

25 July 2013 | 13 pages

Airlines (GICS) | Airlines (Citi)
Western Europe | United Kingdom

EasyJet (EZJ.L)

Forecasts and Target Price Raised by c.10%, Continue to Buy

■ Earnings forecasts raised by c.10% after strong June quarter trading statement

— As we have already [commented](#), June quarter was stronger than expected, causing guidance for FY13 PBT of £450-480m to be better than consensus of £441m (source: Reuters) and c.40-50% above FY12. We are raising our FY13 PBT expectation from £436m to £474m. We continue to expect 12-14% p.a. growth in PBT in FY14E and FY15E and have raised EPS estimates by c.10% as shown below.

■ Revenue performing significantly better than expected

— The main reason for raising earnings, and easyjet's guidance, is an increase in expected revenue per seat in 2H13 from +4% to +6% at constant currency due to industry capacity discipline, poor weather in the June quarter boosting high yielding late bookings, charging for allocated seating and easyJet's CRM/digital initiatives. The September quarter could be at risk due to the good weather in the UK, hence the reason for a £30m guidance range.

■ FY14 unlikely to be as strong FY13 but still plenty of drivers

— FY13 is benefiting from closure of the Madrid base (and re-allocation of capacity to more profitable bases), industry capacity discipline as flag carriers desperately restructure their loss-making short-haul operations, introduction of allocated seating ancillary revenue and a halving of seasonal winter losses in 1H13. FY14 could be pressured by increasing competition from Vueling, Norwegian Air Shuttle and Ryanair, although we continue to expect 1% increase in revenue per seat. easyJet claims it is not yet seeing any impact from Norwegian's new base at Gatwick (3 planes) and 3 Spanish bases. FY14 should benefit, however, from (i) yield management of seat allocation pricing, (ii) FY13's PBT depressed by £6m French ATC strikes/disruptions and £16m of one-off FX losses in net interest in 1H, (iii) likely success of recently new routes – e.g. Moscow and Tel Aviv – with Israel likely to be grown due to its new 'open skies' agreement with the EU; (iv) growth at Gatwick after the recently agreed purchase of 25 daily slots from Flybe; (v) recently negotiated airport deals; (vi) slowly developing business traffic.

■ Target price raised from £14.50 to £16.00

— We continue to base our target price on a P/E of 15x 2014E F-D EPS and our target price continues to be a c.20% discount to our DCF value of c.£20.30 (raised from £18.24). TP is consistent with FY13E P/E of 15.4x. There could be a special dividend due to its continued excess capital.

EasyJet (GBP)

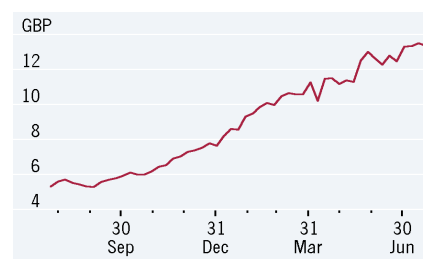
Year to 30 Sep	2011A	2012A	2013E	2014E	2015E
Sales (£M)	3,452.0	3,854.0	4,221.1	4,466.3	4,694.1
Profit Before Tax (£M)	248.0	317.0	473.9	542.2	607.9
Diluted EPS (p)	52.0	61.7	94.3	106.3	117.4
Diluted EPS (Old) (p)	52.0	61.7	86.7	96.1	107.1
PE (x)	27.5	23.2	15.2	13.5	12.2
EV/EBITDA (x)	15.2	12.6	8.8	7.5	6.5
DPS (p)	45.4	21.5	32.0	36.0	40.0
Net Div Yield (%)	3.2	1.5	2.2	2.5	2.8

- Estimate Change
- Target Price Change

Buy	1
Price (24 Jul 13)	£14.31
Target price	£16.00
	from £14.50
Expected share price return	11.8%
Expected dividend yield	2.2%
Expected total return	14.0%
Market Cap	£5,673M
	US\$8,719M

Price Performance

(RIC: EZJ.L, BB: EZJ LN)



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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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EZJ.L: Fiscal year end 30-Sep						Price: £14.31; TP: £16.00; Market Cap: £5,673m; Recomm: Buy					
Profit & Loss (£m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	3,452	3,854	4,221	4,466	4,694	PE (x)	27.5	23.2	15.2	13.5	12.2
Cost of sales	-2,984	-3,323	-3,520	-3,689	-3,849	PB (x)	3.6	3.2	2.8	2.4	2.1
Gross profit	468	531	701	777	845	EV/EBITDA (x)	15.2	12.6	8.8	7.5	6.5
Gross Margin (%)	13.6	13.8	16.6	17.4	18.0	FCF yield (%)	3.1	1.6	13.6	8.1	8.4
EBITDA (Adj)	359	436	602	655	722	Dividend yield (%)	3.2	1.5	2.2	2.5	2.8
EBITDA Margin (Adj) (%)	10.4	11.3	14.3	14.7	15.4	Payout ratio (%)	87	35	34	34	34
Depreciation	-83	-97	-97	-96	-102	ROE (%)	14.0	14.6	19.7	19.5	18.9
Amortisation	-7	-8	-9	-9	-9	Cashflow (£m)					
EBIT (Adj)	276	339	505	559	620	EBITDA	359	436	602	655	722
EBIT Margin (Adj) (%)	8.0	8.8	12.0	12.5	13.2	Working capital	114	37	140	60	56
Net interest	-21	-14	-22	-8	-3	Other	-25	-37	-60	-65	-68
Associates	0	0	0	0	0	Operating cashflow					
Non-op/Except	0	0	0	0	0	Capex	-550	-379	-259	-267	-335
Pre-tax profit	248	317	474	542	608	Net acq/disposals	295	36	357	82	114
Tax	-23	-62	-95	-114	-134	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow					
Reported net profit	225	255	379	428	474	Dividends paid	0	0	0	0	0
Net Margin (%)	6.5	6.6	9.0	9.6	10.1	Financing cashflow					
Core NPAT	225	255	379	428	474	Net change in cash	228	-321	602	327	543
Per share data						Free cashflow to s/holders					
Reported EPS (p)	52.0	61.7	94.3	106.3	117.4	Segmental Costs (£ mn)					
Core EPS (p)	52.0	61.7	94.3	106.3	117.4	Staff	407	432	454	479	500
DPS (p)	45.4	21.5	32.0	36.0	40.0	YoY growth (%)	21.1	6.1	5.2	5.4	4.4
CFPS (p)	103.4	105.6	169.8	161.3	175.6	Fuel	917	1,149	1,175	1,219	1,245
FCFPS (p)	44.5	22.5	194.3	115.2	120.8	YoY growth (%)	25.0	25.3	2.3	3.8	2.1
BVPS (p)	397.0	453.6	516.6	589.6	669.9	Aeronautical Charges	895	937	1,041	1,105	1,179
Wtd avg ord shares (m)	429	408	396	397	398	YoY growth (%)	13.9	4.7	11.1	6.2	6.7
Wtd avg diluted shares (m)	433	413	402	403	404	Ownership Costs	371	395	399	428	444
Growth rates						YoY growth (%)	1.6	6.5	1.1	7.0	3.7
Sales revenue (%)	16.1	11.6	9.5	5.8	5.1	Ground Handling & Catering	313	298	319	338	357
EBIT (Adj) (%)	47.8	22.8	48.9	10.8	10.9	YoY growth (%)	14.0	-4.7	6.9	5.9	5.7
Core NPAT (%)	78.2	13.3	48.7	13.0	10.7	Selling/ Distribution/ IT	106	109	121	126	130
Core EPS (%)	78.0	18.8	52.8	12.7	10.4	YoY growth (%)	14.9	2.8	11.2	3.8	3.4
Balance Sheet (£m)						Other Operating Costs	167	195	207	213	219
Cash & cash equiv.	1,490	1,013	1,402	1,602	2,002	YoY growth (%)	-16.3	16.8	6.3	3.0	2.8
Accounts receivables	165	241	232	246	258	Operating Data					
Inventory	0	0	0	0	0	Passenger (mn)	54.5	58.4	60.6	63.6	66.5
Net fixed & other tangibles	2,149	2,395	2,213	2,366	2,573	RPK (mn)	61,347	65,227	67,587	70,889	74,178
Goodwill & intangibles	451	456	447	458	449	ASK (mn)	69,318	72,182	74,462	77,971	81,557
Financial & other assets	214	190	279	279	279	Load Factor (%)	88.5	90.4	90.8	90.9	91.0
Total assets	4,469	4,295	4,573	4,951	5,562	Yield per RPK (p)	5.5	5.8	6.2	6.2	6.2
Accounts payable	1,022	1,135	1,266	1,340	1,408	Unit Revenue per ASK (p)	4.9	5.3	5.6	5.6	5.7
Short-term debt	155	129	130	130	130	Unit Op. Costs per ASK (p)	4.6	4.9	5.0	5.0	5.0
Long-term debt	1,145	828	522	375	419	Unit Op. Costs per ASK (ex-	3.3	3.3	3.4	3.4	3.5
Provisions & other liab	443	410	608	764	936	Gearing Ratio's					
Total liabilities	2,765	2,502	2,526	2,609	2,894	Gearing (Net Debt/Net Debt +	-6.2	4.0	-57.5	-87.7	-119.1
Shareholders' equity	1,705	1,794	2,048	2,343	2,669	Lease Adj. Gearing (%)	31.2	31.7	2.1	-5.2	-21.2
Minority interests	0	0	0	0	0	EBITDAR/ (Net Interest +	3.6	4.9	5.8	6.0	6.7
Total equity	1,705	1,794	2,048	2,343	2,669	EBITDA/Net Interest (x)	17.1	31.1	27.7	81.2	214.9
Net debt	-190	-56	-750	-1,097	-1,453	EBIT/Net Interest (x)	13.1	24.2	23.2	69.4	184.7
Net debt to equity (%)	-11.1	-3.1	-36.6	-46.8	-54.4						

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For definitions of the items in this table, please click [here](#).

easyJet Financial Model

Figure 1. easyJet – Profit and Loss Account, 2003-2015E (£ millions)

Year Ending Sept:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Seat revenue	880	1,029	1,254	1,488	1,626	1,996	2,151	2,402	3,389	3,794	4,158	4,398	4,621
Non-seat revenue	52	62	87	131	171	367	516	571	63	60	63	68	74
Net revenue	932	1,091	1,341	1,620	1,797	2,363	2,667	2,973	3,452	3,854	4,221	4,466	4,694
<i>Growth</i>	68.9%	17.1%	23.0%	20.7%	11.0%	31.5%	12.9%	11.5%	16.1%	11.6%	9.5%	5.8%	5.1%
Airport charges	(149)	(191)	(230)	(258)	(306)	(397)	(482)	(530)	(610)	(657)	(743)	(787)	(840)
Ground handling charges	(95)	(111)	(131)	(144)	(156)	(212)	(256)	(274)	(313)	(298)	(319)	(338)	(357)
Fuel	(121)	(147)	(260)	(388)	(426)	(709)	(807)	(733)	(917)	(1,149)	(1,175)	(1,219)	(1,245)
Crew	(97)	(127)	(136)	(160)	(204)	(263)	(307)	(336)	(407)	(432)	(454)	(479)	(500)
Maintenance	(89)	(102)	(119)	(110)	(98)	(148)	(162)	(177)	(179)	(203)	(203)	(210)	(219)
Navigation charges	(72)	(88)	(109)	(121)	(142)	(196)	(232)	(256)	(285)	(280)	(298)	(318)	(339)
Advertising	(28)	(31)	(33)	(38)	(38)	(47)	(47)	(50)	(57)	(65)	(62)	(63)	(64)
Merchant fees and incentive pay	(14)	(14)	(16)	(18)	(21)	(34)	(34)	(42)	(45)	(39)	(46)	(49)	(52)
Royalty fee									(4)	(5)	(13)	(13)	(14)
Other costs	(79)	(92)	(100)	(104)	(109)	(97)	(116)	(200)	(167)	(195)	(207)	(213)	(219)
Share option expenses (IFRS2)			(2)	0	0	0	0	0	0	0	0	0	0
EBITDAR	189	189	207	279	298	262	225	375	468	531	701	777	845
EBITDAR margin	20.3%	17.4%	15.4%	17.2%	16.6%	11.1%	8.4%	12.6%	13.6%	13.8%	16.6%	17.4%	18.0%
Lease charges	(85)	(96)	(124)	(133)	(92)	(111)	(116)	(116)	(109)	(95)	(99)	(122)	(123)
EBITDA	104	93	83	146	206	151	109	259	359	436	602	655	722
EBITDA margin	11.2%	8.5%	6.2%	9.0%	11.5%	6.4%	4.1%	8.7%	10.4%	11.3%	14.3%	14.7%	15.4%
Depreciation	(30)	(25)	(16)	(27)	(33)	(44)	(55)	(73)	(83)	(97)	(97)	(96)	(102)
EBIT	74	68	67	119	173	106	54	187	276	339	505	559	620
EBIT margin	7.9%	6.2%	5.0%	7.3%	9.6%	4.5%	2.0%	6.3%	8.0%	8.8%	12.0%	12.5%	13.2%
Intangible/Goodwill Amortisation	(18)	(17)	(1)	(1)	(1)	(3)	(4)	(6)	(7)	(8)	(9)	(9)	(9)
Operating Result	56	51	66	118	172	104	49	181	269	331	496	550	611
Operating margin	6.0%	4.6%	4.9%	7.3%	9.6%	4.4%	1.8%	6.1%	7.8%	8.6%	11.7%	12.3%	13.0%
Interest (payable)/receivable	12	12	16	11	19	19	(5)	(20)	(21)	(14)	(22)	(8)	(3)
Ordinary PBT	69	62	83	129	191	123	44	161	248	317	474	542	608
Exceptional charge	0	0	0	0	11	0	11	(7)	0	0	0	0	0
Acquisition/Integration costs	(17)	0	0	0	0	(13)	0	0	0	0	0	0	0
Profit Before Tax	52	62	83	129	202	110	55	154	248	317	474	542	608
Pre-Tax Margin	5.5%	5.7%	6.2%	8.0%	11.2%	4.7%	2.1%	5.2%	7.2%	8.2%	11.2%	12.1%	13.0%
Taxation	(19)	(21)	(24)	(35)	(50)	(27)	17	(33)	(23)	(62)	(95)	(114)	(134)
Effective tax rate	37.1%	33.9%	28.6%	27.2%	24.6%	24.5%	-30.2%	21.2%	9.3%	19.6%	20.0%	21.0%	22.0%
Net Profit	32.4	41.1	59.0	94.1	152.3	83.2	71.2	121.3	225.0	255.0	379.1	428.4	474.2
<i>Growth</i>	(33.9)%	26.8%	43.6%	59.5%	61.8%	(45.4)%	(14.4)%	70.4%	85.5%	13.3%	48.7%	13.0%	10.7%
Ending Number of Shares (m)	394.0	399.2	400.4	410.5	419.6	422.7	424.9	429.5	429.5	395.5	396.4	397.4	398.4
Weighted Average Number of Shares (m)	393.2	397.7	399.3	405.7	416.0	419.4	421.9	426.5	429.0	408.0	395.9	396.9	397.9
Fully-Diluted Number of Shares (m)	403.3	406.4	408.9	415.4	428.2	428.6	428.3	432.5	433.0	413.0	401.9	402.9	403.9
EPS - Basic (p)	12.7	14.6	14.8	23.2	36.6	19.8	16.9	28.4	52.4	62.5	95.8	107.9	119.2
<i>Annual Change</i>	(18.1)%	15.1%	1.0%	57.0%	57.8%	(45.8)%	(14.9)%	68.5%	84.4%	19.2%	53.2%	12.7%	10.4%
EPS - Fully Diluted (p)	12.4	14.3	14.4	22.7	35.6	19.4	16.6	28.0	52.0	61.7	94.3	106.3	117.4
<i>Annual Change</i>	(16.0)%	15.5%	0.8%	57.0%	57.0%	(45.4)%	(14.4)%	68.7%	85.3%	18.8%	52.8%	12.7%	10.4%
Pre-Exceptional EPS - Basic (p)	15.3	14.0	14.8	23.2	34.8	22.0	15.0	29.6	52.4	62.5	95.8	107.9	119.2
<i>Annual Change</i>	(24.0)%	(9.0)%	5.9%	57.0%	50.0%	(36.7)%	(31.8)%	97.0%	77.2%	19.2%	53.2%	12.7%	10.4%
Pre-Exceptional EPS - Fully-Diluted (p)	15.0	13.7	14.4	22.7	33.8	21.5	14.8	29.2	52.0	61.7	94.3	106.3	117.4
<i>Annual Change</i>	(22.1)%	(8.6)%	5.6%	57.0%	49.3%	(36.3)%	(31.3)%	97.3%	78.0%	18.8%	52.8%	12.7%	10.4%
Cash Earnings Per Share - Basic (p)	20.4	21.0	18.9	30.1	42.3	31.0	28.4	48.5	73.4	88.2	122.6	134.2	147.0
<i>Annual Change</i>	(12.3)%	3.1%	(9.8)%	59.2%	40.3%	(26.6)%	(8.3)%	70.6%	51.3%	20.2%	39.0%	9.5%	9.5%
Cash Earnings Per Share - Fully-Diluted (p)	19.9	20.5	18.5	29.4	41.1	30.4	28.0	47.9	72.7	87.2	120.8	132.2	144.8
<i>Annual Change</i>	(10.1)%	3.4%	(10.0)%	59.2%	39.5%	(26.1)%	(7.7)%	70.8%	52.0%	19.8%	38.6%	9.5%	9.5%
Dividend Per Share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.4	21.5	32.0	36.0	40.0
<i>Annual Change</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	nm	(52.6)%	48.8%	12.5%	11.1%

Source: Company Reports and Citi Research Estimates

Figure 2. easyJet – Half Yearly Profit and Loss Account, 2011-2013E (£ millions)

£m	1H11	2H11	2011	1H12	2H12	2012	1H13	2H13E	2013E
Seat Revenue	1,238.0	2,151.0	3389.0	1,438.0	2,356.0	3794.0	1,576.0	2,581.9	4157.9
Non-Seat Revenue	28.0	35.0	63.0	27.0	33.0	60.0	25.0	38.2	63.2
Total Sales Revenue	1,266.0	2,186.0	3452.0	1,465.0	2,389.0	3854.0	1,601.0	2,620.1	4221.1
<i>Annual Change (%)</i>	<i>8.1%</i>	<i>21.3%</i>	<i>16.1%</i>	<i>15.7%</i>	<i>9.3%</i>	<i>11.6%</i>	<i>9.3%</i>	<i>9.7%</i>	<i>9.5%</i>
Ground Handling	(137.3)	(175.6)	(312.9)	(128.4)	(169.6)	(298.1)	(139.3)	(179.3)	(318.6)
Airport Charges	(265.7)	(344.4)	(610.1)	(285.6)	(371.4)	(656.9)	(324.7)	(418.4)	(743.1)
Fuel	(383.0)	(534.0)	(917.0)	(483.0)	(666.0)	(1,149.0)	(496.0)	(679.1)	(1,175.1)
Navigation Charges	(120.0)	(165.0)	(285.0)	(123.0)	(157.0)	(280.0)	(122.0)	(175.5)	(297.5)
Crew Costs	(185.0)	(222.0)	(407.0)	(206.0)	(226.0)	(432.0)	(215.0)	(239.3)	(454.3)
Maintenance	(85.0)	(94.0)	(179.0)	(95.0)	(108.0)	(203.0)	(90.0)	(113.0)	(203.0)
Advertising	(21.0)	(36.1)	(57.1)	(33.4)	(32.0)	(65.5)	(26.4)	(35.7)	(62.1)
Merchant Fees and Incentive Pay	(26.0)	(18.9)	(44.9)	(21.6)	(17.0)	(38.5)	(23.6)	(22.8)	(46.4)
Royalty Fee	(1.4)	(2.5)	(4.0)	(2.5)	(2.5)	(5.0)	(4.8)	(7.9)	(12.7)
Other	(86.6)	(80.5)	(167.1)	(86.5)	(108.6)	(195.1)	(96.2)	(111.0)	(207.2)
EBITDAR	(45.0)	513.0	468.0	0.0	531.0	531.0	63.0	638.1	701.1
<i>EBITDAR Margin</i>	<i>-3.6%</i>	<i>23.5%</i>	<i>13.6%</i>	<i>0.0%</i>	<i>22.2%</i>	<i>13.8%</i>	<i>3.9%</i>	<i>24.4%</i>	<i>16.6%</i>
Depreciation	(39.0)	(44.0)	(83.0)	(45.0)	(52.0)	(97.0)	(51.0)	(46.4)	(97.4)
Aircraft Lease Rentals	(56.0)	(53.0)	(109.0)	(50.0)	(45.0)	(95.0)	(47.0)	(52.0)	(99.0)
EBIT	(140.0)	416.0	276.0	(95.0)	434.0	339.0	(35.0)	539.7	504.7
<i>EBIT Margin</i>	<i>-11.1%</i>	<i>19.0%</i>	<i>8.0%</i>	<i>-6.5%</i>	<i>18.2%</i>	<i>8.8%</i>	<i>-2.2%</i>	<i>20.6%</i>	<i>12.0%</i>
Intangibles/Goodwill Amortisation	(3.5)	(3.5)	(7.0)	(3.5)	(4.5)	(8.0)	(5.0)	(4.0)	(9.0)
Operating Result	(143.5)	412.5	269.0	(98.5)	429.5	331.0	(40.0)	535.7	495.7
<i>Operating Margin</i>	<i>(11.3)%</i>	<i>18.9%</i>	<i>7.8%</i>	<i>(6.7)%</i>	<i>18.0%</i>	<i>8.6%</i>	<i>(2.5)%</i>	<i>20.4%</i>	<i>11.7%</i>
Net Interest	(9.0)	(12.0)	(21.0)	(13.0)	(1.0)	(14.0)	(21.0)	(0.7)	(21.7)
Pre-exceptional PBT	(152.5)	400.5	248.0	(111.5)	428.5	317.0	(61.0)	534.9	473.9
Exceptional Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition Costs (Go, DBA & GBA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total PBT	(152.5)	400.5	248.0	(111.5)	428.5	317.0	(61.0)	534.9	473.9
<i>Pre-Tax Margin</i>	<i>-12.0%</i>	<i>18.3%</i>	<i>7.2%</i>	<i>-7.6%</i>	<i>17.9%</i>	<i>8.2%</i>	<i>-3.8%</i>	<i>20.4%</i>	<i>11.2%</i>
Taxation	39.0	(62.0)	(23.0)	22.0	(84.0)	(62.0)	14.0	(108.8)	(94.8)
<i>Effective Tax Rate</i>	<i>(25.6)%</i>	<i>(15.5)%</i>	<i>(9.3)%</i>	<i>(19.7)%</i>	<i>(19.6)%</i>	<i>(19.6)%</i>	<i>(23.0)%</i>	<i>(20.3)%</i>	<i>(20.0)%</i>
Net Result	(113.5)	338.5	225.0	(89.5)	344.5	255.0	(47.0)	426.1	379.1
Pre-exceptional, Pre-Goodwill Amortisation Net Result	(113.5)	338.5	225.0	(89.5)	344.5	255.0	(47.0)	426.1	379.1
Pre-Amortisation, Pre-Exceptional EPS - Basic (p)	(26.5)	78.9	52.4	(21.1)	87.1	62.5	(11.9)	107.5	95.8
<i>Annual Change (%)</i>	<i>91.0%</i>	<i>81.3%</i>	<i>77.2%</i>	<i>-20.4%</i>	<i>10.4%</i>	<i>19.2%</i>	<i>-43.6%</i>	<i>23.4%</i>	<i>53.2%</i>
Pre-Goodwill Amortisation EPS (p) - Basic	(26.5)	78.9	52.4	(21.1)	87.1	62.5	(11.9)	107.5	95.8
<i>Annual Change (%)</i>	<i>91.0%</i>	<i>86.6%</i>	<i>84.4%</i>	<i>-20.4%</i>	<i>10.4%</i>	<i>19.2%</i>	<i>-43.6%</i>	<i>23.4%</i>	<i>53.2%</i>
Avg. No. of Shares (m)	429.0	429.0	429.0	425.0	395.5	408.0	395.5	396.4	395.9
Passengers (m)	23.9	30.6	54.5	25.2	33.2	58.4	26.6	34.0	60.6
<i>Annual Change (%)</i>	<i>11.6%</i>	<i>12.0%</i>	<i>11.8%</i>	<i>5.4%</i>	<i>8.5%</i>	<i>7.1%</i>	<i>5.3%</i>	<i>2.6%</i>	<i>3.8%</i>
Seats Offered (m)	28.1	34.4	62.5	29.0	36.8	65.9	30.0	38.1	68.1
<i>Annual Change (%)</i>	<i>11.1%</i>	<i>11.8%</i>	<i>11.5%</i>	<i>3.5%</i>	<i>7.1%</i>	<i>5.5%</i>	<i>3.3%</i>	<i>3.3%</i>	<i>3.3%</i>
Load Factor	85.4%	88.8%	87.3%	86.9%	90.0%	88.7%	88.6%	89.4%	89.0%
Break-Even Load Factor (%)	95.6%	72.6%	81.0%	93.5%	73.9%	81.4%	92.0%	71.2%	79.0%
Number of Operational Aircraft (Average)	180.3	190.5	185.4	189.6	201.8	195.7	193.9	209.6	201.75
<i>Annual Change (%)</i>	<i>7.4%</i>	<i>4.7%</i>	<i>6.0%</i>	<i>5.2%</i>	<i>5.9%</i>	<i>5.6%</i>	<i>2.3%</i>	<i>3.9%</i>	<i>3.1%</i>
Average Revenue Per Passenger	52.9	71.5	63.3	58.1	72.0	66.0	60.3	77.0	69.6
<i>Annual Change (%)</i>	<i>(3.1)%</i>	<i>8.3%</i>	<i>3.8%</i>	<i>9.8%</i>	<i>0.7%</i>	<i>4.2%</i>	<i>3.8%</i>	<i>6.9%</i>	<i>5.5%</i>
Total Revenue Per Seat	45.1	63.5	55.3	50.5	64.8	58.5	53.4	68.8	62.0
<i>Annual Change (%)</i>	<i>(2.6)%</i>	<i>8.5%</i>	<i>4.2%</i>	<i>11.8%</i>	<i>2.0%</i>	<i>5.9%</i>	<i>5.8%</i>	<i>6.1%</i>	<i>6.0%</i>
Total Cost Per Seat	50.56	51.90	51.30	54.31	53.21	53.69	55.42	54.77	55.05
<i>Annual Change (%)</i>	<i>2.2%</i>	<i>1.7%</i>	<i>2.0%</i>	<i>7.4%</i>	<i>2.5%</i>	<i>4.7%</i>	<i>2.0%</i>	<i>2.9%</i>	<i>2.5%</i>
Total Cost Per Seat (ex-fuel)	36.91	36.37	36.61	37.67	35.13	36.25	38.88	36.93	37.79
<i>Annual Change (%)</i>	<i>(1.2)%</i>	<i>(2.0)%</i>	<i>(1.6)%</i>	<i>2.1%</i>	<i>(3.4)%</i>	<i>(1.0)%</i>	<i>3.2%</i>	<i>5.1%</i>	<i>4.2%</i>

Source: Company Reports and Citi Research Estimates

Figure 3. easyJet – Balance Sheet, 2003-2015E (£ millions)

Year ending Sept	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Fixed Assets													
Intangible Assets	330	311	311	311	311	440	447	452	451	456	447	458	449
Aircraft	137	88	251	608	804	897	1,445	1,760	1,970	2,289	2,089	2,226	2,418
Aircraft Deposits	177	165	148	81	116	188	149	153	164	88	88	88	88
Other Tangible Assets	7	21	7	7	17	18	18	15	15	18	36	52	67
Financial Assets		10	22	30	103	138	132	107	131	117	215	215	215
Current Assets													
Assets Held For Resale	0	0	7	0	0	196	73	73	0	0	0	0	0
Debtors	142	237	211	213	224	237	242	194	165	241	232	246	258
Other Current Assets	0	0	0	1	14	97	68	53	83	73	64	64	64
Restricted Cash	0	4	6	12	16	23	24	23	90	130	2	2	2
Cash	335	496	667	861	913	863	1,075	1,172	1,400	883	1,400	1,600	2,000
Current Liabilities													
Loans due within One Year	(7)	(10)	(16)	(33)	(41)	(57)	(118)	(127)	(155)	(129)	(130)	(130)	(130)
Dividend Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Creditors	(253)	(316)	(398)	(476)	(581)	(853)	(945)	(937)	(1,022)	(1,135)	(1,266)	(1,340)	(1,408)
Net Current Assets/(Liabilities)	216	412	476	578	545	505	420	450	561	63	302	442	786
Net Assets	867	1,007	1,215	1,615	1,895	2,186	2,611	2,938	3,292	3,031	3,177	3,481	4,023
Capital and Reserves													
Share Capital	98	100	100	103	105	106	106	107	108	108	108	108	108
Share Premium	540	554	557	591	634	640	643	652	654	656	658	668	679
Profit and Loss Account	120	138	206	289	414	532	559	742	943	1,030	1,282	1,568	1,882
Shareholders' Funds	758	792	863	983	1,152	1,278	1,307	1,501	1,705	1,794	2,048	2,343	2,669
Long-Term Debt	65	110	201	447	479	570	1,003	1,085	1,145	828	522	375	419
Provisions	43	57	76	105	171	269	245	292	356	339	540	696	868
Other Long-Term Liabilities	0	0	0	5	6	0	3	4	27	24	21	21	21
Deferred Income	0	48	75	75	87	69	53	57	59	46	46	46	46
Capital Employed	867	1,007	1,215	1,615	1,895	2,186	2,611	2,938	3,292	3,031	3,177	3,481	4,023

Source: Company Reports and Citi Research Estimates

Figure 4. easyJet – Cash Flow Statement, 2003-2015E (£ millions)

Year Ending Sept:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Operating Profit	56	51	66	118	172	104	49	181	269	331	496	550	611
<i>Operating Margin</i>	<i>6.0%</i>	<i>4.6%</i>	<i>4.9%</i>	<i>7.3%</i>	<i>9.6%</i>	<i>4.4%</i>	<i>1.8%</i>	<i>6.1%</i>	<i>7.8%</i>	<i>8.6%</i>	<i>11.7%</i>	<i>12.3%</i>	<i>13.0%</i>
Depreciation & Amortisation	48	42	17	28	34	47	60	79	90	105	106	104	111
EBITDA	104	93	83	146	206	151	109	259	359	436	602	655	722
<i>EBITDA Margin</i>	<i>11.2%</i>	<i>8.5%</i>	<i>6.2%</i>	<i>9.0%</i>	<i>11.5%</i>	<i>6.4%</i>	<i>4.1%</i>	<i>8.7%</i>	<i>10.4%</i>	<i>11.3%</i>	<i>14.3%</i>	<i>14.7%</i>	<i>15.4%</i>
Memo: Lease Rentals	85	96	124	133	92	111	116	116	109	95	99	122	123
Memo: EBITDAR	189	189	207	279	298	262	225	375	468	531	701	777	845
<i>Memo: EBITDAR Margin</i>	<i>20.3%</i>	<i>17.4%</i>	<i>15.4%</i>	<i>17.2%</i>	<i>16.6%</i>	<i>11.1%</i>	<i>8.4%</i>	<i>12.6%</i>	<i>13.6%</i>	<i>13.8%</i>	<i>16.6%</i>	<i>17.4%</i>	<i>18.0%</i>
Net Interest Received/(Paid)	12	13	23	8	12	18	(21)	13	(23)	(9)	(22)	(8)	(3)
Tax Paid	(17)	(6)	3	(5)	(2)	(14)	(9)	(14)	(2)	(28)	(38)	(57)	(65)
Decrease (Increase) in Stocks & Debtors	(43)	(36)	(17)	(3)	(10)	(13)	(5)	48	29	(76)	9	(13)	(13)
Increase (Decrease) in Creditors	24	104	100	78	105	272	92	-7	85	113	131	74	68
Cash Flow From Operations	80	167	192	225	311	414	166	298	448	436	682	650	709
Capital Expenditure/Aircraft Deposits	(175)	(62)	(109)	(408)	(274)	(324)	(515)	(471)	(550)	(379)	(259)	(267)	(335)
Acquisitions, Disposals, Lease Financing and Other	(5)	-3	-13	105	-26	-276	55	182	295	36	357	82	114
Free Cash Flow	(99)	102	70	(79)	11	(186)	(295)	9	193	93	781	464	488
Equity Issued/Debt on Acquisitions	4	16	3	18	17	7	3	9	(5)	(13)	2	10	11
Dividend Paid	0	0	0	0	0	0	0	0	0	(196)	(85)	(127)	(143)
Net Cash Surplus/(Requirement)	(96)	118	74	(61)	28	(179)	(292)	18	188	(116)	698	347	356
FX Effects	0	0	0	(2)	(11)	29	12	9	(4)	(18)	(6)	0	0
Closing Net Debt/(Cash)	(263)	(380)	(456)	(393)	(409)	(259)	21	17	(190)	(56)	(748)	(1,095)	(1,451)
Memo: Closing Net Debt/(Cash) Plus Capitalised Operating Leases	454	391	534	590	319	627	951	833	682	704	45	(117)	(466)

Source: Company Reports and Citi Research Estimates

Figure 5. easyJet – Financial Statistics, 2003-2015E

Year Ending Sept:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Returns													
PBT Per Seat (£)	2.13	2.16	2.38	3.32	4.54	2.12	1.04	2.75	3.97	4.81	6.96	7.61	8.15
Return on Book Equity-Average(%)	6.5%	5.2%	7.1%	10.2%	13.3%	7.9%	4.7%	8.9%	14.3%	14.6%	19.7%	19.5%	18.9%
Return on Capital Employed Post-Tax-Average(%)	9.1%	7.8%	11.3%	16.9%	18.5%	8.4%	3.0%	8.9%	12.7%	15.4%	25.0%	34.1%	38.7%
Adjusted ROCE (inc.Operating Leases) - Average(%)	5.1%	4.7%	5.4%	7.9%	10.5%	5.7%	3.0%	7.1%	9.2%	11.8%	17.8%	20.7%	22.9%
Free Cash Flow Yield - Equity Holders	(1.8)%	1.8%	1.2%	(1.4)%	0.2%	(3.3)%	(5.2)%	0.2%	3.4%	1.6%	13.8%	8.2%	8.6%
Free Cash Flow Yield After Debt Repayment - Equity Holders	(1.9)%	1.7%	0.4%	(1.9)%	(0.4)%	(4.1)%	(6.5)%	(3.2)%	0.6%	(1.1)%	11.5%	5.9%	6.3%
Free Cash Flow Yield - Enterprise Value Level	(2.0)%	1.6%	0.9%	(1.6)%	(0.0)%	(3.7)%	(5.0)%	(0.1)%	4.0%	1.9%	14.7%	8.6%	9.0%
Leverage													
Balance Sheet Net Debt/(Net Debt + Equity) %	(53.0)%	(90.5)%	(108.7)%	(63.3)%	(51.8)%	(22.6)%	3.4%	2.6%	(6.2)%	4.0%	(57.5)%	(87.7)%	(119.1)%
Overall Net Debt/(Net Debt + Equity) %	37.4%	33.3%	38.5%	38.0%	22.5%	33.7%	42.7%	36.3%	31.2%	31.7%	2.1%	(5.2)%	(21.2)%
Adjusted Gearing - easyJet Definition	30.4%	27.4%	32.5%	35.7%	17.9%	29.7%	39.7%	36.2%	28.0%	29.2%	(2.7)%	(11.4)%	(28.3)%
Cash per Aircraft	4.53	5.39	6.12	7.05	6.66	5.23	5.94	5.98	6.86	4.13	6.45	7.08	8.66
Adjusted Net Debt/(Cash) per Aircraft	4.47	3.25	3.82	4.48	1.83	3.27	4.75	4.34	3.25	3.45	-0.25	-1.06	-2.55
Off Balance Sheet Value/Fleet Value (%)	83.8%	87.0%	83.5%	63.9%	55.5%	50.9%	37.6%	31.6%	31.4%	25.7%	35.0%	35.0%	33.3%
EBITDA/Net Interest	(8.5)	(7.9)	(5.0)	(12.8)	(10.7)	(7.9)	20.2	13.2	17.1	31.1	27.7	81.2	214.9
EBITDAR/(Net Interest + Aircraft Rentals)	2.6	2.2	1.9	2.3	4.1	2.9	1.9	2.8	3.6	4.9	5.8	6.0	6.7

Source: Company Reports and Citi Research Estimates

Figure 6. easyJet – Implied Excess Capital from Board's Capital and Liquidity Targets, 2012-2022E (£ millions)

	Target	Sep-12	Sep-13E	Sep-14E	Sep-15E	Sep-16E	Sep-17E	Sep-18E	Sep-19E	Sep-20E	Sep-21E	Sep-22E
1) Minimum Cash Per Aircraft:												
Number of Aircraft	4.00	4.13	6.45	7.08	8.66	9.54	9.77	10.34	12.12	14.13	14.86	17.39
Implied Excess Capital		214	217	226	231	241	256	261	264	269	276	276
		27	532	696	1,076	1,336	1,476	1,656	2,144	2,724	2,996	3,696
2) Maximum Gearing:												
Implied Excess Capital	50.0%	29.2%	-2.7%	-11.4%	-28.3%	-50.6%	-65.9%	-71.8%	-106.9%	-141.0%	-132.8%	-168.4%
		528	1,051	1,291	1,629	2,024	2,387	2,714	3,241	3,770	4,139	4,744
3) Maximum Adjusted Net Debt Per Aircraft:												
Implied Excess Capital	10.00	3.45	-0.25	-1.06	-2.55	-4.22	-5.30	-6.13	-8.36	-10.34	-10.89	-13.25
		1,401	2,224	2,499	2,899	3,428	3,917	4,210	4,848	5,473	5,767	6,417

Source: Company Reports and Citi Research Estimates

Figure 7. easyJet – Operating Statistics, 2003-2015E

Year ending Sept	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Aircraft Fleet													
Number of Aircraft at Period End	74	92	109	122	137	165	181	196	204	214	217	226	231
Average Number of Operational Aircraft	66.0	79.9	94.0	107.0	122.6	145.3	160.1	174.9	185.4	195.7	201.8	210.5	217.5
Capacity													
Average Aircraft Age (years)	5.8	4.5	3.0	2.2	2.7	2.8	3.0	3.4	3.9	4.4	5.0	5.8	6.4
Average Seats per Aircraft	149	150	152	154	155	157	159	160	160	162	163	164	165
Total seats offered (m)	24.18	28.81	34.69	38.86	44.46	51.92	52.83	56.04	62.46	65.88	68.06	71.27	74.55
Change (%)	80.6%	19.2%	20.4%	12.0%	14.4%	16.8%	1.8%	6.1%	11.5%	5.5%	3.3%	4.7%	4.6%
Available Seat Kilometres (ASK m)	21,024	25,448	32,141	37,088	43,501	55,687	58,165	62,945	69,318	72,182	74,462	77,971	81,557
Change (%)	95.2%	21.0%	26.3%	15.4%	17.3%	28.0%	4.4%	8.2%	10.1%	4.1%	3.2%	4.7%	4.6%
Scheduled Round-trips per day	223.0	264.0	313.8	347.3	394.5	456.2	462.0	483.7	538.6	563.0	581.7	609.1	637.1
Change (%)	81.0%	18.4%	18.8%	10.7%	13.6%	15.7%	1.3%	4.7%	11.3%	4.5%	3.3%	4.7%	4.6%
Scheduled Sectors Flown	162,758	192,742	229,068	253,548	287,952	333,017	337,266	353,080	393,147	411,008	424,649	444,657	465,111
Change (%)	81.0%	18.4%	18.8%	10.7%	13.6%	15.7%	1.3%	4.7%	11.3%	4.5%	3.3%	4.7%	4.6%
Sectors flown per aircraft	2,466	2,412	2,437	2,370	2,349	2,292	2,107	2,019	2,121	2,100	2,105	2,112	2,138
Change (%)	(6.2)%	(2.2)%	1.0%	(2.8)%	(0.9)%	(2.4)%	(8.1)%	(4.2)%	5.0%	(1.0)%	0.2%	0.4%	1.2%
Block Hours	274,567	328,074	401,588	454,823	518,410	631,084	645,446	689,316	761,708	786,854	811,710	849,955	889,053
Change (%)	92.9%	19.5%	22.4%	13.3%	14.0%	21.7%	2.3%	6.8%	10.5%	3.3%	3.2%	4.7%	4.6%
Average daily hours per aircraft	11.1	10.6	10.7	10.8	11.1	11.5	10.2	10.1	10.5	10.4	10.4	10.4	10.4
Change (%)	0.1%	(4.7)%	1.4%	0.9%	3.0%	3.4%	(11.8)%	(1.0)%	4.4%	(0.6)%	0.0%	0.0%	0.0%
Traffic Characteristics													
Scheduled Passengers (m)	20.33	24.34	29.56	32.95	37.23	43.66	45.16	48.75	54.51	58.40	60.61	63.57	66.52
Change (%)	79.1%	19.7%	21.4%	11.5%	13.0%	17.3%	3.4%	7.9%	11.8%	7.1%	3.8%	4.9%	4.6%
Revenue Passenger Kilometres (RPK m)	17,735	21,566	27,448	31,621	36,976	47,690	50,566	56,128	61,347	65,227	67,587	70,889	74,178
Change (%)	92.4%	21.6%	27.3%	15.2%	16.9%	29.0%	6.0%	11.0%	9.3%	6.3%	3.6%	4.9%	4.6%
Average Length of Haul (km)	869	884	926	954	978	1,073	1,101	1,123	1,110	1,096	1,094	1,094	1,094
Change (%)	8.1%	1.7%	4.8%	3.0%	2.5%	9.7%	2.6%	2.0%	(1.2)%	(1.3)%	(0.2)%	0.0%	0.0%
Summary Economics													
Revenue Per Aircraft (£'000s)	14,119	13,655	14,270	15,137	14,659	16,262	16,657	16,999	18,619	19,693	20,922	21,218	21,582
Change (%)	(12.5)%	(3.3)%	4.5%	6.1%	(3.2)%	10.9%	2.4%	2.1%	9.5%	5.8%	6.2%	1.4%	1.7%
Revenue Per Seat (£)	38.5	37.9	38.7	41.7	40.4	45.5	50.5	53.1	55.3	58.5	62.0	62.7	63.0
Change (%)	(6.5)%	(1.7)%	2.1%	7.8%	(3.0)%	12.6%	10.9%	5.1%	4.2%	5.9%	6.0%	1.0%	0.5%
Total Revenue Per RPK (pence)	5.25	5.06	4.89	5.12	4.86	4.95	5.27	5.30	5.63	5.91	6.25	6.30	6.33
Change (%)	(12.2)%	(3.7)%	(3.4)%	4.8%	(5.1)%	1.9%	6.4%	0.4%	6.2%	5.0%	5.7%	0.9%	0.4%
Total Revenue Per ASK (pence)	4.43	4.29	4.17	4.37	4.13	4.24	4.58	4.72	4.98	5.34	5.67	5.73	5.76
Change (%)	(13.5)%	(3.3)%	(2.7)%	4.6%	(5.4)%	2.7%	8.1%	3.0%	5.4%	7.2%	6.2%	1.0%	0.5%
Operating Cost Per ASK (pence)	4.08	4.02	3.97	4.05	3.73	4.05	4.49	4.43	4.58	4.87	4.99	5.01	5.00
Change (%)	(6.9)%	(1.4)%	(1.4)%	2.1%	(7.7)%	8.5%	10.9%	(1.5)%	3.5%	6.3%	2.5%	0.4%	(0.3)%
Operating Cost Per ASK - ex-Fuel (pence)	3.51	3.44	3.16	3.00	2.76	2.78	3.11	3.26	3.26	3.28	3.41	3.45	3.47
Change (%)	(9.4)%	(1.8)%	(8.4)%	(4.9)%	(8.2)%	0.9%	11.7%	5.0%	(0.1)%	0.6%	4.1%	1.0%	0.6%
Total Cost Per Seat - (£)	35.71	35.71	36.29	38.36	36.12	43.13	49.65	50.18	51.30	53.69	55.05	55.06	54.81
Change (%)	2.9%	0.0%	1.6%	5.7%	(5.8)%	19.4%	15.1%	1.1%	2.2%	4.7%	2.5%	0.0%	(0.4)%
Cost Per Seat - ex-Fuel (£)	30.72	30.61	28.79	28.38	26.55	29.49	34.37	37.10	36.61	36.25	37.79	37.95	38.11
Change (%)	0.4%	(0.4)%	(6.0)%	(1.4)%	(6.4)%	11.1%	16.6%	7.9%	(1.3)%	(1.0)%	4.2%	0.4%	0.4%
Break-Even Load Factor	77.7%	79.5%	81.1%	79.0%	76.8%	81.8%	85.2%	83.6%	81.4%	82.4%	79.9%	79.5%	78.9%
Seat Load Factor	84.4%	84.7%	85.4%	85.3%	85.0%	85.6%	86.9%	89.2%	88.5%	90.4%	90.8%	90.9%	91.0%
Cost Drivers													
Average staff	3,226	3,656	3,875	4,359	5,493	6,375	6,478	6,887	7,724	8,206	8,290	8,477	8,584
Change (%)	57.8%	13.3%	6.0%	12.5%	26.0%	16.1%	1.6%	6.3%	12.2%	6.2%	2.3%	1.3%	1.3%
Passengers per employee	6,303	6,659	7,628	7,560	6,778	6,849	6,972	7,079	7,057	7,117	7,310	7,499	7,749
Change (%)	13.6%	5.6%	14.6%	(0.9)%	(10.3)%	1.0%	1.8%	1.5%	(0.3)%	0.8%	2.7%	2.6%	3.3%
Average staff cost per head (£)	35,957	36,844	39,923	41,753	42,090	45,678	52,933	53,274	55,930	58,006	59,747	61,539	63,385
Change (%)	6.0%	2.5%	8.4%	4.6%	0.8%	8.5%	15.9%	0.6%	5.0%	3.7%	3.0%	3.0%	3.0%
Average depreciation per aircraft (£'ms)	2.95	1.96	1.07	0.94	0.63	0.63	0.56	0.59	0.64	0.66	0.65	0.66	0.68
Change (%)	57.9%	(33.5)%	(45.2)%	(12.7)%	(32.4)%	(1.4)%	(9.7)%	3.8%	9.4%	3.0%	(1.6)%	2.2%	1.7%
Merchant fees % of revenue	1.5%	1.2%	1.2%	1.1%	1.1%	1.4%	1.3%	1.4%	1.3%	1.0%	1.1%	1.1%	1.1%
Advertising cost % of revenue	3.0%	2.8%	2.4%	2.4%	2.1%	2.0%	1.8%	1.7%	1.7%	1.7%	1.5%	1.4%	1.4%
Average selling cost % of revenue	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Cost of Internet sales % of revenue	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Cost of Call Centre sales % of revenue	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
% of Sales via Internet	93.8%	95.7%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Fuel Cost Per Block Hour (£)	439	448	648	853	821	1,123	1,251	1,064	1,204	1,460	1,448	1,435	1,401
Change (%)	13.2%	1.9%	44.7%	31.6%	(3.7)%	36.8%	11.4%	(14.9)%	13.2%	21.3%	(0.9)%	(0.9)%	(2.4)%
Fuel Cost Per Tonne (US\$)	291	334	503	659	688	948	951	732	818	982	975	956	925
Change (%)	31.7%	14.7%	50.5%	31.1%	4.4%	37.8%	0.3%	(23.0)%	11.7%	20.0%	(0.7)%	(1.9)%	(3.3)%
Maintenance cost per sector (£)	547	529	520	432	341	443	479	501	455	494	478	472	470
Change (%)	(6.2)%	(3.3)%	(1.7)%	(17.0)%	(21.1)%	30.0%	8.2%	4.5%	(9.1)%	8.5%	(3.2)%	(1.4)%	(0.2)%
Airport charges per passenger (£)	7.34	7.86	7.78	7.84	8.21	9.10	10.66	10.87	11.19	11.25	12.26	12.38	12.63
Change (%)	13.4%	7.1%	(1.0)%	0.7%	4.7%	10.8%	17.2%	1.9%	3.0%	0.5%	9.0%	1.0%	2.0%
Ground handling per passenger (£)	4.68	4.57	4.42	4.37	4.19	4.86	5.67	5.63	5.74	5.10	5.26	5.31	5.36
Change (%)	8.9%	(2.4)%	(3.4)%	(1.0)%	(4.1)%	15.9%	16.6%	(0.7)%	2.0%	(11.1)%	3.0%	1.0%	1.0%
Crew costs per sector	595	658	595	631	709	790	909	952	1,035	1,051	1,070	1,077	1,074
Change (%)	(7.5)%	10.6%	(9.6)%	6.1%	12.3%	11.5%	15.0%	4.7%	8.8%	1.5%	1.8%	0.6%	(0.2)%
En-route charges per block hour (£)	262	267	270	266	274	310	360	371	374	356	367	374	381
Change (%)	(1.2)%	1.9%	1.2%	(1.5)%	2.6%	13.4%	16.1%	3.2%	0.7%	(4.9)%	3.0%	2.0%	2.0%
Other fixed costs per base (£'ms)	15.7	6.5	6.6	6.5	6.4	5.1	5.5	9.1	7.3	8.1	8.3	8.2	8.1
Change (%)	53.3%	-58.4%	1.7%	-2.1%	-1.5%	-20.7%	8.7%	64.0%	-19.9%	11.9%	2.0%	-1.0%	-1.0%

Source: Company Reports and Citi Research Estimates

EasyJet

Company description

easyJet was founded in October 1995 by entrepreneur Stelios Haji-loannou and is now the second largest low-fare airline in Europe after acquiring Go in 2002 and GB Airways in 2007. easyJet became a listed company in January 2001. The company has been profitable since 1998 and continues to feed from the boom in popularity of low-fare airlines in Europe.

Investment strategy

We rate easyJet Buy (1). We remain positive on easyJet's long-term strategic position, as well as growth prospects for the low-fare market in Europe. The management team is focused on financial discipline and boosting shareholder value, as well as implementing aggressive cost management measures and improving ancillary revenue. While a consumer slowdown and high oil prices represent significant risks to near-term earnings, we believe that easyJet can emerge relatively stronger than higher-cost and weaker flag carrier, charter, and no-frills competitors. We expect easyJet to be one of the main winners in the European airline industry. As it enters its mature phase, we believe easyJet can continue to grow modestly while generating sustainably positive free cash flow, which supports dividends and could fund periodic special dividends.

Valuation

Our one-year target price of £16.00 (up from £14.50 on the estimate change) is based on a P/E of 15x FY14E F-D EPS and then rounded. It is equivalent to a c.20% discount to our DCF value of £20.34.

Risks

With regard to easyJet, we would highlight the following risks of owning the shares, which could impede share price from reaching our target price:

1. Typical airline operating risks: cyclical, overcapacity, fuel prices, labour strength, safety, war/terrorism and sensitivity of travel demand to external shocks, which is reflected in easyJet's beta value of 0.66 (source: Reuters).
2. Increased competition from British Airways, Ryanair, other major carriers and new entrant no-frills airlines.
3. Aggressive capacity competition continuing to exert pricing pressure.
4. Jet fuel and FX exposures are only partially hedged.
5. Execution risk associated with launch of bases and acquisition of Airbus fleet.
6. Potential stock overhang on substantial holding of the founding Haji-loannou family.
7. Potential conflicts of interest between Sir Stelios' easyJet interests and those of his other interests, primarily easyGroup, although the brand licence agreement has substantially lowered this risk.
8. Potential forced sale of non-EU shareholdings should foreign ownership limits be exceeded.
9. Potential non-approval by shareholders on 11 July 2013 for its order for 135 aircraft, which would reduce growth opportunities.

Appendix A-1

Analyst Certification

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IMPORTANT DISCLOSURES

EasyJet (EZJ.L)

Ratings and Target Price History Fundamental Research

Analyst: Andrew Light



	Date	Rating	Target Price	Closing Price
1	7-Oct-10	1M	*5.53	4.34
2	22-Nov-10	1M	*6.33	4.48
3	20-Jan-11	*1H	*5.03	3.84
4	24-Jun-11	1H	*4.52	3.52
5	7-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	4.52	3.54

* Indicates change

	Date	Rating	Target Price	Closing Price
7	23-Jan-12	1	*5.03	4.17
8	26-Mar-12	1	*5.80	4.96
9	11-May-12	1	*6.20	5.34
10	30-Jul-12	1	*7.00	5.72
11	21-Nov-12	1	*7.80	6.82
12	21-Jan-13	*2	*9.30	8.58

	Date	Rating	Target Price	Closing Price
13	25-Jan-13	2	*9.80	9.45
14	9-Apr-13	*1	*12.10	10.22
15	20-May-13	1	*13.30	12.35
16	24-Jun-13	1	*14.50	12.09

Rating/target price changes above reflect Eastern Standard Time

EasyJet (EZJ.L)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Andrew Light



	Date	Rating	Target Price	Closing Price
1	3-Oct-11	*ADD MP	-	3.46

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 30 Jun 2013

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% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
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48%	40%	12%	6%	88%	6%
53%	50%	45%	58%	51%	49%

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