability. This rate reflects the company's effectiveness in generating profits from sales, reflecting efficient cost management and strong demand for its services. In addition, the mark-up of 47.6% represents the percentage of profit earned over purchase costs, underlining EasyJet's ability to maintain a high profit margin despite the costs associated with its operations. Together, these rates highlight the airline's solid profitability, strengthening its financial position and its ability to invest in strategic projects to support future growth.

[3] Data extracted from Capital IQ recorded in Microsoft Excel

4.2. Cash Flow Statement

Figure 3: Cash flow statement for the Fiscal Year Ended September 30, 2023[4]

Values in millions of pounds sterling (£)

Cash Flow Statement	
Net Income	324
Depreciation & Amort.	644
Other Amortization	29
(Gain) Loss From Sale Of As:	17
Stock-Based Compensation	18
Other Operating Activities	171
Change in Acc. Receivable	(16)
Change in Acc. Payable	120
Change in Unearned Rev.	458
Change in Other Net Operatir	(214)
Cash from Ops.	**1551**
Capital Expenditure	(677)
Sale (Purchase) of Intangible	(77)
Invest. in Marketable & Equity	126
Other Investing Activities	76
Cash from Investing	**(552)**
Long-Term Debt Repaid	(1410)
Repurchase of Common Stoc	(15)
Other Financing Activities	5
Cash from Financing	**(1420)**
Foreign Exchange Rate Adj.	(168)
Net Change in Cash	**(589)**

See Appendix 4 for Cash Flow Statement for the fiscal year Ended September 30, 2023, 2022, 2021, 2020

4.2.1. Operating Cash Flow

Operating cash flow represents the cash generated by EasyJet's core activities, such as ticket sales and additional services. A positive amount indicates good financial health, showing that EasyJet is generating sufficient cash for its operating expenses and invest in its growth. This reflects the efficiency of its operations and its ability to maintain short-term financial stability.

4.2.2. Cash Flow from Investing Activities

Investment cash flow represents cash used for long-term investments, such as aircraft purchases and fleet expansion. A negative amount in this category indicates expenditure on the expansion or modernisation of EasyJet's fleet. While this may appear negative at first glance, it actually

[4] Ibid.

reflects an investment in the company's future capacity, aimed at improving its operations and increasing revenues over the long term.

See Appendix 5 for fleet details on 30 September 2023

4.2.3. Cash Flow from Financing Activities

Finally, cash flow from financing activities represents the cash generated by financing activities, such as share issues or borrowings. A negative amount here indicates expenditure such as debt repayment, suggesting a reduction in debt. This improves the company's capital structure, reducing future liabilities and increasing investor and creditor confidence in EasyJet's financial stability.

4.3. Balance Sheet

Figure 4: Balance Sheet for the Fiscal Year Ended September 30, 2023[5]

Values in millions of pounds sterling (£)

Assets	
Non Current Assets	
Property, Plant and Equipment	4864
Equity Investments	31
Derivative Financial Instruments	35
Goodwill	365
Other Intangible Assets	276
Restricted Cash	2
Other Non-current Assets	138
Total Non Current Assets	**5711**
Current Assets	
Cash and Cash Equivalents	2925
Trade and Other Receivables	343
Derivative Financial Instruments	186
Intangible Assets	676
Total Current Assets	**4130**
Total Liabilities & Equity	**9841**

Liabilities			
Non Current Liabilities		**Shareholders' Equity**	
Financial Liabilities-borrowings	1462	Common Stock - Par Value	207
Lease Liabilities	772	Additional Paid in Capital	2166
Unearned Revenue	3	Retained Earnings/accumulated Los	231
Non-current Deferred Income	4	Translation Reserve	72
Post-employment Benefit Obligation	7	Hedging Reserve	113
Deferred Tax Liabilities	22	Cost of Hedging Reserves	(2)
Provision for Liabilities and Charges	626		
Derivative Financial Instruments	14		
Total Non Current Liabilities	**2910**	**Total Shareholders' Equity**	**2787**
Current Liabilities			
Trade and Other Payables	1764		
Borrowings	433		
Lease Liabilities	217		
Current Tax Payable	3		
Unearned Revenue	1498		
Provision for Liabilities and Charges	175		
Derivative Financial Instruments	54		
Total Current Liabilities	**4144**		
Total Liabilities & Equity			**9841**

See Appendix 6 for Balance Sheet for the fiscal year Ended September 30, 2023, 2022, 2021, 2020

[5] Ibid.

4.3.1. Key Facts about EasyJet's Financial Health

EasyJet has a financial autonomy ratio of 28.3%, indicating a significant dependence on external financing, which could limit its resilience in the face of economic fluctuations. However, with a net debt position of -0.97%, the company enjoys a strong liquidity position, providing increased financial flexibility for strategic investment. The current ratio of 1x shows that EasyJet can cover its short-term obligations, thereby ensuring operational stability. On the other hand, the quick ratio of 0.8x highlights the need for rigorous liquidity management to avoid financial stress.

4.3.2. Working Capital Requirement of -2,261

EasyJet holds more cash than it needs to fund its day-to-day operations, reflecting a strong financial position. This surplus cash gives the company greater financial flexibility, allowing it to respond quickly to investment opportunities or emergencies without compromising its day-to-day operations. It also reduces financing costs by minimising recourse to borrowing, thereby improving profitability. In addition, EasyJet can invest in strategic projects such as fleet renewal or expansion into new markets, supporting long-term growth. This strong position also enhances its resilience to economic shocks and improves its credibility with investors, creditors, and business partners, facilitating access to future funding on favourable terms if required.

Chapter 5: Valuation

5.1. Peers Multiple Method

5.1.1. Selection of Peers

Seven airlines have been identified as comparable peers for EasyJet. These companies, operating within the same sector and sharing similar business models, are all publicly listed low-cost airlines:

- Allegiant Travel Company (NasdaqGS:ALGT)
- Capital A Berhad (KLSE:CAPITALA)
- InterGlobe Aviation Limited (NSEI:INDIGO)
- Pegasus Hava Tasimaciligi Anonim Sirketi (IBSE:PGSUS)
- Ryanair Holdings plc (ISE:RYA)
- Spirit Airlines, Inc. (NYSE:SAVE)
- Wizz Air Holdings Plc (LSE:WIZZ)

5.1.2. Collection of Financial Data

Financial data for comparable peers are collected for the years 2023 and 2024 (forecast). This data includes turnover, revenue yield per available seat kilometre (which measures the revenue generated per kilometre travelled for each available seat, indicating the efficiency of capacity utilisation in the transport sector), EBITDA, net profit, enterprise value and market capitalisation.

Figure 5: Financial data for EasyJet and its listed peers[6]

	Revenue (£m)		Revenue Yield per ASK (£)	EBITDA (£m)		Net Income (£m)		VE (£m)	Market Cap (£m)
Company Name	FY2023	FY2024e	FY2023	FY2023	FY2024e	FY2023	FY2024e	Enterprise Value	Market Cap Latest
EasyJet plc (LSE:EZJ)	8171	9455	4,61	739	1431	324	510	3300	3446
Allegiant Travel Company	1 965	2 066	6,52	318	316	92	35	1 868	664
Capital A Berhad	2 486	2 817	3,48	59	534	56	69	4 198	610
InterGlobe Aviation Limited	5 128	6 381	4,72	433	1 521	-29	735	17 248	15 460
Pegasus Hava Tasimaciligi Anonim	1 716	2 536	N/A	347	755	509	258	4 757	2 561
Ryanair Holdings plc	9 160	11 408	4,26	1 940	2 672	1 117	1 625	16 199	17 360
Spirit Airlines, Inc.	4 198	4 272	4,70	-136	314	-350	-351	5 237	320
Wizz Air Holdings Plc	3 312	4 360	3,50	-329	1 005	-445	303	6 299	2 239

[6] Data extracted from Capital IQ on 26 May 2024 recorded in Microsoft Excel

5.1.3. Selection of Multiples

The **EV/Revenue** multiple is essential for an objective comparison of operating performance in a sector where margins are low and costs highly variable.

The **EV/Revenue Yield per Available Seat Kilometre** multiple measures an airline's enterprise value in relation to the revenue it generates for each available seat kilometre. In other words, it measures the efficiency with which an airline uses its seat capacity to generate revenue, reflecting a common performance indicator in the airline industry.

The **EV/EBITDA** multiple neutralises the effects of tax policies, financial charges and depreciation. Airlines operate with heavy investment in assets such as aircraft, which are subject to significant depreciation, and often manage high levels of debt due to their large capital expenditure.

The **Price-to-Earnings** (P/E) ratio is useful for valuing companies in the aviation sector due to its ability to provide insights into market sentiment and profitability relative to share price. In the aviation industry, which is capital-intensive and sensitive to economic cycles, the P/E ratio helps investors gauge how much they are willing to pay for each dollar of earnings.

5.1.4. Calculation of Multiples and Quartiles

Figure 6: Multiples & Quartiles for EasyJet's listed peers[7]

	EV/Revenue		EV/Revenue Yield per ASK	EV/EBITDA		P/E	
Company Name	2023	2024e	2023	2023	2024e	2023	2024e
EasyJet plc (LSE:EZJ)	x0.4	x0.3	x715.7	x4.5	x2.3	x10.6	x6.8
Allegiant Travel Company	x1.0	x0.9	x286	x5.9	x5.9	x7.2	x19.0
Capital A Berhad	x1.7	x1.5	x1206	N/A	x7.9	x10.9	x8.9
InterGlobe Aviation Limited	N/A	x2.7	x3654	N/A	x11.3	N/A	x21.0
Pegasus Hava Tasimaciligi Anonim	x2.8	x1.9	N/A	x13.7	x6.3	x5.0	x9.9
Ryanair Holdings plc	x1.8	x1.4	x3803	x8.4	x6.1	x15.5	x10.7
Spirit Airlines, Inc.	x1.2	x1.2	x1114	N/A	x16.7	N/A	N/A
Wizz Air Holdings Plc	x1.9	x1.4	x1800	N/A	x6.3	N/A	x7.4

Range	x0.9	x2.8	x286	x3803	x5.9	x16.7	x5.0	x21.0

Min	x0.9	x286	x5.9	x5.0
First quartile	x1.2	x1137	x6.1	x7.7
Median	x1.5	x1503	x7.1	x10.3
Third quartile	x1.9	x3191	x10.6	x14.4
Max	x2.8	x3803	x16.7	x21.0

[7] Data recorded in Microsoft Excel

To assess EasyJet's valuation, median and average multiples are not used due to their high variability. Instead, performance indicators specific to the airline sector are collected for EasyJet and its competitors in order to compare its level of performance using the quartiles and to assign it an appropriate valuation level.

5.1.5. Determining Performance Indicators in the Airline Sector

Figure 7: Key Performance Indicators of EasyJet and its listed peers[8]

	Revenue pass. carried (£m)	Load factor (%)	Fuel cost margin (%)	Average fleet age (years)
EasyJet plc (LSE:EZJ)	82.8	89.30%	24.9%	9.9
Allegiant Travel Company	17.3	83.70%	27.73%	15.5
Capital A Berhad	49.3	88%	38.97%	10.2
InterGlobe Aviation Limited	85.6	82%	43.43%	3.5
Pegasus Hava Tasimaciligi Anonim	N/A	83.60%	31%	4.6
Ryanair Holdings plc	N/A	93.50%	37.4%	15.9
Spirit Airlines, Inc.	44.1	81.30%	34.0%	6.6
Wizz Air Holdings Plc	51.5	87.80%	50%	4.6
Min	17.3	81%	27.73%	3.5
First quartile	44.1	83%	32.59%	4.6
Median	49.3	84%	37.36%	6.6
Third quartile	51.5	88%	41.20%	12.85
Max	85.6	94%	50.16%	15.9

Revenue Passengers Carried

Corresponds to the total number of paying passengers flown on all flight segments. This measures the effectiveness of the pricing. High revenues indicate strong demand and an ability to attract passengers at profitable prices. This attracts investors by reflecting a strong competitive position and good potential profitability.

See Appendix 7 for evolution of revenue passengers carried for EayJet from 2013 to 2023

Load Factor

Corresponds to the percentage of seats occupied on an aircraft. This indicator measures the effectiveness of capacity management. A high load factor indicates good management of supply and demand, which optimises revenue per flight. For investors, this reflects optimal use of resources and increased potential profitability, thereby boosting the company's valuation.

[8] Data extracted from Capital IQ on 26 May 2024 recorded in Microsoft Excel

Fuel Cost Margin

Corresponds to the percentage of an airline's revenue devoted to fuel costs. This indicator measures the airline's sensitivity to fluctuations in fuel prices. A low margin indicates effective management of energy costs, which improves profitability. For investors, it reflects better control of expenditure and financial resilience, strengthening the company's valuation.

See Appendix 8 for evolution of EasyJet's Fuel Expenses from 2013 to 2024

Average Age of the Fleet

Corresponds to the average age of an airline's aircraft. This indicator is crucial because it has an impact on maintenance costs, fuel consumption and operational efficiency. A younger fleet is often more fuel-efficient and requires less maintenance, which improves profitability. For investors, this reflects proactive management and continuous modernisation, increasing the company's valuation.

5.1.6. Valuation of EasyJet

Comparing Easyjet's performance indicators with those of its competitors, Easyjet is positioned between the median and the third quartile of the multiples calculated in *Figure 6*. Therefore, to value Easyjet, we use the average of three values: the median, the third quartile, and Easyjet's market-specific multiple. The latter is included because, according to the efficient market theory, market values reflect all factors influencing the value of EasyJet's shares.

Figure 8: EasyJet's Intrinsic value of shares according to multiples of listed peers[9]

	EV/Revenue	EV/Revenue Yield per ASK	EV/EBITDA	P/E
Medium/high range multiple	x1.03	x1,803	x6.11	x10.52
Total Enterprise Value	**8,413**	**8,312**	**4,516**	**3,387**
+ Cash & Short Term Investments	2,925	2,925	2,925	2,925
- Total Debt	2,904	2,904	2,904	2,904
- Pref. Equity				
- Total Minority Interest				
+ Long Term Marketable Securities				
= Intrinsic Value of Shares	**8,434**	**8,333**	**4,537**	**3,408**

The intrinsic value of EasyJet's shares on the market, estimated at £3.47m (26 May 2024), appears undervalued compared to the valuation multiples derived from the comparable peers.

[9] Data recorded in Microsoft Excel

5.2. Discounted Cash Flow Method

5.2.1. Realistic Scenario

2024-2030: Adaptation and Resilience

- In 2025, in the face of high fuel price volatility and moderate economic recessions, EasyJet is implementing successful fuel hedging strategies that stabilise its operating costs. IATA indicates robust demand growth with a return to 2019 passenger levels, allowing EasyJet to strengthen its operations on the most lucrative routes. This translates into an increase in turnover of 12.5% in 2025, corresponding to the annual growth rate of the 3 years preceding the pandemic (from 2017 to 2019)

- In 2026, the abolition of free CO2 allowances increases costs, but EasyJet minimises these impacts through continued investment in Airbus A320neo aircraft and increased use of biofuels. This translates into an increase in CAPEX from 1,500 in 2025 to 1,900 in 2026

- In 2030, in response to intensifying competition, EasyJet is renewing its offer by improving its mobile application, thereby enhancing the customer experience and distinguishing itself in the market

2030 - 2040: Consolidation and Sustainable Growth

- In 2035, the demand for more sustainable travel practices is increasing. EasyJet is responding by actively exploring emerging technologies such as hydrogen engines, positioning the airline as a leader in sustainable aviation

- In 2040, emerging markets such as Turkey and India continue to drive global growth. EasyJet is benefiting from this dynamic, increasing services to these regions and contributing to the expansion of local airport infrastructures

2040 - 2050: Energy Transition and Technological Innovations

- In 2045, having fully integrated more fuel-efficient aircraft and alternative fuels, EasyJet is well positioned to meet stringent environmental regulations. It benefits from reduced operating costs thanks to increased efficiency

- In 2050, with an ongoing commitment to technological innovation and optimised air traffic management, EasyJet is not only meeting environmental expectations but also exceeding industry standards. The airline maintains stable growth, underpinned by strong demand in both traditional and emerging markets

5.2.2. Calculation of WACC (Weighted Average Cost of Capital)

According to the realistic scenario, the WACC is composed of the following elements:

Figure 9: Structure of EasyJet's WACC based on a realistic scenario[10]

WACC	
Risk Free Rate	4.26%
Market Risk Premium	6.50%
Levered Beta	0.9
Cost of Equity	**10.11%**
Risk Free Rate	4.26%
Credit Spread : BBB	1.75%
Tax	25.1%
Cost of Debt	**4.50%**
Equity %	43.1%
Debt %	56.9%
WACC	**6.92%**

Cost of Equity

The risk-free rate, represented by the 10-year yield on UK government bonds, known as Gilts, is used as a benchmark to assess the minimum expected return on a risk-free investment[11]. In parallel, the market risk premium is based on the average of the UK risk premium for the year 2023, providing an indicator of the additional remuneration that investors demand for taking on risk compared with a risk-free investment. Finally, the leveraged beta reflects EasyJet's systematic risk, i.e. the non-diversifiable risk associated with market fluctuations. (Statista, 2023 ; Infront Analytics, 2023)

Cost of Debt

The cost of debt for Easy Jet can be determined by combining the risk-free rate, the credit spread and the tax impact. The credit spread represents the additional risk premium that investors

[10] Credit Spread, Equity/Debt Weight and Tax% extracted from S&P Capital IQ on 26 May 2024 recorded in Microsoft Excel

[11] Risk free rate from Bloomberg on 28 May 2024

require to lend to Easy Jet, reflecting the company's specific default risk. To obtain the effective cost of debt after tax, the tax deductibility of interest must be taken into account.

5.2.3. Collection of Forecast Financial Data and Calculation of Discounted Cash Flows

EasyJet's future cash flows are determined by forecasting revenue, EBIT, tax rate, depreciation & amortisation, capital expenditure and net working capital for the next six years, from 2024 to 2029, as well as terminal value. Terminal value corresponds to all estimated cash flows after 2029 and is determined based on a perpetual growth of 1.5%.

Figure 10: EasyJet's financial forecasts and DCF based on a realistic scenario[12]

Values in millions of pounds sterling (£)

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Terminal Value
Revenue	9,455	10,637	11,966	12,924	13,958	15,074	/
EBIT	562	725	798	881	952	1,009	/
Tax%	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	/
Tax	141	182	200	221	239	253	/
D&A	741	789	825	876	928	984	/
CAPEX	1,300	1,500	1,900	2,000	2,200	1,900	/
Change in NWC	(463)	(521)	(586)	(633)	(684)	(739)	/
FCFF	325	353	109	169	125	578	10,830
PV FCFF	**304**	**309**	**89**	**129**	**89**	**387**	**6,780**

5.2.4. Valuation of EasyJet

The intrinsic value of EasyJet's shares is calculated by summing the discounted cash flows for the next 6 years and the Terminal Value, then adding available cash and subtracting total debt.

Figure 11: EasyJet's Intrinsic value of shares using the DCF method based on a realistic scenario[13]

Values in millions of pounds sterling (£)

Total Enterprise Value	**8,088**
+ Cash & Short Term Investments	2,925
- Total Debt	2,904
- Pref. Equity	
- Total Minority Interest	
+ Long Term Marketable Securities	
= Intrinsic Value of Shares	**8,109**

The intrinsic value of EasyJet's shares on the market, estimated at £3.47 billion (26 May 2024), appears to be undervalued compared to the valuation derived from the DCF method.

[12] Recorded in Microsoft Excel

[13] Ibid.

Chapter 6: Sensitivity Analysis

The aim of the sensitivity analysis is to analyse and quantify the prospects for alternative future developments to the realistic scenario. Two scenarios are considered: pessimistic and optimistic.

6.1. Pessimistic Perspective

6.1.1. Pessimistic Scenario

2025-2030: Immediate Difficulties and Strategic Adjustments

- In 2025, with the phasing out of free CO2 quotas in Europe and a significant rise in fuel costs due to tensions in the Middle East, EasyJet faces a rapid increase in its operating expenses. This translates into a moderate EBIT increase of 15% in 2025, corresponding to 75% of its pre-pandemic growth level

- In 2026, total restrictions on free CO2 allowances come into force. EasyJet, having delayed investment in more fuel-efficient aircraft, is suffering from high emissions costs, which are further damaging its profitability. This results in CAPEX of £1,100m for 2025 and £1,500m for 2026, and moderate EBIT growth of 5% in 2026

- In 2028, due to a lack of innovation and declining customer service, EasyJet is losing a significant proportion of its customer base, particularly among younger, tech-savvy travellers, to competitors offering advanced flight technology and a better user experience. This translates into an increase in turnover limited to 4% for the years 2028 and 2029

2030-2040: Economic Recessions and Declining Demand

- In 2030, a series of global economic recessions is reducing demand for travel, particularly in the low-cost sector. EasyJet is forced to further reduce its operations, cancelling unprofitable routes and reducing the frequency of flights on others

- In 2035, the pressure to adopt alternative fuels and emissions-reducing technologies becomes intense. However, EasyJet's transition to aircraft such as the Airbus A320neo

and sustainable fuels is more costly and less efficient than expected, leading to continued cost increases without the expected operational benefits

- In 2040, innovations such as electric and hydrogen-powered aviation are starting to become mainstream, but EasyJet is lagging behind in the adoption of these technologies, losing further competitiveness and market share

2040-2050: Market Consolidation and Uncertain Survival

- In 2045, in the face of increased competition and stricter environmental regulations, the European market will undergo significant consolidation. EasyJet could be forced to merge with another airline or be absorbed by a larger player to survive

- In 2050, if EasyJet has not managed to adapt effectively to market demands and environmental regulations, it could cease operations or exist solely as a brand within a larger, more diversified airline. Demand for air transport is dominated by companies that have invested early in sustainable and technologically advanced solutions

6.1.2. Valuation According to the Pessimistic Scenario

Figure 12: Structure of EasyJet's WACC based on a pessimistic scenario[14]

WACC	
Risk Free Rate	4.26%
Market Risk Premium	7.00%
Levered Beta	1.15
Cost of Equity	**12.31%**
Risk Free Rate	4.26%
Credit Spread : A-	4.60%
Tax	25.1%
Cost of Debt	**6.64%**
Equity %	30.0%
Debt %	70.0%
WACC	**8.34%**

Perpetual Growth	**1.00%**

[14] Ibid.

Figure 13: EasyJet's financial forecasts and DCF based on a pessimistic scenario[15]

Values in millions of pounds sterling (£)

£ in Millions	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Terminal Value
Revenue	9,455	10,637	11,488	11,947	12,425	12,922	/
EBIT	562	646	678	712	748	785	/
Tax%	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	/
Tax	141	162	170	179	188	197	/
D&A	741	760	785	823	886	904	/
CAPEX	1,300	1,100	1,500	1,800	2,000	1,800	/
Change in NWC	(463)	(521)	(563)	(585)	(609)	(633)	/
FCFF	325	665	356	142	55	325	4,475
PV FCFF	**300**	**567**	**280**	**103**	**37**	**201**	**2,555**

Figure 14: EasyJet's Intrinsic value of shares using the DCF method based on a pessimistic scenario[16]

Values in millions of pounds sterling (£)

Total Enterprise Value	**4,042**
+ Cash & Short Term Investments	2,925
- Total Debt	2,904
- Pref. Equity	
- Total Minority Interest	
+ Long Term Marketable Securities	
= Intrinsic Value of Shares	**4,063**

The intrinsic value of EasyJet's shares on the market, estimated at £3.47 billion (26 May 2024), appears to be undervalued compared to the valuation derived from the pessimistic scenario of the DCF method.

6.2. Optimistic Perspective

6.2.1. Optimistic Scenario

2025-2030: Robust Growth and Effective Cost Management

- In 2025, the post-pandemic recovery and increased demand in emerging markets, notably Turkey and India, will drive rapid growth for EasyJet. The airline benefits from a significant expansion of its customer base thanks to the emergence of a middle class eager for affordable travel. EasyJet is optimising its network by adding new routes and increasing flight frequency. This will result in CAPEX of £1,800m by 2025 and a 17% increase in turnover, outperforming IATA's pre-pandemic forecast

[15] Ibid.

[16] Ibid.

- In 2027, in response to volatile fuel prices, EasyJet is implementing an effective hedging strategy, enabling it to maintain low operating costs. This translates into a 12% increase in EBIT in 2027

- In 2028, EasyJet's technology investments and fleet efficiency improvements with Airbus A320neo contribute to lower fuel costs and a reduced carbon footprint, reinforcing its image as a responsible airline. This translates into CAPEX of £2,400m in 2028

2030-2040: Innovation and Strategic Expansion

- In 2032, EasyJet begins to integrate biofuels and hybrid technologies into its fleet, aiming to reduce its CO2 emissions by 35%. This initiative is well received by a market that is increasingly sensitive to environmental issues

- In 2035, EasyJet launches premium offers to attract a broader customer base, including business travellers and consumers looking for greater comfort, enabling it to diversify its sources of revenue

- In 2040, innovation continues to drive growth for EasyJet, with the introduction of technological advances in take-off and landing procedures, improving operational efficiency and further reducing costs

2040-2050: Leadership in Sustainability and Strong Financial Performance

- In 2042, EasyJet is investing in hydrogen and electric aircraft, beginning to replace its fleet with these cutting-edge technologies. These efforts position EasyJet as a leader in sustainability in commercial aviation

- In 2045, EasyJet's reputation as a pioneer in sustainable practices is attracting a growing number of environmentally conscious customers. This leads to increased customer loyalty and sustained revenue growth

- In 2050, previous investments in green technologies mean that EasyJet can easily meet stringent environmental regulations without incurring significant additional costs. The airline is achieving exceptional financial performance and has set a target of reducing its CO2 emissions by 78%

6.2.2. Valuation According to the Optimistic Scenario

Figure 15: Structure of EasyJet's WACC based on an optimistic scenario[17]

WACC	
Risk Free Rate	4.26%
Market Risk Premium	6.00%
Levered Beta	0.75
Cost of Equity	**8.76%**
Risk Free Rate	4.26%
Credit Spread : A-	1.15%
Tax	25.1%
Cost of Debt	**4.05%**
Equity %	40.0%
Debt %	60.0%
WACC	**5.94%**

Perpetual Growth	**2.00%**

Figure 16: EasyJet's financial forecasts and DCF based on an optimistic scenario[18]

Values in millions of pounds sterling (£)

£ in Millions	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Terminal Value
Revenue	9,455	11,062	12,722	13,739	14,839	16,026	/
EBIT	562	725	798	894	1,001	1,121	/
Tax%	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	*25.1%*	/
Tax	141	182	200	224	251	281	/
D&A	741	803	837	896	950	1,007	/
CAPEX	1,300	1,800	1,900	2,000	2,400	2,150	/
Change in NWC	(463)	(542)	(623)	(673)	(727)	(785)	/
FCFF	325	88	158	239	27	482	12,486
PV FCFF	**307**	**78**	**133**	**190**	**20**	**341**	**8,340**

Figure 17: EasyJet's Intrinsic value of shares using the DCF method on an optimistic scenario[19]

Values in millions of pounds sterling (£)

Total Enterprise Value	**9,409**
+ Cash & Short Term Investments	2,925
- Total Debt	2,904
- Pref. Equity	
- Total Minority Interest	
+ Long Term Marketable Securities	
= Intrinsic Value of Shares	**9,430**

The intrinsic value of EasyJet's shares on the market, estimated at £3.47 billion (26 May 2024), appears to be undervalued compared to the valuation derived from the optimistic scenario of the DCF method.

[17] Ibid.

[18] Ibid.

[19] Ibid.

Chapter 7: Stock Reputation Measurement

Stock Reputation, developed by LPE Research, measures the reputation of a listed company by assessing its past actions, the historical behaviour of its shares and its ability to perform in the market. This proprietary concept is crucial for investors and shareholders, as a good reputation improves valuation and confidence in shares, thereby reducing investment risk. In contrast, a poor reputation leads to a valuation discount.

Stock Reputation is a global metric derived from the assessment of five equally weighted criteria. These criteria are: share price performance, quality of shareholder structure, governance and shareholder value methodology, social and environmental focus, and communication and consistency. Each criterion is rated on a scale from 0 to 20, with each contributing one-fifth to the total score. Consequently, the overall stock market reputation is evaluated on a scale from 0 to 100.

7.1. Share Price Behaviour

7.1.1. Erratic Share Price Movements

An erratic movement can be identified when the share price deviates significantly from the stock market over the course of a trading day, i.e. when the share price deviates by more than 3.5% from its benchmark index. The number of erratic movements is then counted over a three-year period, and its proportion over this period is calculated as a percentage. This corresponds to a daily probability for investors of encountering an erratic movement in this share.

Over the last 3 years, from 24/05/2021 to 24/05/2024, EasyJet's share price has twice deviated by more than 3.5% from its benchmark index, the FTSE 100. This corresponds to a daily probability of 0.26%. According to the Stock Reputation measurement methodology, this gives EasyJet 9 out of 10 points.

See Appendix 9 for Evolution of the FTSE 100 Index and EasyJet's stock price from 2014 to 2024

7.1.2. Share Price Deviation

The deviation of the share price from its trend is calculated by comparing the standard deviation (as a percentage) of changes in the share price from its 200-day moving average. This calculation is made over a three-year period.

Over the last three years, from 24/05/2021 to 24/05/2024, the standard deviation of changes in the EasyJet's share price in relation to its 200-day moving average is equal to 19.86%. According to the Stock Reputation measurement methodology, this gives EasyJet 2 out of 10 points.

See Appendix 10 for evolution of EasyJet's stock price and the 200-day moving average from 2014 to 2024.

7.2. Quality of the Shareholder Structure

7.2.1. Ownership by 'Major' Institutional Investors

The ownership of "major" institutional investors is measured by analysing the shareholder register and calculating the sum and proportion of these investors in the free float. Institutional investors (and sovereign wealth funds) are considered 'major' if they manage more than USD 100 billion.

With a free float of 632,583,000 shares, EasyJet's top 20 institutional investors collectively own 48.6% of these shares. According to the Stock Reputation measurement methodology, this is worth 10 points out of 10. (Yahoo Finance, 2024 ; *Appendix 11*)

7.2.2. Shareholder Loyalty

Shareholder loyalty is measured by counting the average number of funds that have sold their position each quarter over the last three years. The number of funds that have sold their position is calculated as a proportion of the total number of funds registered in the shareholder register.

Over the last 3 years, the average proportion of funds having sold their positions per quarter is 28.74%. According to the Stock Reputation measurement methodology, this is worth 0 point out of 10. (S&A Capital IQ, 2024)

7.3. Governance and Focus on Shareholder Value

Reference Shareholder

The extent to which a company creates value will depend to a large extent on the type of reference shareholder it has. EasyJet does not have a reference shareholder. According to the Stock Reputation measurement methodology, this is worth 3 points out of 5.

Board Structure

The board of directors' focus on shareholder value is measured by analysing the composition of the board and its governance.

The company distinguishes between the roles of CEO and Chairman of the Board, where several directors are not major shareholders. In addition, eight of the ten members of the board are independent, promoting neutral and effective governance. According to the Stock Reputation measurement methodology, this earned the company 3 points out of 5. (*Appendix 12*)

Focus on the CEO: Lundgren, Johan Peter

The importance attached by the CEO to shareholder value is measured by analysing his remuneration. It is calculated by comparing the value of the shares held by the CEO (including stock options but excluding the shares of major shareholders) with his annual salary (including bonuses). The proportion is measured in years.

For the 2023 financial year, the CEO's total remuneration comprises a base salary of £770,000 plus a bonus of £1,326,000. Additional compensation amounts to £98,000. No share options were granted this year. The market value of the 66,713 shares held is estimated at £300,000. Share ownership in terms of years of salary is 0.137. According to the Stock Reputation measurement methodology, this earned the company 1 point out of 5. (S&P Capital IQ, 2024)

Analysts Covering the Company

EasyJet has a total of 19 analysts covering. According to the Stock Reputation measurement methodology, this earned the company 1 bonus point. (EasyJet, 2024).

7.4. Social & Environmental Focus

Social Impact Reporting and Priority

The assessment of social impact reporting and priorities is measured by analysing the company's announcements and communications in this area (in annual reports, sustainability reports, investor presentation, results press releases, etc.) EasyJet's formal prioritisation of social impact is considered a secondary priority. According to the Stock Reputation measurement methodology, this earned the company 3 points out of 5. (Annual Report, 2023)

Impact of Operations and Products on People

The impact of operations and products on employees, customers and people is measured by analysing the company's social reports and judging the company's positive or negative impact in these areas. The impact of company operations on employees and of products on consumers is neutral. According to the Stock Reputation® measurement methodology, the company scored 2 points out of 5. (Moral Score, 2024)

Environmental Impact Reporting and Priority

The assessment of the prioritisation of environmental impact is measured by analysing the company's announcements and communications in this area (in annual reports, sustainability reports, presentation to investors, results press release, etc.) EasyJet considers the prioritisation of environmental impact to be a major priority. They provide environmental performance indicators through regular detailed reports. According to the Stock Reputation measurement methodology, the company scored 5 points out of 5. (Annual Report, 2023)

Impact of Operations and Products on the Environment

The impact of operations and products on the environment is measured by analysing environmental reports and judging the company's positive or negative impact in this area. EasyJet has a negative impact on the environment mainly through CO2 emissions from its aircraft, contributing to climate change despite its efforts to improve efficiency and use biofuels. According to the Stock Reputation measurement methodology, the company scored 0 point out of 5. (Annual Report, 2023)

7.5. Communication & Consistency

Communication Quality

The communication quality criteria include clarity in the presentation of the company's business model, strategies, objectives and projects. This also includes the way in which the company communicates on the use of capital, quarterly performance, consistency of the information provided, transparency of capital allocations, the accuracy of results and performance, and the overall consistency of the company's story with its market performance. According to the Stock Reputation measurement methodology, the company scored 10 points out of 10. (Annual Report, 2023)

Consistency

The criteria for consistency of information are based on 3 elements: strategic consistency ensures uniformity in the company's vision and objectives; reporting consistency requires consistent and reliable disclosure of key performance indicators; and accounting consistency maintains consistent adherence to accounting standards, avoiding retrospective adjustments for greater financial transparency. According to the Stock Reputation measurement methodology, the company scored 5 points out of 5. (Annual Report, 2023)

Guidance

Achievement of forecasts is measured by analysing each earnings release over a three-year period to identify profit warnings, revised targets and better-than-expected results. EasyJet's results are sometimes better than forecast. According to the Stock Reputation measurement methodology, the company scored 3 points out of 5. (S&A Capital IQ, 2024)

7.6. Results of the Stock Reputation Measurement

EasyJet, with a total of 57 points out of 95 in our assessment, has a respectable performance, resulting in an average score of 60 out of 100. This rating reflects an adequate reputation on the stock market. This result demonstrates the company's solidity in key areas, although there is room for improvement if it is to achieve recognised excellence. Investors and stakeholders can interpret this rating as an indicator of stability, but also as a signal that EasyJet has opportunities for improvement and growth.

Chapter 8: Investment Recommendation & Conclusion

As of May 28, 2024, the total number of EasyJet shares amounts to £753.1 million, and its market capitalization is £3.494 billion. Consequently, the market value of an EasyJet share is £4.639. To provide a recommendation on whether to buy or sell EasyJet shares in the market, it is essential to critically evaluate the various results obtained from the two valuation methods used.

Figure 18: Summary of EasyJet share valuations based on the peers multiples method and the DCF method in comparison with the share price on the market[20]

	Peers Multiple Method				DCF Method			Market
	EV/CA	EV/Revenue per ASK	EV/EBITDA	P/E	Optimistic scenario	Realistic scenario	Pessemistic scenario	Market Cap & Share Price
Total shares value	£8,434m	£8,333m	£4,537m	£3,408m	£9,430m	£8,109m	£4,063m	£3,494m
Share value	**£11.199**	**£11.065**	**£6.024**	**£4.525**	**£12.522**	**£10.767**	**£5.395**	**£4.639**

The valuation results for EasyJet reveal a significant trend where multiples associated with net profitability factors, such as the P/E ratio, align more closely with the market value of the stock, while multiples based on gross figures, such as revenue or gross profit, tend to diverge. This can be attributed to the increased accuracy of net profitability multiples, which incorporate all costs, taxes, interest, and depreciation, thus offering a more comprehensive and reliable view of the company's actual financial performance.

In a highly volatile sector like aviation, which is subject to fuel price fluctuations, government regulations, economic crises, and increasing environmental concerns, gross results can provide a distorted picture of the company's value by ignoring these critical elements. Furthermore, EasyJet faces significant investments to meet environmental requirements, with considerable uncertainty regarding the long-term outcomes of these initiatives.

Consequently, the market and investors appear to place greater emphasis on net profits when assessing EasyJet's value, as these measures provide a more realistic and conservative evaluation, particularly sought after during periods of uncertainty to minimize financial risks.

[20] Share price on 28 May 2024

Regarding the valuation by the discounted cash flow (DCF) method, it reflects these critiques. Indeed, the central differentiating element of the three scenarios is the company's ability to address increasing environmental challenges by investing heavily to ensure the sustainability of its operations.

The pessimistic scenario shows a valuation of £5.395 per share, close to the current market value, thus confirming investor skepticism. The realistic scenario, with a valuation of £10.767 per share, aligns with valuations based on revenue and EBITDA multiples, corresponding to a moderately uncertain but stable growth outlook. Finally, the optimistic scenario anticipates a valuation where EasyJet not only manages its costs effectively in the face of market fluctuations but also establishes itself as a reference leader in the aviation sector through a successful transition to achieve its CO2 reduction targets by 2050.

Based on the analysis of various valuation methods, it is recommended to buy EasyJet shares. Net profitability multiples, such as the P/E ratio, align with the current market value, indicating a precise and prudent evaluation by investors. Additionally, the pessimistic scenario of the discounted cash flow (DCF) method, with a valuation of £5.395 per share, is close to the current market value of £4.639, suggesting that major risks are already factored in. However, the realistic scenario, valued at £10.767 per share, reveals the ability of EasyJet to manage its environmental challenges and position itself as a leader in CO2 emissions reduction, which could lead to even higher valuations in an optimistic scenario. Therefore, despite the inherent risks in the aviation sector and the necessary investments, the significant upside potential justifies a recommendation to buy EasyJet shares.

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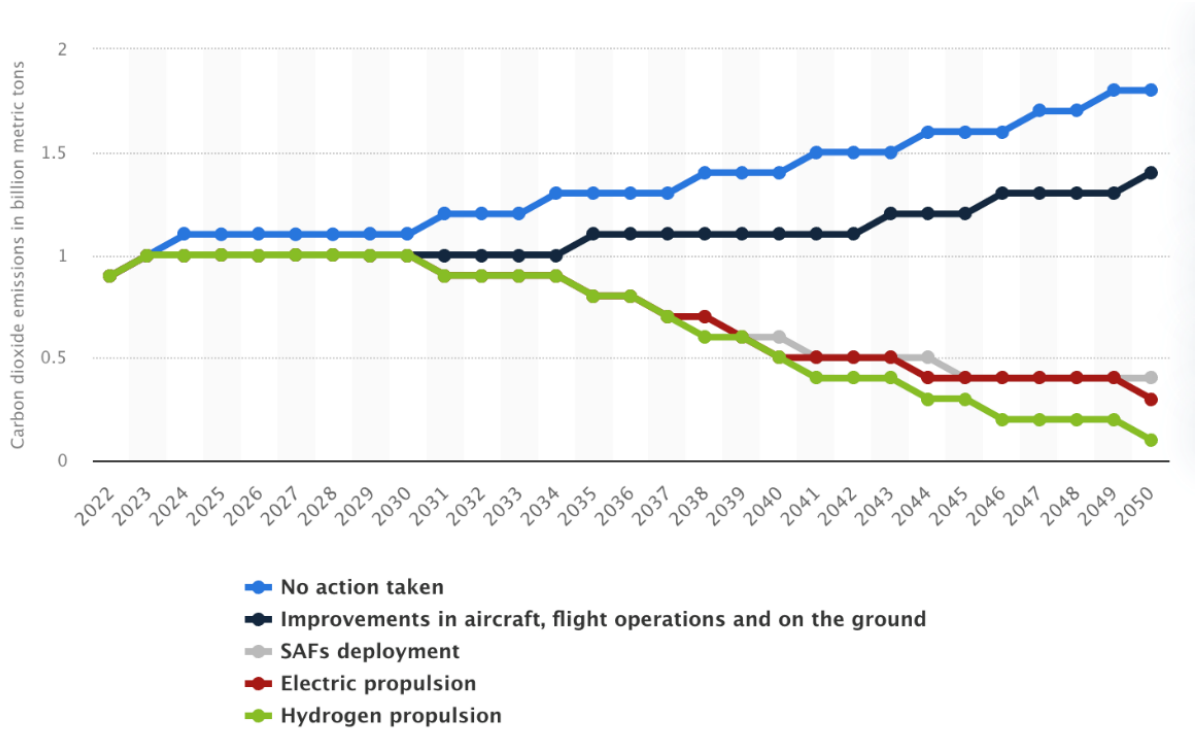
Appendices

Appendix 1 - Projected CO2 emissions from the aviation industry between 2022 and 2050, by scenario (in billion metric tons)[21]



[21] Statista (2023)

Appendix 2 – EsyJet's SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong market position: one of the leading low-cost airlines in Europe.	Dependence on seasonality: revenues influenced by the summer season.	Expansion of long-haul routes: new profitable routes, market share capture.	Intense competition: pressure on market share and profitability.
Modern and homogeneous fleet: 336 aircraft, mainly Airbus A320.	Sensitivity to taxes and government fees: significant impact on financial results.	Growing passenger demand: post-pandemic capacity and revenue increase.	Economic cycles and volatility: economic conditions, exchange rates, fuel prices.
Reputation and recognition: high quality standards, several prestigious awards.	Vulnerability to economic fluctuations: political decisions and economic fluctuations affecting profitability.	Emerging markets: expansion in Turkey, India, etc.	Environmental regulations: increased operational costs, necessary investments.
Efficient workforce management: EasyJet academy ensuring a constant supply of qualified personnel.	Expansion challenges: market saturation, difficulty in entering new markets.	Technological advancements: improvements in AI, reservation systems, and automation.	Geopolitical tensions: disruptions in air traffic, increased fuel costs, impact on demand.
Commitment to sustainability: ambitious CO2 emissions reduction targets.	Complexity of sustainability initiatives: required investments and partnerships.	Sustainable aviation initiatives: adoption of sustainable fuels, green technologies.	Operational disruptions: regulatory changes, flight restrictions.
Digital strategy: platforms offering personalized customer experience.		Market consolidation: strategic alliances, acquisitions of smaller companies.	Customer sophistication: growing expectations, price pressure, loyalty impact.
Good cost management: effective practices maintaining competitive fares.		Increased digital engagement: improved online booking systems, advanced e-commerce solutions.	Technological and cybersecurity risks: data security, cyber threats.
Diversity and inclusion: strong commitment, employee wellness programs.			Challenges in sustainable transition: production, certification, and costs of sustainable fuels.
Strong governance: well-defined structure, financial and operational risk management.			Economic and geopolitical instability: unpredictable changes in demand and operational costs.

Appendix 3 - Income Statement for the fiscal year Ended September 30, 2023, 2022, 2021, 2020[22]

Income Statement				
	Sep-30-2020	Sep-30-2021	Sep-30-2022	Sep-30-2023
Currency	*GBP*	*GBP*	*GBP*	*GBP*
Units	Millions	Millions	Millions	Millions
Revenues				
Passenger Revenues	2 303,0	1 000,0	3 816,0	5 221,0
Other Revenues	-	458,0	1 585,0	776,0
Other Revenues	-	-	368,0	2 174,0
Ancillary Revenues	706,0	-	-	-
Total Revenues	**3 009,0**	**1 458,0**	**5 769,0**	**8 171,0**
Expenses				
Crew	(629,0)	(495,0)	(767,0)	(941,0)
Navigation	(206,0)	(102,0)	(339,0)	(422,0)
Airports and Ground Handling	-	-	(1 443,0)	(1 800,0)
Airports, Ground Handling and Other Operating Costs	(938,0)	(446,0)	-	-
Maintenance	(278,0)	(222,0)	(301,0)	(341,0)
Fuel	(721,0)	(371,0)	(1 279,0)	(2 033,0)
Aircraft Dry Leasing	(1,0)	(5,0)	(2,0)	-
Selling and Marketing	(107,0)	(60,0)	(173,0)	(232,0)
Other Income	68,0	85,0	10,0	11,0
Other Costs	(556,0)	(272,0)	(665,0)	(705,0)
Other Operating (Expenses)/income	-	-	(273,0)	(582,0)
Depreciation	(485,0)	(456,0)	(539,0)	(644,0)
Amortization of Intangible Assets	(18,0)	(24,0)	(25,0)	(29,0)
Impairments	(37,0)	-	-	-
Currency Translation Gain(Loss)	-	10,0	(64,0)	27,0
Non-operating Income/expense	-	-	(143,0)	(180,0)
Non-operating Income/expense	-	-	26,0	132,0
Interest Payable and Other Financingcharges	(491,0)	(209,0)	-	-
Interest Receivable and Other Financing Income	117,0	73,0	-	-
Earnings before Taxes	**(1 273,0)**	**(1 036,0)**	**(208,0)**	**432,0**
Taxes and Other Expenses				
Provision for Income Tax	194,0	178,0	39,0	(108,0)
Net Income (Loss)	**(1 079,0)**	**(858,0)**	**(169,0)**	**324,0**

[22] S&P Capital IQ

Appendix 4 – Cash Flow Statement for the fiscal year Ended September 30, 2023, 2022, 2021, 2020[23]

Cash Flow				
	Sep-30-2020	Sep-30-2021	Sep-30-2022	Sep-30-2023
Currency	*GBP*	*GBP*	*GBP*	*GBP*
Net Income	**(1 079,0)**	**(858,0)**	**(169,0)**	**324,0**
Depreciation & Amort.	485,0	456,0	539,0	644,0
Depreciation & Amort., Total	**485,0**	**456,0**	**539,0**	**644,0**
Other Amortization	18,0	24,0	25,0	29,0
(Gain) Loss From Sale Of Assets	(8,0)	(35,0)	38,0	17,0
Asset Writedown & Restructuring Costs	37,0	-	-	-
Stock-Based Compensation	17,0	16,0	26,0	18,0
Other Operating Activities	134,0	(332,0)	26,0	171,0
Change in Acc. Receivable	101,0	(8,0)	(151,0)	(16,0)
Change in Acc. Payable	173,0	(187,0)	312,0	120,0
Change in Unearned Rev.	(456,0)	231,0	197,0	458,0
Change in Other Net Operating Assets	(10,0)	(342,0)	(67,0)	(214,0)
Cash from Ops.	**(588,0)**	**(1 035,0)**	**776,0**	**1 551,0**
Capital Expenditure	(659,0)	(140,0)	(501,0)	(677,0)
Cash Acquisitions	-	-	-	-
Divestitures	-	-	-	-
Sale (Purchase) of Intangible assets	(36,0)	(9,0)	(29,0)	(77,0)
Invest. in Marketable & Equity Securt.	259,0	32,0	(126,0)	126,0
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-
Other Investing Activities	702,0	836,0	87,0	76,0
Cash from Investing	**266,0**	**719,0**	**(569,0)**	**(552,0)**
Short Term Debt Issued	-	-	-	-
Long-Term Debt Issued	1 399,0	1 804,0	-	-
Total Debt Issued	**1 399,0**	**1 804,0**	**-**	**-**
Short Term Debt Repaid	-	-	-	-
Long-Term Debt Repaid	(230,0)	(1 306,0)	(583,0)	(1 410,0)
Total Debt Repaid	**(230,0)**	**(1 306,0)**	**(583,0)**	**(1 410,0)**
Issuance of Common Stock	409,0	1 144,0	91,0	-
Repurchase of Common Stock	(7,0)	(6,0)	(9,0)	(15,0)
Common Dividends Paid	(174,0)	-	-	-
Total Dividends Paid	**(174,0)**	**-**	**-**	**-**
Special Dividend Paid	-	-	-	-
Other Financing Activities	(15,0)	5,0	(31,0)	5,0
Cash from Financing	**1 382,0**	**1 641,0**	**(532,0)**	**(1 420,0)**
Foreign Exchange Rate Adj.	(61,0)	(73,0)	303,0	(168,0)
Net Change in Cash	**999,0**	**1 252,0**	**(22,0)**	**(589,0)**

[23] S&P Capital IQ

Appendix 5 - Fleet details on 30 September 2023[24]

FLEET DETAILS

Aircraft in the fleet
at 30 September 2023

	Total	Owned	Leased
A319	95	29	66
A320	172	103	69
A320neo	54	47	7
A321neo	15	4	11
TOTAL	**336**	**183**	**153**

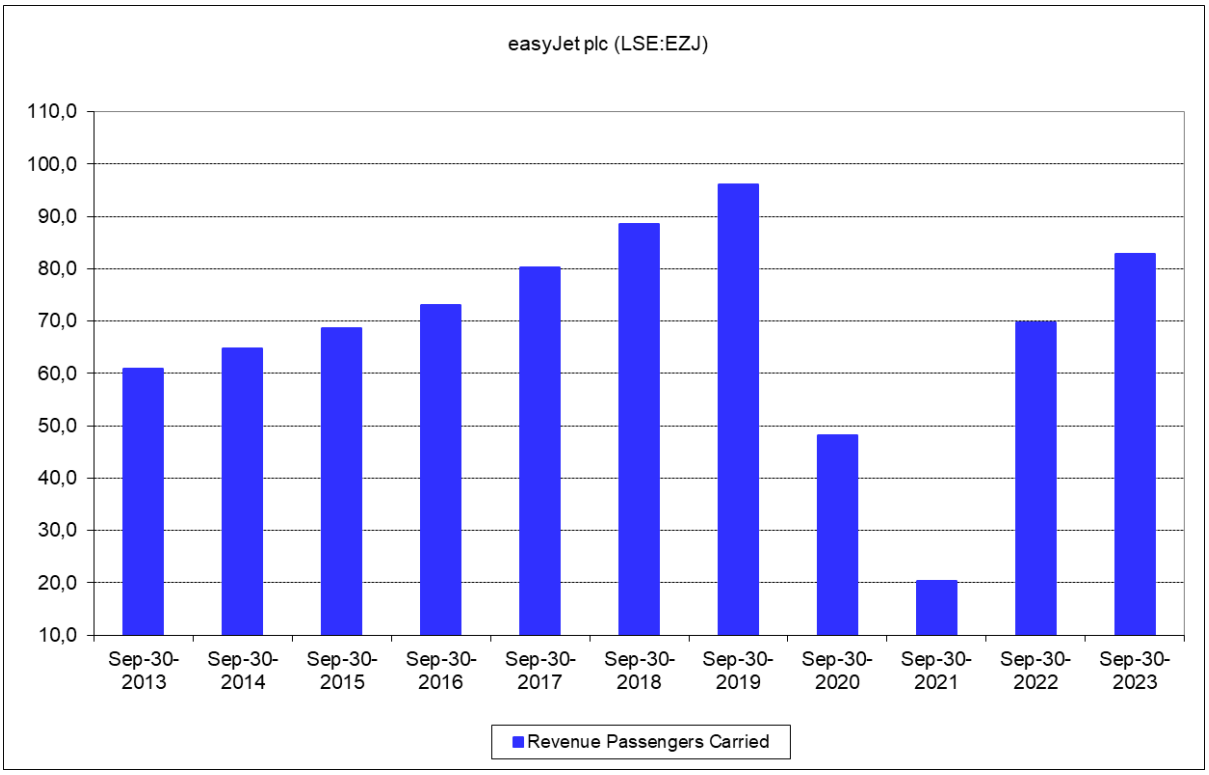
[24] Annual Report (2023)

Appendix 6 - Balance Sheet for the fiscal year Ended September 30, 2023, 2022, 2021, 2020[25]

Balance Sheet				
Balance Sheet as of:	**sept-30-2020**	**sept-30-2021**	**sept-30-2022**	**sept-30-2023**
Currency	***GBP***	***GBP***	***GBP***	***GBP***
Units	**Millions**	**Millions**	**Millions**	**Millions**
Current Assets				
Cash and Cash Equivalents	2 284,0	3 536,0	3 514,0	2 925,0
Money Market Deposits	32,0	-	126,0	-
Trade and Other Receivables	193,0	291,0	367,0	343,0
Current Tax Asset	7,0	-	-	-
Derivative Financial Instruments	21,0	185,0	423,0	186,0
Restricted Cash	14,0	13,0	4,0	-
Intangible Assets	12,0	140,0	495,0	676,0
Total Current Assets	**2 563,0**	**4 165,0**	**4 929,0**	**4 130,0**
Non Current Assets				
Property, Plant and Equipment	5 053,0	4 735,0	4 629,0	4 864,0
Tangible Assets	-	-	-	-
Equity Investments	33,0	30,0	31,0	31,0
Deferred Tax Assets	-	39,0	62,0	-
Derivative Financial Instruments	89,0	86,0	127,0	35,0
Goodwill	365,0	365,0	365,0	365,0
Other Intangible Assets	232,0	217,0	217,0	276,0
Restricted Cash	5,0	1,0	3,0	2,0
Other Non-current Assets	133,0	135,0	91,0	138,0
Total Assets	**8 473,0**	**9 773,0**	**10 454,0**	**9 841,0**
Current Liabilities				
Trade and Other Payables	1 242,0	1 128,0	1 759,0	1 764,0
Borrowings	987,0	300,0	437,0	433,0
Lease Liabilities	224,0	189,0	247,0	217,0
Current Tax Payable	-	2,0	5,0	3,0
Unearned Revenue	614,0	844,0	1 042,0	1 498,0
Provision for Liabilities and Charges	407,0	183,0	102,0	175,0
Derivative Financial Instruments	352,0	31,0	86,0	54,0
Total Current Liabilities	**3 826,0**	**2 677,0**	**3 678,0**	**4 144,0**
Non Current Liabilities				
Financial Liabilities-borrowings	1 744,0	3 067,0	2 760,0	1 462,0
Lease Liabilities	486,0	890,0	866,0	772,0
Unearned Revenue	-	2,0	1,0	3,0
Non-current Deferred Income	5,0	4,0	4,0	4,0
Post-employment Benefit Obligations	45,0	37,0	1,0	7,0
Deferred Tax Liabilities	-	-	-	22,0
Deferred Tax	51,0	-	-	-
Provision for Liabilities and Charges	332,0	420,0	589,0	626,0
Derivative Financial Instruments	85,0	37,0	22,0	14,0
Shareholders' Equity				
Common Stock - Par Value	125,0	207,0	207,0	207,0
Additional Paid in Capital	1 051,0	2 166,0	2 166,0	2 166,0
Retained Earnings	960,0	-	-	-
Retained Earnings/accumulated Losses	-	-	(9,0)	231,0
(Accumulated Losses)/retained Earnings	-	111,0	-	-
Translation Reserve	(2,0)	-	(6,0)	72,0
Accumulated Currency Gain/Loss	-	-	-	-
Hedging Reserve	(236,0)	156,0	170,0	113,0
Comprehensive Income	1,0	-	-	-
Cost of Hedging Reserves	-	(1,0)	5,0	(2,0)
Total Shareholders Equity	**1 899,0**	**2 639,0**	**2 533,0**	**2 787,0**
Total Liabilities & Shareholders Equity	**8 473,0**	**9 773,0**	**10 454,0**	**9 841,0**

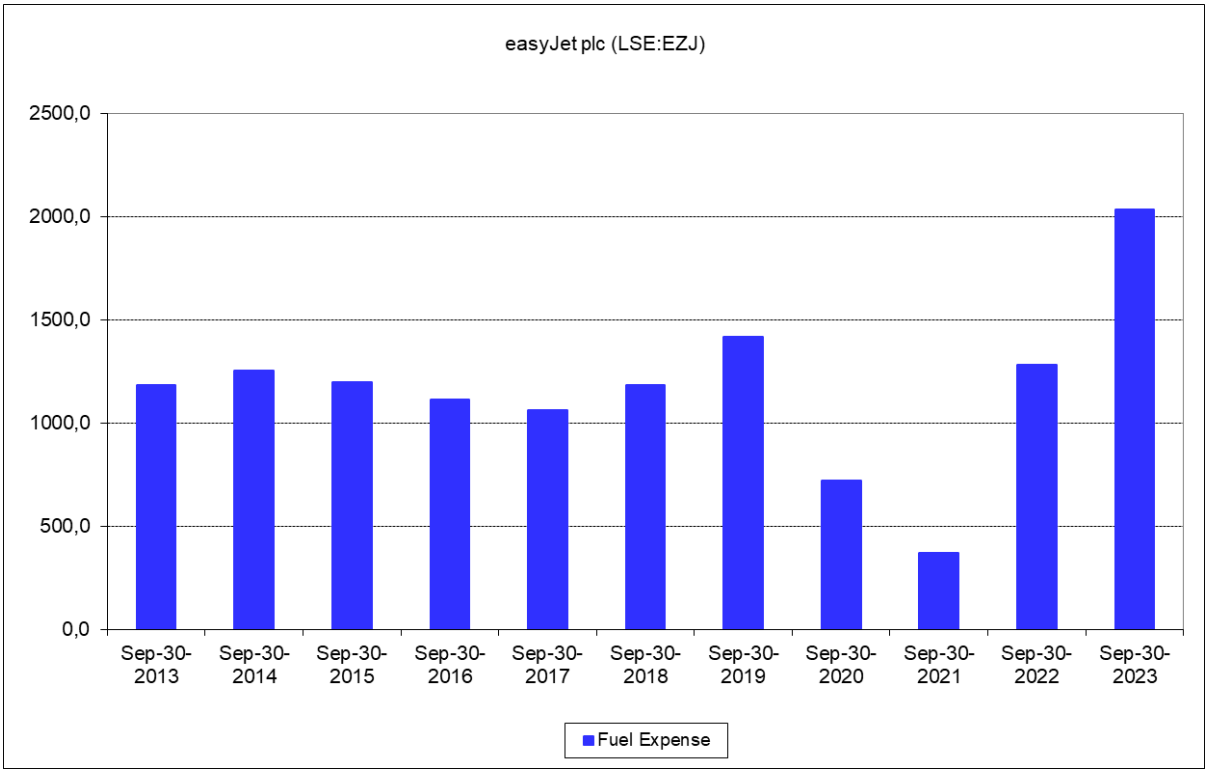
[25] S&P Capital IQ

Appendix 7 - Evolution of Revenue Passengers Carried in millions of sterling pounds for EayJet from 2013 to 2023[26]



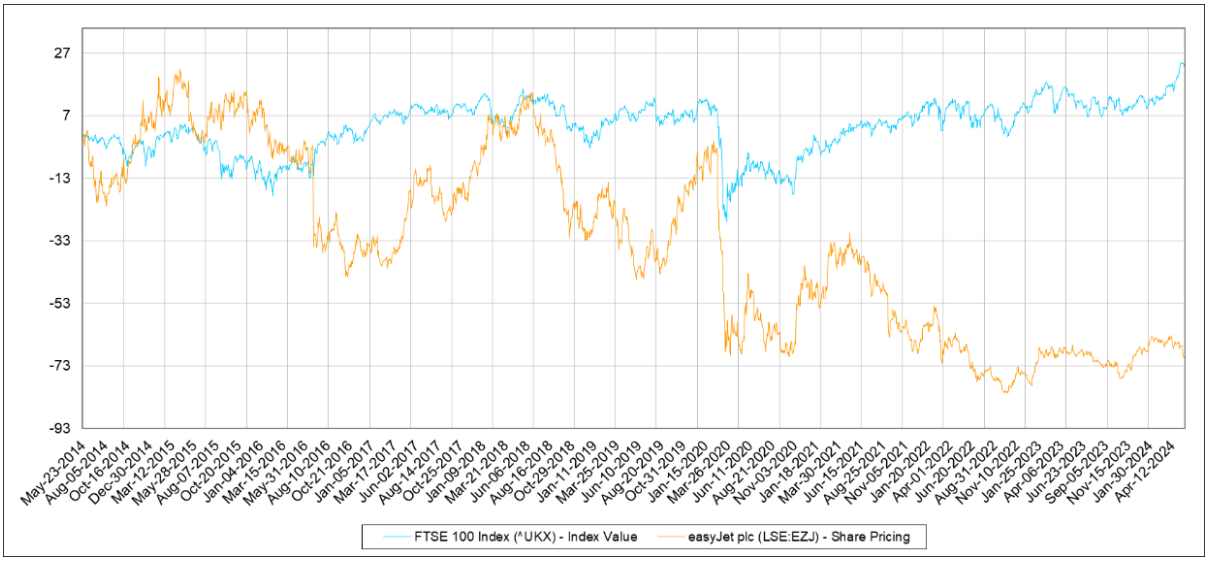
[26] S&P Capital IQ

Appendix 8 - Evolution of EasyJet's Fuel Expenses in millions sterling pounds from 2013 to 2024[27]



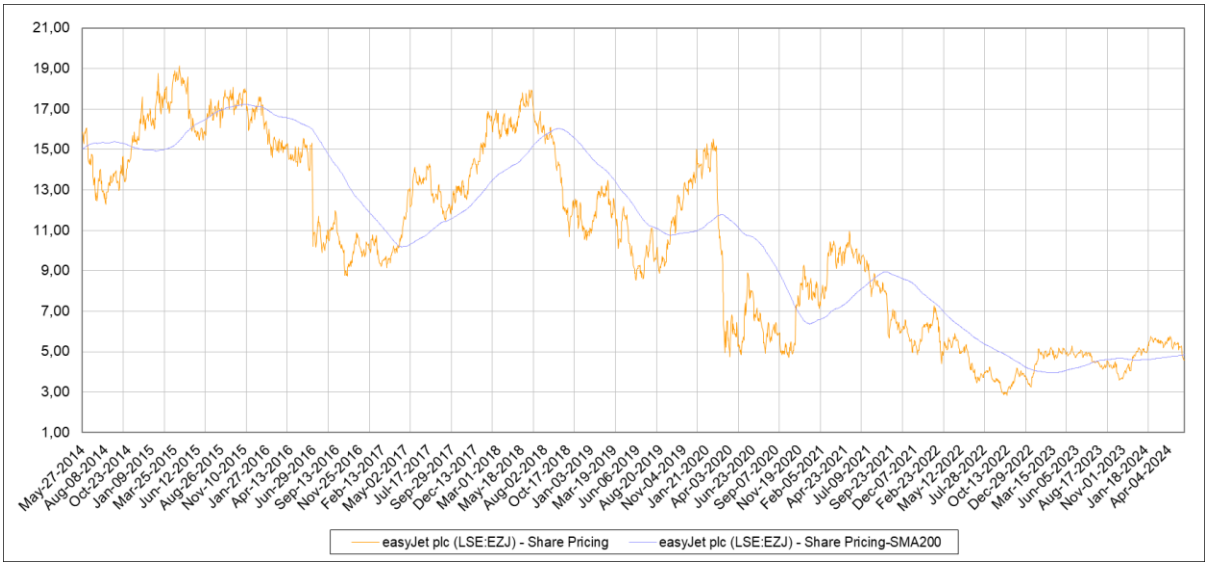
[27] S&P Capital IQ

Appendix 9 - Evolution of the FTSE 100 Index and EasyJet's stock price from 2014 to 2024[28]



[28] S&P Capital IQ

Appendix 10 - Evolution of EasyJet's stock price and the 200-day moving average from 2014 to 2024[29]



[29] S&P Capital IQ

Appendix 11 - Details of the major institutional holders of EasyJet shares[30]

Values in millions of pounds sterling (£)

Latest Holders			
Holder	**Common Stock Equivalent Held**	**% Of CSO**	**Market Value (GBP in mm)**
UBS Asset Management AG	39 756 959	5,279	184,7
BlackRock, Inc. (NYSE:BLK)	27 284 275	3,623	126,7
Jupiter Fund Management Plc (LSE:JUP)	26 670 000	3,541	123,9
Artemis Investment Management LLP	23 830 644	3,164	110,7
The Vanguard Group, Inc.	20 782 586	2,759	96,5
Marathon Asset Management Limited	20 072 587	2,665	93,2
Natixis, Investment Banking and Corporate Banking Investments	14 497 904	1,925	67,3
Magallanes Value Investors, S.A., SGIIC	13 459 477	1,787	62,5
Merrill Lynch & Co. Inc., Banking Investments	12 564 150	1,668	58,4
Oldfield Partners LLP	12 371 898	1,643	57,5
Societe Generale Group, Banking Investments	11 946 978	1,586	55,5
HBOS Investment Fund Managers Limited	11 114 849	1,476	51,6
Barclays Bank PLC, Wealth and Investment Management Division	11 038 534	1,466	51,3
HSBC Global Asset Management (UK) Limited	10 922 315	1,45	50,7
Wellington Management Group LLP	9 706 513	1,289	45,1
Legal & General Investment Management Limited	9 516 167	1,264	44,2
Aviva Investors Global Services Ltd.	8 961 618	1,19	41,6
A J Bell Holdings Limited, Asset Management Arm	8 784 009	1,166	40,8
Columbia Management Investment Advisers, LLC	7 145 009	0,949	33,2
J O Hambro Capital Management Limited	6 981 964	0,927	32,4

[30] S&P Capital IQ

Appendix 12 - Current Board Members of EasyJet[31]

Board Members			
Name	**Title**	**Role**	**Office**
Hester, Stephen Alan-Michael	Chairman of the Board	External	Luton
Lundgren, Johan Peter	CEO & Director	Internal	Luton
Jarvis, Alistair Kenton	CFO & Director	Internal	Luton
Bradley CBE, Catherine-Annick	Independent Non-Executive Director	External	Luton
Mannings L.L.B., O.B.E., Mansura Tal-At	Independent Non-Executive Director	External	Luton
Robbie, David Andrew	Independent Non-Executive Director	External	Luton
Clark B.Sc (Hons), B.Sc., M.B.A., Susan Michelle	Senior Independent Director	External	Luton
Eisenacher, Harald	Independent Non-Executive Director	External	Luton
Trefzger, Detlef Andreas	Independent Non-Executive Director	External	Luton
van der Eijk, Ryanne	Independent Non-Executive Director	External	Luton

[31] S&P Capital IQ

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