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EasyJet plans for low passenger growth after profits fall

EasyJet PLC (LON:EZJ) reported a 26% decline in profit before tax for the past year after a year of strong passenger growth but said it expected to grow capacity at the lower end of its historical 3%-8% guidance next year.

Alongside results for the year to 30 September, the budget airline outlined an outlook for the coming year that included saying that bookings were "slightly ahead" against weak comparatives from last year, with revenue per seat expected to increase by "low to mid single digits" in the first half and costs per seat up "low single digits" for the full year, not including fuel.

READ: EasyJet buys Thomas Cook's airport slots for £36m
Fuel costs will be increased by around £25m as the FTSE 250-listed group attempted to burnish its green credentials by promising to spend around that amount to offset carbon emissions from the fuel used in its flights.

The new EasyJet Holidays business, which will be launched in the UK before Christmas, taking bookings for city and beach trips for the winter 2019 and summer 2020 seasons, is expected to be "at least breakeven" for the full year.

Looking back to the past year, adjusted PBT of £427m was significantly lower year on year but in line with the guidance given last month for £420m-£430m, as costs per seat increased by 1.5% to £56.74 as a result of 8% higher unit fuel costs and foreign exchange movements.

The dividend was cut by 25% to 43.9p.

Chief executive Johan Lundgren hailed the record 96.1m customers flying with the airline over the year and the slight reduction in constant currency costs drove better revenue per seat in the second half of the year.

He claimed that the carbon offsetting plan made EasyJet the "world's first major airline to operate net-zero carbon flights across our whole network".

Easyjet shares climbed more than 4% to 1,333p by mid-morning on Friday.

The announcement about carbon emissions shows the sector is under genuine pressure to address its environmental impact, said Russ Mould, investment director at AJ Bell.

"Regular fliers often fret about their carbon footprint so EasyJet's move, at a significant but not unmanageable cost of £25m a year, could pay off. Well, at least if it is seen as a genuine strategy and not just window dressing."

He noted that Hungarian-based airline Wizz Air recently called for a ban on business class.

Broker Peel Hunt noted that some weakness in consumer confidence had been offset by self-help initiatives in the second half, while there was some positive impact from strikes at BA and Ryanair.

Price: 1477.5

Market Cap: £5.87 billion

1 Year Share Price Graph



Share Information

Code: EZJ

Listing: LSE

52 week High Low
1557.5 840

Sector: Leisure, gaming and gambling

Website: www.easyjet.com

Company Synopsis:

EasyJet is engaged in the provision of a low-cost airline service on short-haul and medium-haul point-to-point routes principally within Europe.

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Guidance for airline revenue per seat and airline cost per seat was "broadly in line with consensus", analysts said.

-- Adds share price and analyst comment --

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