Newcastle University Investment Fund

Jet2 PLC – (JET2:LSE)

Long: Target Price £21.39 – (60% Upside)

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1. Executive Summary

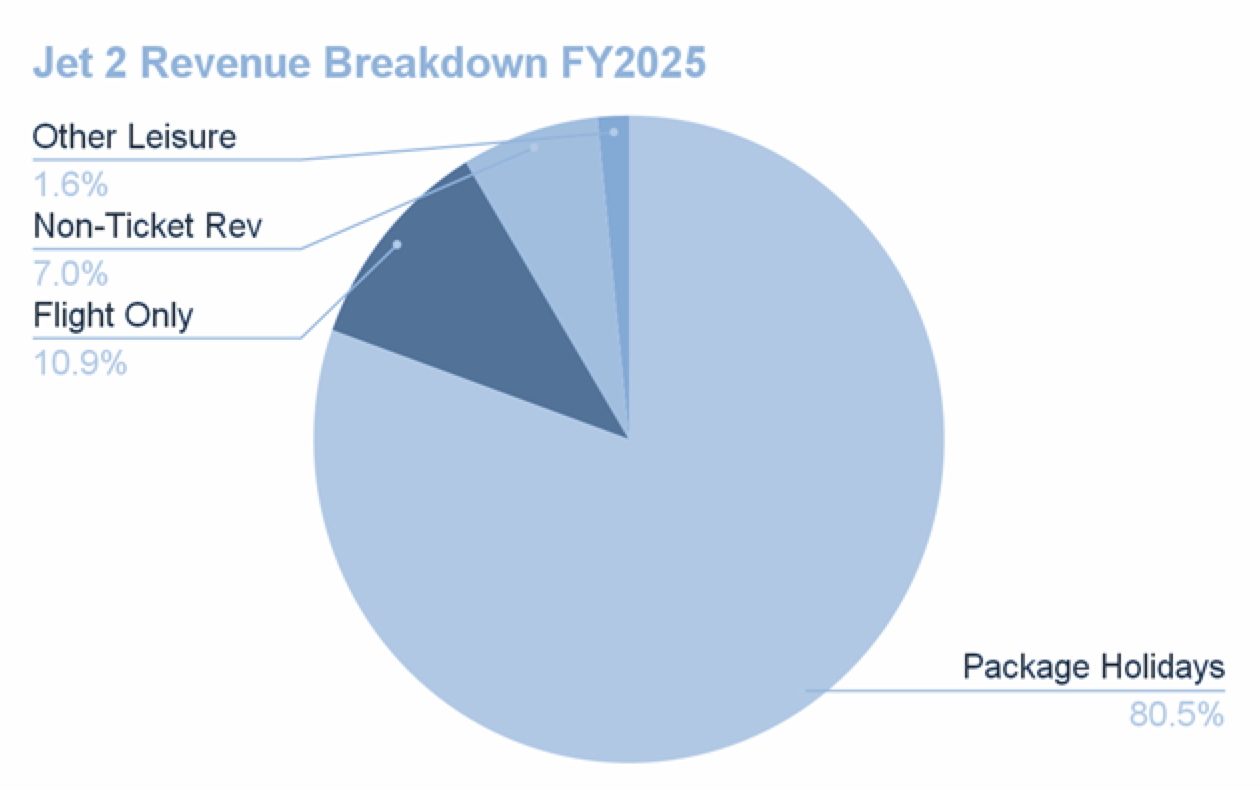
- Over 60% of their revenue is generated by accommodation and other sources unrelated to commercial aviation.
- The business is well run and has been for some time, management relatively competent & have delivered long term growth.
- Employees are generally proactive and treat customers well relative to industry competitors, especially in unpredictable situations.
- Crisis resilient (rev grew 22.9% YoY in 2008) and 2020 (revenue 40% higher in 23 than 20).
- TUI have lower operating margins because unlike Jet2, 30-40% of flights are operated by Ryanair, who take away margin that Jet2 gets to keep. (9.15 vs 10.3 for Jet2). Tui Trades at P/E of 6.2 despite 1.24 debt to equity.
- EasyJet has return on assets of 3.64, TUI has 4.68, Jet2 has 7.78 and Ryanair has 11.48. Ryanair is an amazing low-cost, but Jet2 is also a good business, relative to competitors. Ryanair trades for ~16P/E while Jet2 trades at 6.6P/E.
- Jet2 can sustain profit per passenger at lower margins than competitors because passengers spend more of their holiday budget with Jet2 than with Ryanair, despite Ryanair's better margins and incumbency advantage.
- Over time, the cost of providing services is lower when they are insourced, giving Jet2 an operating cost advantage over TUI for instance.
- unlike TUI, Jet2 maintains perception as a "low-cost airline" despite being neither low cost, nor an airline in of itself. Customers also broadly cite Jet2 on online forums as having stronger in-country employee presence, making it more of a bean to cup experience.
- 60-80% rebooking rate compared to TUIs 40%. The rate for Jet2 would be even higher if they were not growing and TUI wasn't stagnant. (plausible when we compare the customer float)
- EasyJet P/E is 9 vs 6.5 for Jet2 despite having similar 6% operating margin and 1.2 debt to equity.

2. Company Overview

Core Business Model

Operates Chartered and Scheduled flights from 13 UK bases to key leisure destinations across Europe. These bases cover 85% of the UK population within a 90-minute drive. Jet2 uses direct relationships with hotel & transit partners to sell “low cost” holidays.

In 2025, **80.5%** of their revenue was generated by **Package Holidays**, while Flight only contribute **10.9%** to revenue.



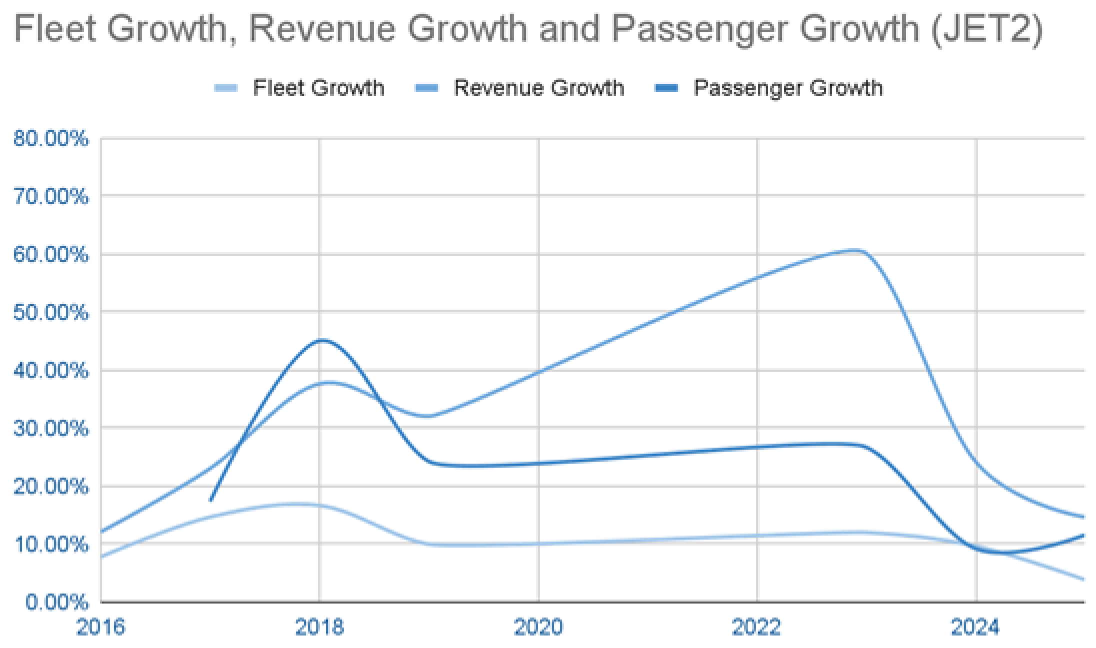
Recent Financial Performance

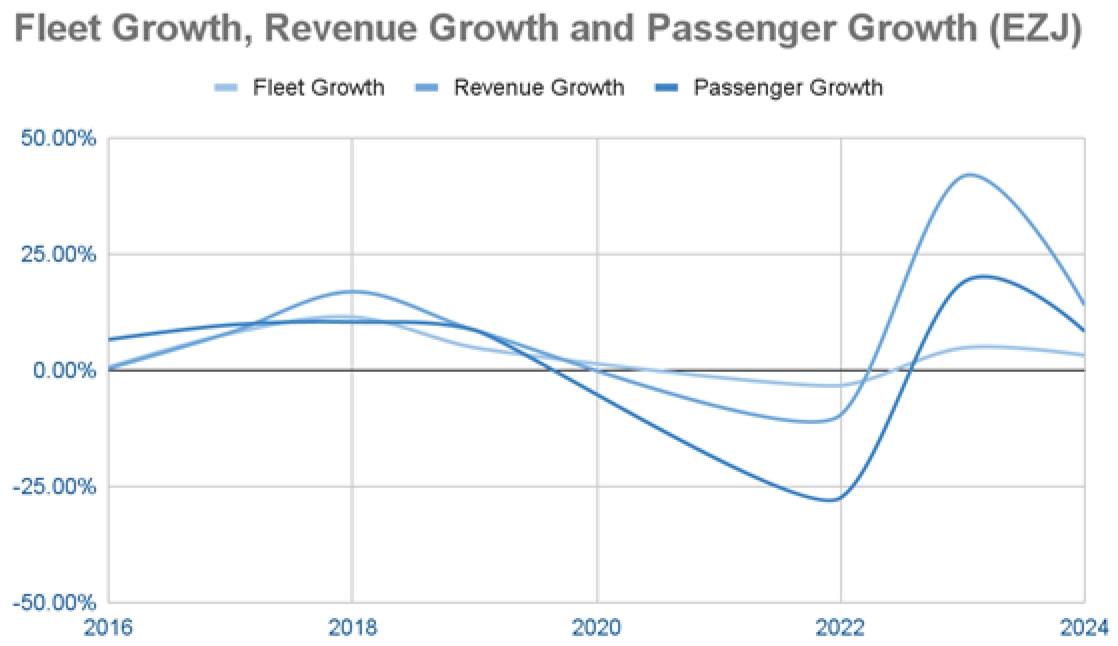
- Year on Year profit grew by 12% to £446.8 million.
- Passenger numbers increased by 12% to 19.7 million.
- Jet2 has been deleveraging, shown by its debt-to-equity falling from 1.75 in 2022 to 0.71 in 2025.
- It maintained sector leading ROA at 7.5% in 2025, (Against EZJ, **4.3%** and TUI, **4.2%**).

Fleet expansion as a driver of Growth

Fleet expansion is indicative of growth

- 118% increase in overall fleet size over the past 10 years.
- Has allowed for increase capacity, addition of new routes and increased flight frequency.
- Increases in fleet size has allowed for greater rises in revenue and passengers carried compared to competitors. (EZJ)
- Jet2 is buying 146 A321neos up to 2035 for current ~45 million per unit price at 52.5% discount from sticker price. 305m addition to equipment & aircraft in 2024. Of that, only ~35m is likely unrelated to the 6 A321neo deliveries they took that year.
- Old Boeing 737s are being retired so fleet size is expected to increase 30-40% over 2035 at conservative estimates. Likely more.
- Revenue is growing disproportionately well compared to fleet growth.





Past Financial Performance

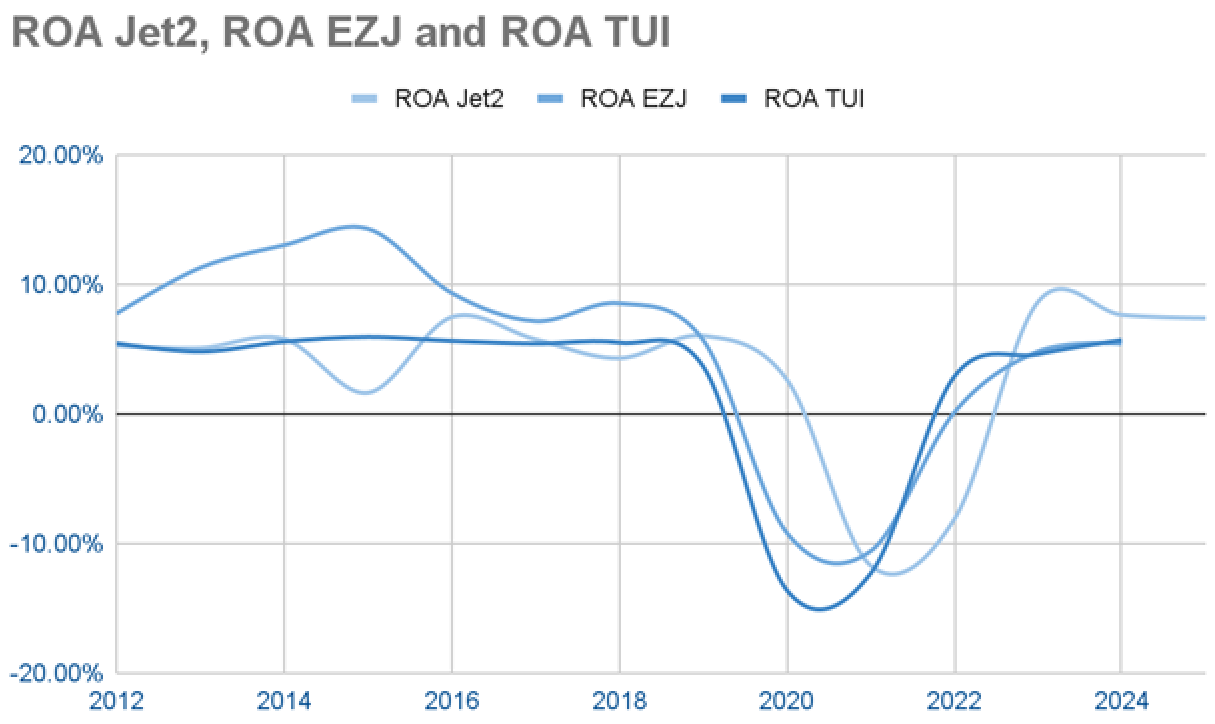
Jet2 has significantly improved their performance in the past 2 years compared to their closest competitors.

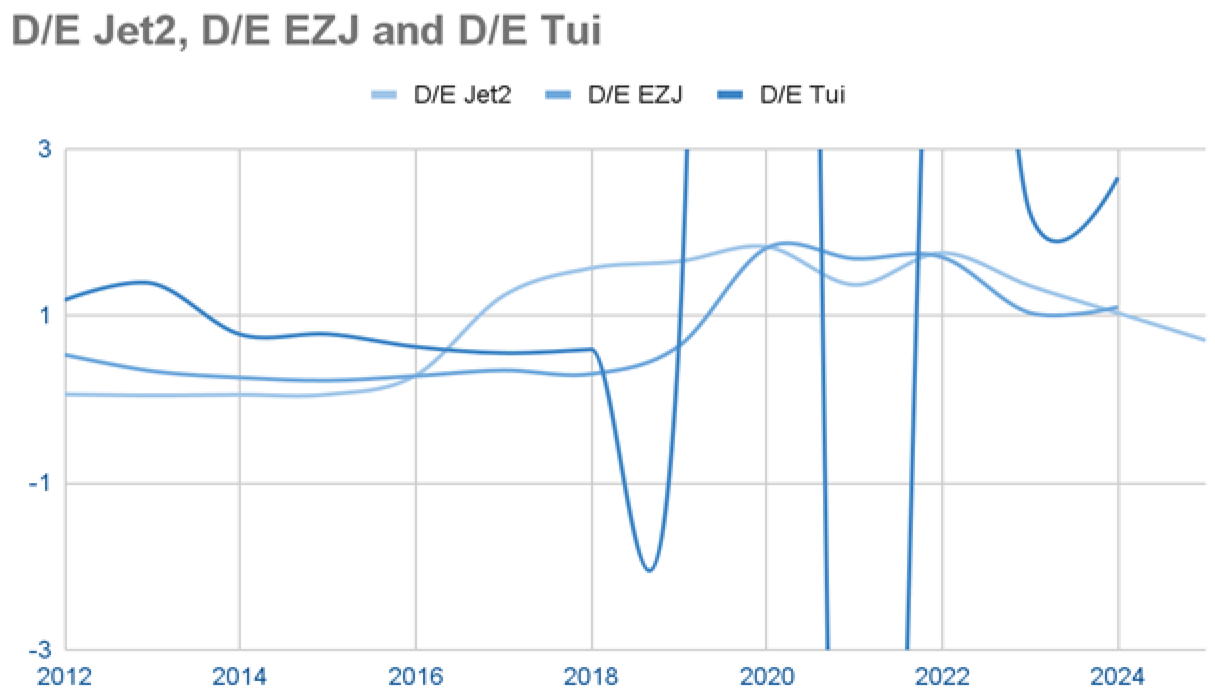
Return on assets increased to **7.5%** outperforming both EasyJet and Tui. This reflects their continued strong fleet utilisation to ensure high capacity, demonstrating their ability to generate high returns from existing assets.

While the whole industry experienced increased debt during the pandemic. Jet2 has acted fast to deleverage showcased by their industry low D/E of **0.71** in FY2025, compared to EZJ and TUI (1.2-3). TUI has bad debt but they're hiding it. Massive government bailout but healthy debt to equity?

This shows how the company is low risk due its greater reliance on equity to finance its growth rather than greater leverage.

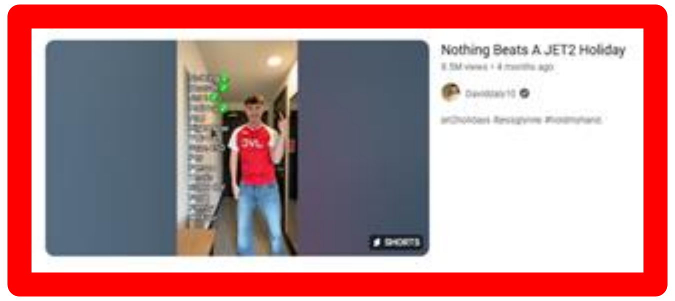
We think Jet2 will continue growing but it is unrealistic to expect growth to continue at previous rates as Jet2 becomes larger. Our valuation reflects that we do not account for any growth whatsoever, as paying more on account of growth that is not certain erodes our margin of safety. We'd much rather undervalue than overvalue the company in our assessment.





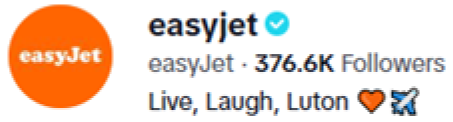
Public Presence

The first video that comes up when entering the company name into youtube.com. Jet2 is more than 3x smaller than TUI by revenue but their first video has 32x more views and is user generated free promotion.



Jet2 markets itself as a budget airline, though prices are not always the lowest. Advertising has built perception of affordability and consumers generally view them to offer better value than TUI. Customers are generally more satisfied, praising adaptability of staff and luggage without any extra fees.

Official tik tok account follower numbers are indicative of user generated content, which itself is harder to measure. Tui & Jet2 both have 20% of pack holiday share. Easyjet is the UK's largest airline. Jet2 has an oversized social media presence relative to passenger numbers and stretched far beyond paid advertising. Suggests that company advertising is successful.



jet2 (@jet2) Official | TikTok

Jet2 are really good, probably better than Tui.

I always find these kind of queries odd because they're so well established here (Leeds) and I forget that there's parts of the country where they're only just moving into.

Airside of the airport was closed due to covid scare, so streetside/roadside/thebitbeforesecuritywhateverthatscalled was packed and plenty of people outside too. The jet2 staff were plenty inside, handing out water, telling people what was going on, what to expect. Easy to spot in their brightly coloured jackets.
We've used them ever since.

Over the years I've used both. I'd say Jet2 usually have the edge on price and I much prefer their website and app, but other than that once you book there is little difference.

I generally use Jet2 because they have more choice of flight times from Leeds. Some destinations will have 2 or 3 flights a day so you can pick what suits.

I find that very surprising tbh. We've flown Jet2 loads and there's always masses of their staff at the airport and any time there's been a problem, they've been great at keeping us informed, even the time we flew back while the Tui plane that slid off the runway at Leeds Bradford closed the airport for 2 days and everything was a total mess, they did everything they could to help people and also limit delays where they could.

I think they were marginally better than TUI overall and I've used both. Depending on the holiday , you got more luggage as standard. However, I went back to TUI last time as the deal for the holiday I wanted was better so worth comparing as there wasn't a huge difference between the two.

I find the overhead lockers in the aircraft Jet2 use are massive, we usually take hand luggage only and pay for guaranteed space, so this suits us.

Last time we flew we did a package with checked luggage and our luggage didn't come back with us, but was delivered to our home address the following day with no fuss. I quite like them.

Tui or jet2 | Mumsnet

Employee Conditions

- 24% pay increase since 2022 at Jet2.
- 5,700 colleagues who joined sharesave scheme in 2022 to be paid out 58m in 2025. Only 2,569 newly issued shares (out of 214,683,850) so far for 2025. Shareholders have not faced any significant share dilution in 2025. Management committing to no more than 10% dilution over the next ten years. They will have bought back and cancelled 10% of shares this year alone.
- Glassdoor employee ratings are 3.5 for Jet2 and 3.8 for TUI. Some employees at Jet2 cite middle management favouritism as a problem. Pay is broadly in line with the industry and employees mostly seem content on that front.
- Pay for entry level roles is slightly lower at Jet2 than at TUI. This is not representative as TUI has many German employees where average nationwide salaries are higher. In real terms it’s a few % higher, especially for foreign local workers.
- The Jet2 annual report endlessly reiterates the importance of customer service. Broadly speaking, customers agree that Jet2 has better customer service than TUI based on mumsnet. Easyjet does sell package holidays but it’s not an apples to apples customer experience comparison and TUI is by far the biggest competitor.
- Jet2 employees can communicate directly with the CEO through a new scheme.
- WeCare program gives employees & immediate family access to emotional and practical support. These include online GPs, a newly introduced dental service, mental health support, help with smoking cessation, diet and nutrition guidance, burnout prevention and professional counselling, as well as legal and financial advice.
- Management spends 15m per year on Lifestyle 2023 program to understand employee preferences. Greater flexibility in roster swaps and increased minimum days off the rota have been implemented based on feedback & to reduce fatigue.

Shareholders

Jet2 initiated a share buyback program in April 2025 for a total of £250m. The program is more than halfway done with more than 150m shares already purchased and will be completed by the end of 2025. All repurchased shares are being cancelled, reducing the number of outstanding shares and therefore proportionally increasing the value of remaining outstanding shares.

The share buyback is equivalent to 1.31GBP per share of value returned to shareholders indirectly, otherwise equivalent to a 9.9% dividend yield for this year. When added to the dividend Jet2 paid this year, this amounts to an 11.15% dividend yield on the current share price.

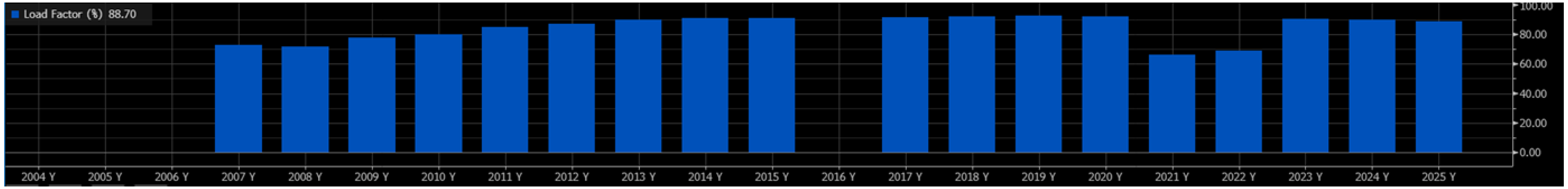
We are fully in support of the management's decision to return equity to shareholders in this way because the company is undervalued. This means that not only do shareholders benefit from the lower amounts of shares in circulation but also from an appreciation in the principal value of the 250m the company has invested.

Management know and understand the business better than we ever will because they run it. Hence, when they agree with us that the company is undervalued by initiating a buyback, this adds conviction to our judgement.

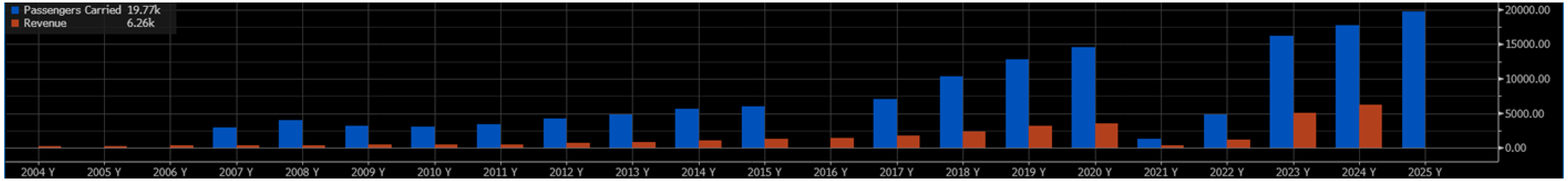
Direction & Resilience

We like the fact that Jet2 is far more than just an airline. It means they can pick up more profit along the entire customer experience. It also reduced their exposure to fuel prices as a % of revenue. They're heading in a direction we like because they are increasing lucrative package holiday revenue streams.

Flight only customers present more flexible demand and considerably less logistical challenges. Consequently, It is expected that the load factor falls as holiday package customers rise as a proportion of customers. Jet2 has however defied these expectations despite this business shift. Notice also load factor resilience in 2008.



We can also see that revenues were resilient during the organic recession in 2008. Interestingly, customer numbers rose while profit per passenger dipped slightly in this period. Jet2 is considered to be a low cost airline. We don't actually think it is low cost at all but evidently, it fits into a market segment which seems so resilient that recession seems beneficial to demand.



It is also worth noting that Jet2 only took out around 200m of a 300m GBP that was available to them as assistive government loans during the pandemic. It's largest competitor, TUI was bailed out to the tune of 4.3B EUR. TUI is a 3.2x larger business based on last year's revenue however they vacuumed 18.95x Jet2s amount out of government coffers during this period.

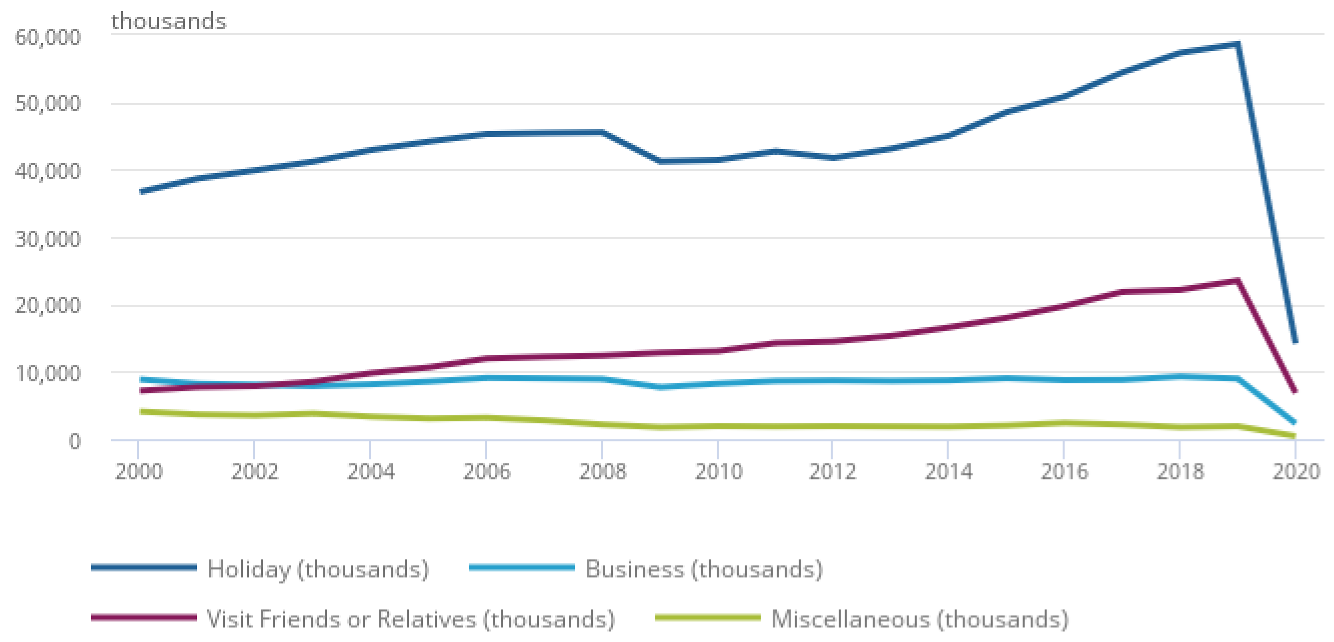
2. Industry Overview: Recovery & Consumer Trends

UK international travel rebounded strongly post-pandemic.

- 2023: 38M overseas visitors to UK (+22% YoY) and 86.2M UK trips abroad (+21% YoY).
- Reports that real household spending on food fell ~7.5% in 2023, even as total leisure and travel expenditures rose.
- Average spend per overseas trip: £840 (+25% vs 2019). (ONS, 2024)
- This demonstrates strong sales recovery and market resilience
- Only a 10% dip during the 2008 recession. This loss in demand is likely concentrated more at the higher end of the market.

Figure 4: UK residents holiday visits abroad decreased by 76% in 2020 when compared with the same period a year earlier

UK residents' visits abroad by purpose, 2000 to 2020



Source: Office for National Statistics – International Travel and Tourism

Industry Overview: Growth, Expansion & Outlook

- According to the Department for Transport, air travel per passenger is forecast to slow down to grow at approximately 1.2-1.5% p.a. compared to an annual rate averaging 3.8% since 1990, due to factors such as market maturity, lower long term economic forecasts, capacity constraints and a significant rise in carbon prices.

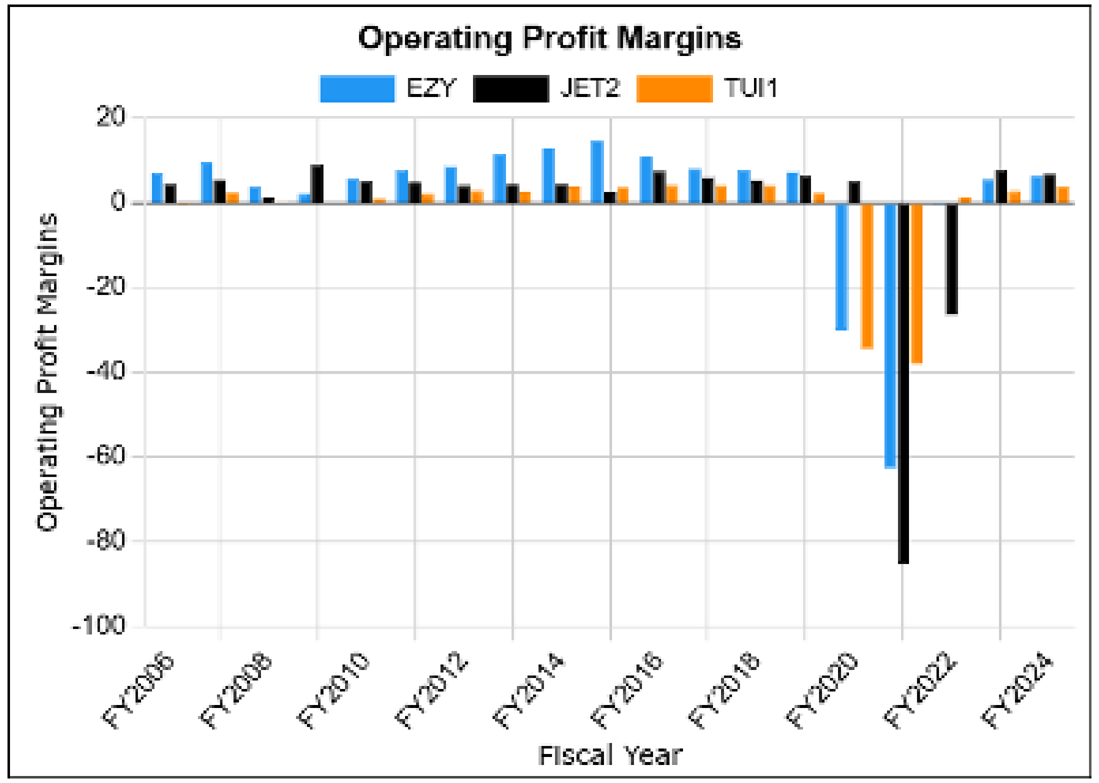
With capacity nearly restored, companies will compete fiercely on access to flight routes, airport base and pricing (potentially through reducing operating costs) propositions to win passengers.

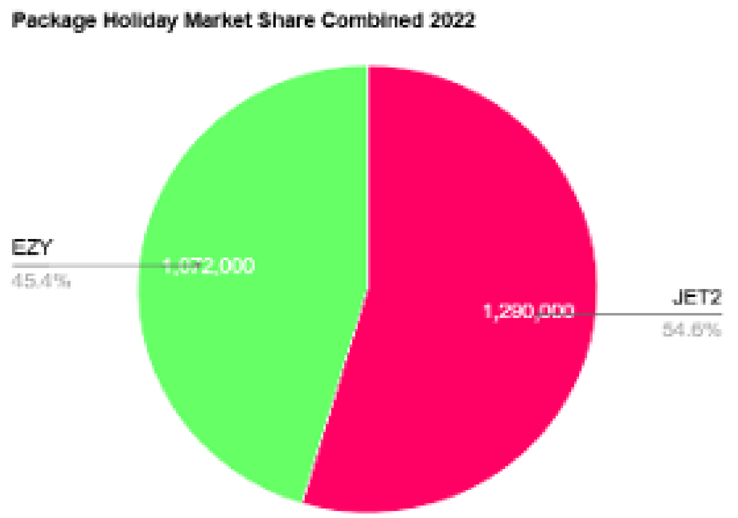
JET2 has demonstrated its competitiveness despite slowing of projected industry growth:

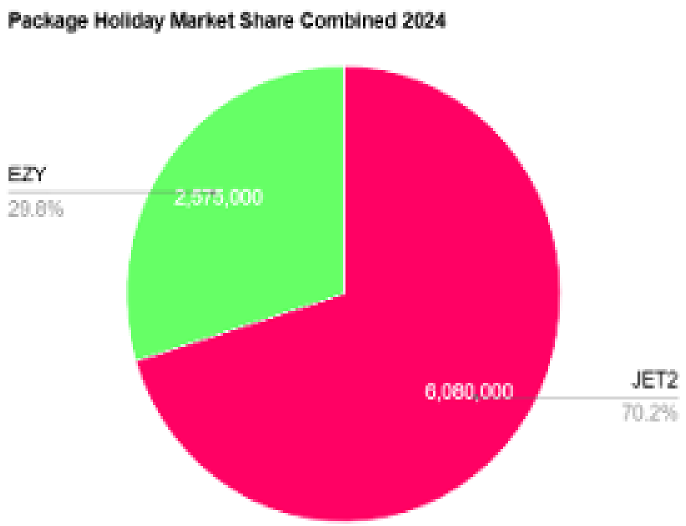
- JET2 management reports rapid expansion in its UK base network, adding new operations in Bournemouth, Liverpool, and Luton
- The airline has options to buy 146 A321neo to 2035 equating to a 30-50% increase in capacity as their old B737 are retired.
- This demonstrates effort from JET2 management to reduce operational costs in view of current inflation concerns

Management

- Management showed adaptability and resilience with a strong post-pandemic recovery, with pretax margins rising swiftly from £-370M to £366M in 2 years time with continued growth to current £573M.
- This strong recovery is lent in part by JET2 management's strong adaptability to the pandemic by showing swift response in taking out business loans early on before the cost of borrowing rose like its peers did/
- Peers TUI and EZY demonstrated similar level of resilience, with JET2 demonstrating the highest operating margins (6.8454% in FY2024)
- JET2's executive pay has increased but remains proportionate to its size, with only half of its competitor (TUI)'s Total execute pay (£5.6M VS £10.5M) despite a much lower difference in Net Income (GAAP) (£433M VS £628M).
- Management are buying back shares to return equity to shareholders.
- Management has delivered great growth in the past.
- New CEO was under the wing of the predecessor for 10 years before assuming role. Predecessor owns 15% of company so wouldn't entrust leadership to someone bad.
- Very little share dilution. Financial reports more comprehensible.







4. Market Expectations

Markets have been spooked over concerns about customers booking holidays at increasingly short notice. We’re not concerned by this because while behaviour may change, the inherent demand remains. Jet2 held ~1.9B of money from customers who had prepaid for their holidays in 2024 while TUI held ~3.5B (converted from EUR). Considering that TUI is ~3.2x. Advance sales are up 7% from last year to 4b approx.

There has been floated the notion that the package holiday industry is dying. While for debt laden Thomas Cook and current competitors who are moving away from directly owned and controlled operations, this may seem convincing. However, Jet2 has continued to grow revenues with a bean to cup business model. Based on the steady growth of Jet2, the market is misconstruing the failures of leadership at other providers as an inherent industry decline.

Many investors are confused by Jet2 buying more aircraft than ever. They still regard Jet2 as an airline, which is wrong both by today's metrics and by the direction in which the company revenue stream is heading. Generally, markets are currently not valuing airlines very generously. We can’t say for sure why, but we imagine it’s because airlines are technically complex, because a crash could kill a company and because business is vulnerable to variables like ATC strikes.

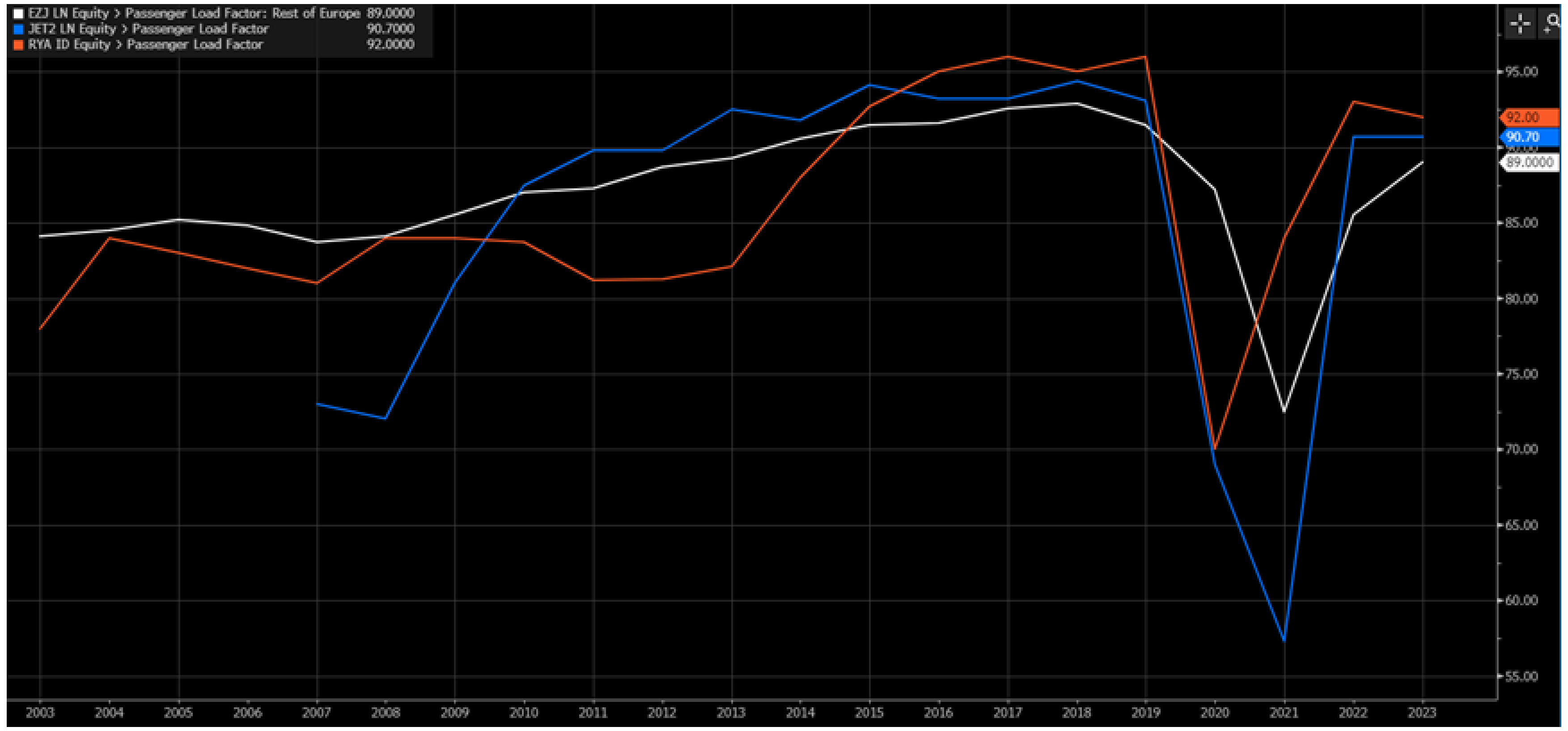
TUI, Jet2’s largest competitor is superficially a more expensive company to buy relative to its earnings power at its current market capitalisation. The business is also badly run and debt prone. It lacks the pure bean to cup business model which we believe will serve Jet2 well.

Risks - Consumer Discrentionary Sector

Holidaymaking exhibits above-average sensitivity to macroeconomic variables. As a short-haul leisure travel operator, Jet2 lies within this sector. Hence in downturns or periods of weak disposable income, demand for non-essential holidays falls sharply. That said, british consumers place importance on holidays because they are seen as a key component of a happy life.

- Jet2 primarily serves middle-income leisure travelers, its demand base is vulnerable to economic factors
- Macroeconomic slowdowns/recessions represent a disproportionately larger risk compared with other companies both within and outside the consumer discretionary sector

Below is a graph displaying load factor compared to competitors. The Jet2 load factor suffered disproportionately in 2020 because most of their customers are holidaying: harder to justify to authorities during the pandemic.



Jet2 has had good load factors compared to the toughest yardsticks in the industry (Ryanair & EasyJet). Load factor at BA is 83.3% as of 2025.

We anticipate that the package holiday industry will grow because as the aviation industry matures & competition intensifies, companies who earn money along more points in the customers journey can maintain revenue at slimmer margins than airlines which don't do this. Being able to operate well at slimmer margins will give those companies pricing authority. We believe Jet2 is such a company.

Currently, package holidays are more expensive than if you booked everything yourself. However, in future package holidays may actually be not only convenient but also more value. Jet2 holidays are already perceived as good value. Jet2 entered the pandemic with 14% market share and left with 21%.

Risks - Plane Crashes

Air travel is extremely safe. Customers are far more likely to be injured or killed travelling from the airport to the hotel than on the aircraft itself. Jet2 has insurance to protect against liability arising from a crash. Total exposure resulting from a 100% fatal crash & complete hull loss would be 390-420m, which insurance would cover. The vast majority of the damage would be reputational.

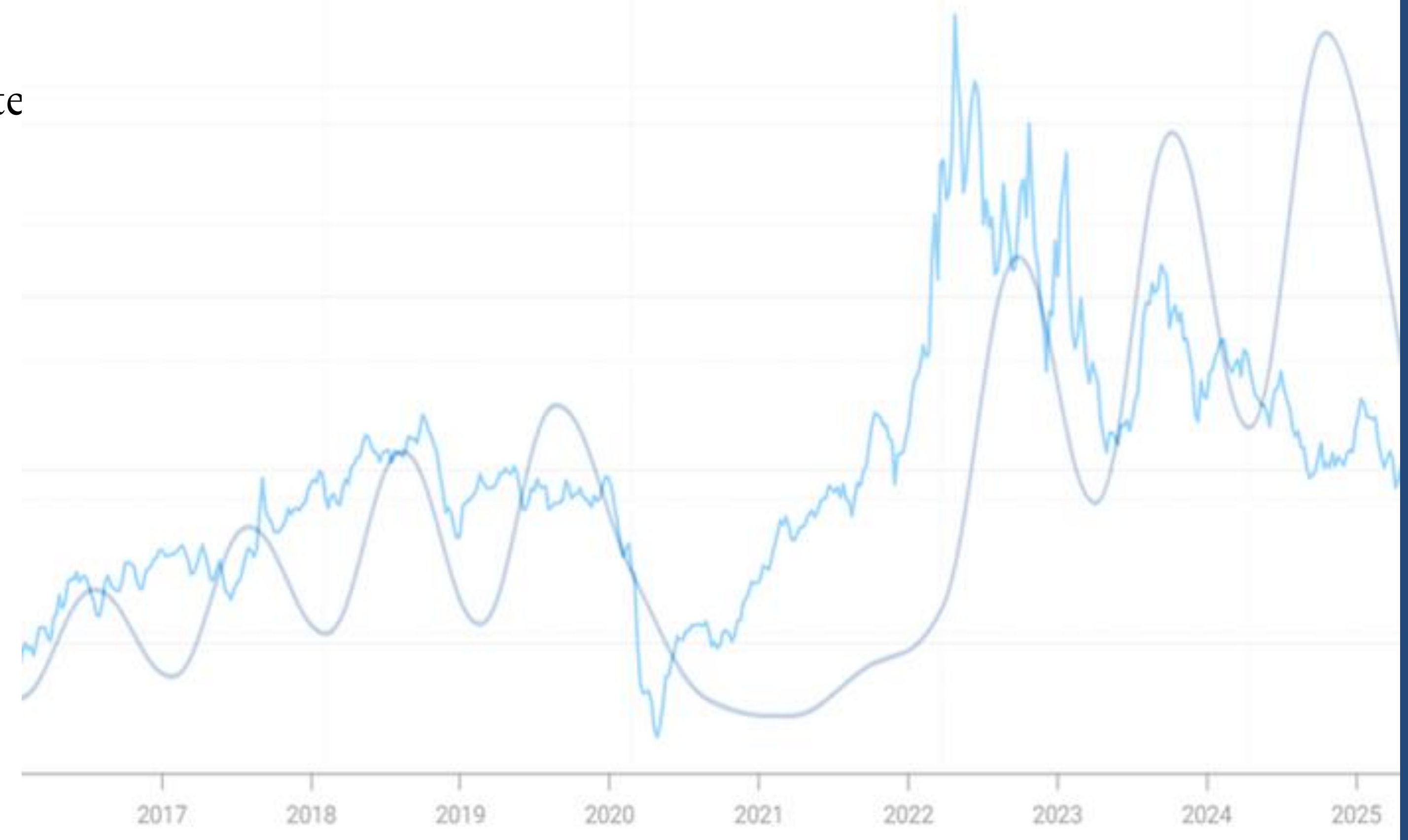
In a worst-case negligent crash scenario, we expect bookings to drop 15% for 3 months to a year based on past accidents at other airlines. This is disadvantageous but does not inherently jeopardise the business.

Based on the latest ICAO flight safety data, there is one fatal accident every 15~20 million flights. We can infer from passenger numbers that Jet2 operated ~330,000 flights in 2024. If we do 15,000,000 / 330,000 we can expect to have a fatal accident every 45.45 years at at Jet2 assuming current operational volume and that safety standards to not continue increasing.

Malaysia Airlines (MH370, MH17)	2014	Two separate catastrophes within 4 months (total > 500 fatalities)	Passenger bookings down **33–40%**, company lost **>$1.1 bn** in 12 months; share price fell **> 40%**	Nationalization followed; brand effectively retired for years.
Germanwings (Flight 9525)	2015	Pilot suicide, 150 fatalities	Load factor dropped temporarily, bookings down **~10–15%**; parent Lufthansa's shares fell **~6–7%**	Lufthansa eventually **folded brand back** into Eurowings (brand discontinued).
Lion Air (JT610)	2018	189 fatalities (737 MAX)	Immediate bookings down ~15%; global scrutiny of safety; share price fell **~12%**	Brand recovered moderately once MAX grounding lifted.
Ethiopian Airlines (ET302)	2019	157 fatalities (737 MAX)	Short-term reputation hit, but global sympathy as crash linked to Boeing design fault; bookings recovered within 1 year	Airline's **brand largely intact**; seen as victim, not negligent carrier.
Air France (AF447)	2009	228 fatalities	Shares dropped **~9%** first week; passenger confidence affected briefly	Full recovery in < 1 year; brand retained strong reputation.
British Midland (Flight 92)	1989	47 fatalities (engine failure on 737-400)	Passenger confidence dip in UK for ~3 months	Reputation restored; later re-branded as BMI for marketing reasons.
Korean Air	Late 1990s	Several fatal accidents	Chronic safety-perception problem → traffic fell **20%+**; banned by some US government agencies for a time	Undertook deep safety reform; recovery took ~5 years.

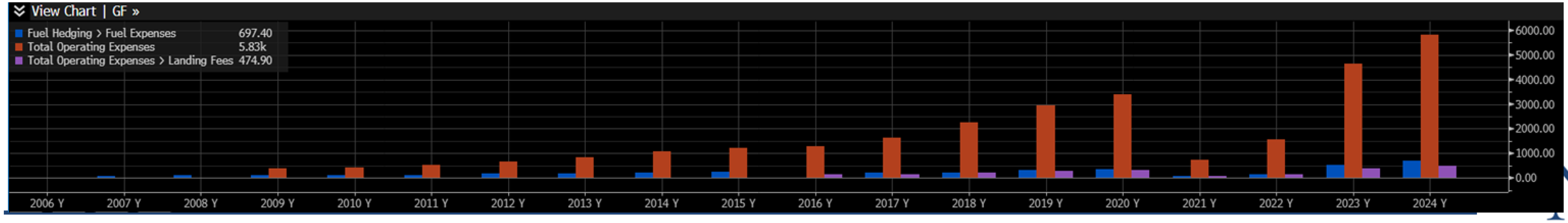
Risks - Fuel Prices

- Jet fuel is a significant share of Jet2's operating costs - price swings heavily impact profitability however Jet2 typically hedges over 70% of its fuel requirements up to a year in advance to negate fluctuations.
- Prolonged periods of high fuel prices means when hedges expire Jet2 are vulnerable to unprofitably high costs. 81.5% of fuel is hedged for the next 12 months.
- The industry is transitioning toward Sustainable Aviation Fuel (SAF) usage due to policies. Current SAF prices are 3x higher than conventional jet fuel and may remain so until 2030.
- Jet2 caters largely to budget-minded travellers, hence a limited ability to pass on high fuel costs as higher fares.



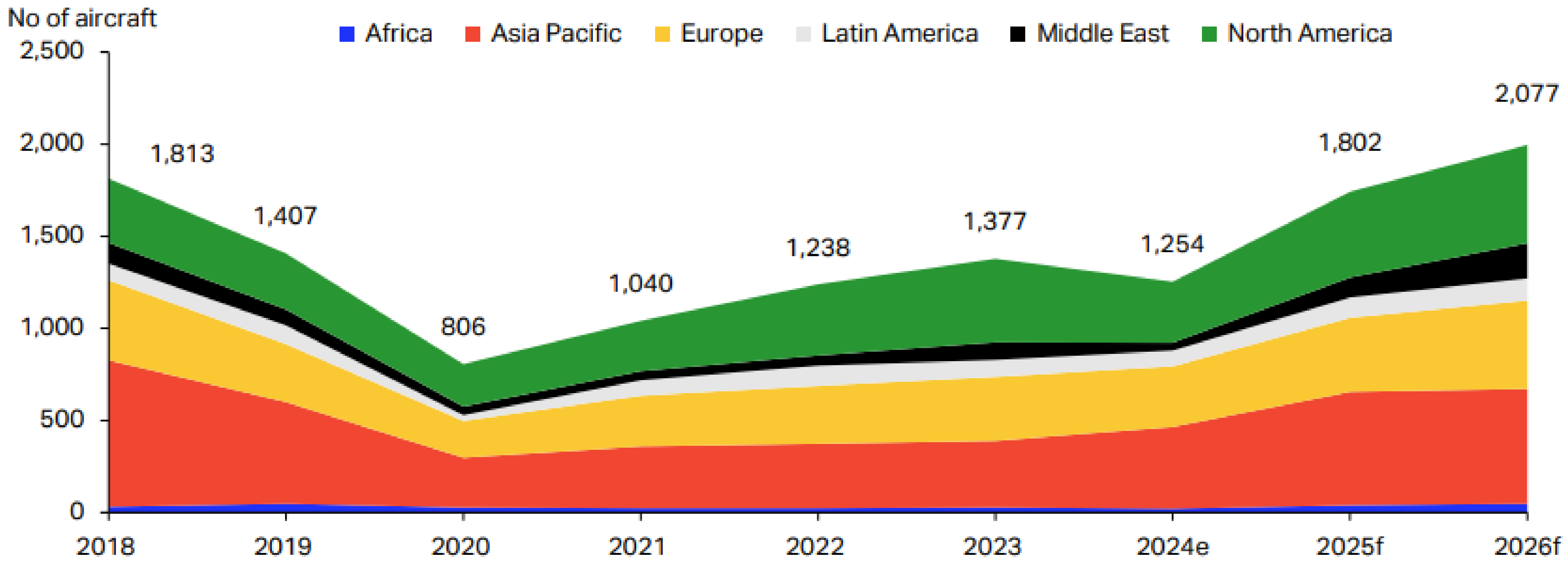
Jet2 has made an equity investment in the Fulcrum NorthPoint facility, which once operational, allows Jet2 to receive more than 200 million litres of SAF over a 15-year period.
Below are fuel costs relative to operational & landing costs. Jet2 has a holiday business so exposure to higher fuel prices is smaller than that of a pure airline - unsurprisingly fuel costs are smaller amongst operating costs than pure airlines.

Jet2 has only 40% the exposure of pure airline operators. OPEC+ has also been driving down shale prices do drive lower margin American producers out of business. With current conflicts, the OPEC+ alignment means that this effort is likely to continue.



Risks - Supply Chain Disruptions

- Jet2's growth strategy depends on timely fleet renewal and expansion.
- Deliveries of new aircraft fell sharply in 2024 to 1,254 units, roughly 30% below expectations.
- Backlog of unfulfilled orders reached record highs ~17000 planes (at current rate 14 years need to catch up).
- Jet2 has flagged that a number of its planned Airbus A321neo deliveries will be delayed.
- Such delays may force Jet2 to use short-term aircraft rentals or extend the use of older, less efficient planes. Jet2 rented 42 aircraft in 2025.
- Jet2 recently opened a new retail operations centre to address onboard consumable supply disruptions. The centre insources logistics, flight trolleys are stocked and distributed to airports, improving reliability and slightly reducing COGS.



Catalysts

Fleet Delivery

- Fleet expansion plays a critical part of Jet2's long term strategy and growth - if the A321neo delays are shorter than expected, increasing passenger numbers and consequently revenue it could cause the market to adjust its pricing to reflect the progress being made in Jet2's strategy and growth

Upcoming BoE rate cut will incentivise investment in UK equities. Rachel Reeves to cut Cash ISA to encourage investing. Potential waiver of stamp duty on UK equities.

Half year report release on Nov 19th

- Jet2 has an opportunity to improve market expectations. Most importantly changes in load factor, whilst the company has maintained healthy occupancy levels (≈ 89 %, FY2024 and ≈ 88.7 %, FY2025), building up the half year report the small year-on-year decline combined with unusually late winter bookings and reduction in capacity due to uncertain demand show signs of a potentially weak load factor.
- If load factor is predicted to do much better than previously believed it shows Jet2 may be out competing its peers in flight routes and pricing causing the market to adjust its pricing

Second tranche of share buy backs underway

- The second tranche represents continued confidence by management in the company's future performance. By committing to further repurchases, the board signals it believes the shares are undervalued and Jet2 are financial strong enough to justify buy backs
- If the company were to use the full £250 million allocated under the programme, it shows stronger confidence than previously shown but also further reduces the share count and boosts EPS.

Thesis

We believe that the market will reflect the fair value of the business in time. The company is currently trading at 7.3x earnings and in light of slower growth, we can expect increased return of equity to shareholders in the future as less capital is redeployed for growth. We expect Jet2 to continue expanding market share as it has in the past, but not as much as previously and we don't want to rely on future growth for our valuation.

To us, the management of the company is responsible and competent. The business model appeals and we like the push towards selling more package holidays. We aim to buy at a price low enough that the company does not need to do more than "ok" to warrant the investment. Anything more than "ok" is upside beyond what we anticipate.

If the price goes down further after purchase, we would probably want to increase the position.

Business Compartmentalisation

Jet2 carried 17,720,000 passengers in 2024. For the flight-only passengers, the average air fare was £114.23 (Ryanair was at £49.78). In 2024, revenue from flight only customer ticket sales at Jet2 was 635m whereas for package holidays it was 5046m. Jet2 says that 68.3% of customers carried were on package holidays in 2024. This would amount to 12102760 customers. If all those customers had just been flight customers (at £114.23 each), this would have generated 1382m. This means that of the 5046m generated through package holidays in 2024, 3666m of that is arguably unrelated to aviation.

This, plus revenue from "other leisure travel" would bring us to a total of 3773m. The remaining 1380m of aviation related revenue from package customers is added to ticket only revenue and non ticket revenue (seat reservation, priority boarding, extra baggage ect) to give us a grand total of 2482m. This means that 60.3% of revenues were generated though aviation unrelated activities. The proportion of package holiday customers to ticket only ones is even higher for 2025

Financial Structure

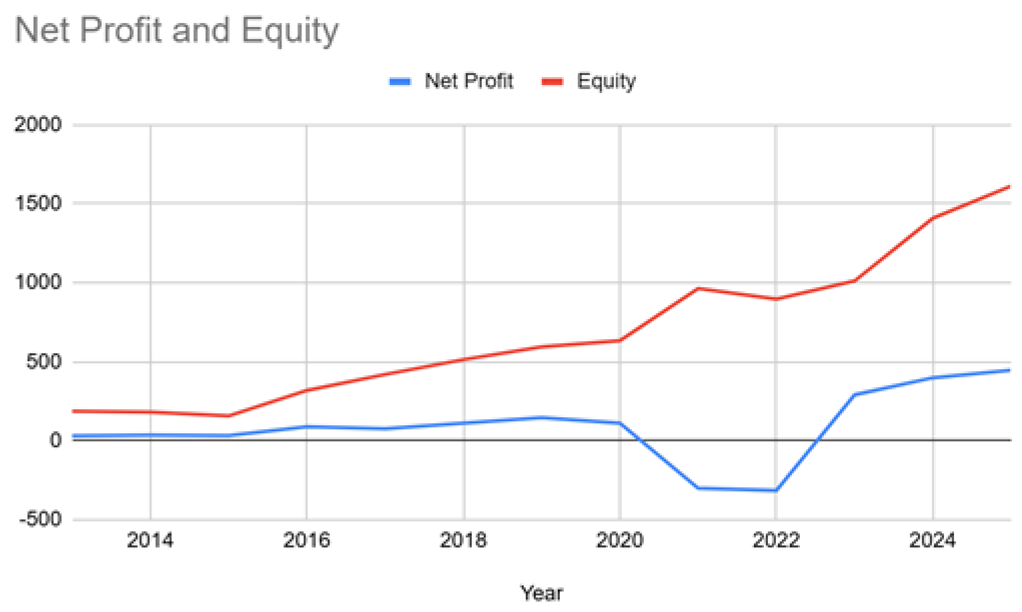
Jet2 held 2,097.8m of money from customers who had paid in advance in 2025. With cash on the balance sheet, this amounts to 3155m. When we subtract all borrowings (interest bearing liability) we get 2731m. 136.4m was earned through financing activities last year. This means that Jet2 are earning 4.9% interest on their enormous 2097m of customer money which they do not pay interest to hold. Recently markets have been spooked by customers booking later in the year and hence potentially affecting the float. While a wonderful revenue stream, we don't consider the float shrinking by half a sufficient reason to devalue the company as much as the market has, considering that profit before taxation was 593m in 2025.

There is currently a total shareholder equity of 1612m and net earnings were 446.8m for 2025, equating to a 27.7% return on equity. Return on equity has averaged 25.8% since 2018, disregarding 2020-23. Ryanair has a return on equity of 0.22 for 2025 and has achieved 24-29% in previous years. Return on equity doesn't give you the complete picture. Return on equity for TUI is 39%, primarily because they are saddled with liabilities of over 10 billion euro.

We account for liabilities by looking at return on capital deployed:

$$ROCE = \frac{EBIT}{Equity + Non\ Current\ Liabilities} = \frac{EBIT}{Revenue} * \frac{Revenue}{Equity + Non\ Current\ Liabilities} = EBIT\ \% * Asset\ Turnover$$

For 2025, ROCE was 0.23 and 0.21 for 2024 at Jet2.



Valuation

We have chosen 300m net income as a conservative, if not pessimistic estimate for what the company will earn YoY for the next 5 years. Jet2 earned 433m including float money. If we disregard this, we come in at around 300m.

14 x 300m = 4.2B fair value market cap. That would be a P/E of ~10. Ryanair currently trades at 14. Jet2 aviation operating costs were ~69% of aviation related revenue. Ryanair has an 11% operating margin.

We have chosen 14 as a multiplier based on holistic assessment of the business based on management, debt structure, inherent business model ect.

At 4.2B, P/E would be roughly 12. This represents a return of 8.33%

We need a margin of safety so wouldn't pay more than ⅔ of fair value.
4.2B * ⅔ = 2.8B

As of 29/10/2025, the company has a market capitalisation of 2.62B

DCF Valuation

We conducted Discounted Cash Flow analysis to support our valuation of Jet2, modeling 3 different scenarios based on varying revenue growth, WACC, and terminal growth rate. Current Stock price considered £13.29.

1. **Pessimistic Case**: Assumes revenue growth is only 80% of long-term average, with WACC of 12.18% and Terminal Growth of 1.5%. This scenario results in an equity value of **£19.16 per share** (44% Upside).
2. **Base Case**: Assumes revenue growth is inline with long-term average, with WACC of 9.98% and Terminal Growth of 2.5%. This scenario results in an equity value of **£27.50 per share** (107% Upside).
3. **Optimistic Case**: Assumes revenue growth is 110% of long-term average, with WACC of 8.98% and Terminal Growth of 3%. This scenario results in an equity value of **£34.85 per share** (162% Upside).

Terminal Value	WACC											
	7.5%	8.0%	8.5%	9.0%	9.5%	9.98%	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%
0.0%	31.81	29.76	27.98	26.42	25.04	23.86	23.82	22.72	21.74	20.86	20.06	19.33
0.5%	33.11	30.85	28.90	27.20	25.71	24.43	24.39	23.22	22.17	21.23	20.39	19.62
1.0%	34.62	32.10	29.94	28.07	26.45	25.07	25.02	23.76	22.65	21.65	20.75	19.94
1.5%	36.37	33.53	31.13	29.07	27.29	25.79	25.74	24.37	23.17	22.10	21.14	20.28
2.0%	38.44	35.21	32.50	30.20	28.24	26.59	26.53	25.05	23.75	22.60	21.57	20.66
2.5%	40.93	37.18	34.10	31.51	29.32	27.50	27.44	25.82	24.40	23.15	22.05	21.07
3.0%	43.97	39.56	35.99	33.04	30.57	28.55	28.48	26.68	25.13	23.77	22.58	21.53
3.5%	47.77	42.46	38.25	34.84	32.03	29.75	29.67	27.67	25.96	24.47	23.17	22.03
4.0%	52.66	46.09	41.03	37.01	33.75	31.15	31.06	28.81	26.90	25.26	23.84	22.60

WACC	
Equity Value	2,510,000
Debt	1,137,900
Cost of Debt	5.10%
Tax Rate	32.79%
Risk Free	4.079%
Beta	1.73
MRP	5.13%
Cost of Equity	12.95%
E/E+D	0.688067107
D/E+D	0.311932893
WACC	9.98%

Disclaimer

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