

easyJet plc

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EasyJet plc - Company Report

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Executive Summary

Key financial information: EasyJet has experienced fluctuations in its financial performance, its turnover is increased to £8171m. The company's revenue was significantly affected from 2020 to 2021, but it has shown signs of recovery with new strategies implemented. Financial metrics such as return on shareholders' funds, return on capital employed, and gearing ratio indicate a weaker equity base and higher reliance on debt financing compared to competitors like Ryanair.

Industry and competitor analysis: EasyJet operates in the highly competitive European airline industry, facing intense competition from both traditional airlines and low-cost carriers. The airline industry faced significant challenges due to the pandemic, with travel restrictions and reduced demand affecting revenue and operations. It has focused on expanding its network, improving operational efficiency, and adopting sustainability initiatives to maintain its competitive edge.

Key issues affecting EasyJet: The COVID-19 pandemic had a profound impact on the airline industry, causing significant revenue losses and disruptions. Geo-spatial conflicts and regulatory changes, particularly concerning Brexit, have introduced complexities in compliance and operational challenges. Environmental regulations and increasing pressure to reduce carbon emissions are influencing operational strategies and sustainability initiatives.

Consumer market analysis: The analysis highlights over 50 % consumer prefer for affordable travel options, directly benefiting low-cost carriers like EasyJet. Factors such as pricing, convenience, and flight experience influence consumer choice, making strategies like promotions and digital engagement crucial. The intention to address customer feedback and preferences is evident in EasyJet's focus on improving services and enhancing the overall experience.

Conclusion: Based on the analysis, EasyJet faces several challenges, including volatile fuel prices, regulatory uncertainties, and intense competition. While the company has implemented strategies to address these issues, concerns remain regarding its financial position and future prospects. It is important to carefully evaluate the risks and potential opportunities before making investment decisions.

My recommendation is NOT TO INVEST in EasyJet PLC.

1. Introduction

EasyJet is a major European low-cost airline carrier headquartered at London Luton Airport. The company was launched in 2000 and is headquartered at London Luton Airport (Companies House, n.d.). Its key products and services include passenger air transportation across Europe, holiday packages through its easyJet holidays business launched in 2019, aircraft trading and leasing, air cargo and freight, car rental, airport transfers, airport lounges, and parking services (MarketLine, 2023).

With a fleet of 336 aircraft, easyJet operates an extensive network of 1,024 routes across 155 airports in 36 countries as of 2022 (EasyJet Plc, 2023). The airline has grown rapidly since its founding, initially offering low-cost flights within Europe before expanding its network and ancillary services over the past two decades. easyJet's history dates back to 1995 when it was founded by Stelios Haji-Ioannou to offer affordable scheduled airline services within Europe. After being listed on the London Stock Exchange in 2000, the company pursued an ambitious expansion strategy, acquiring rivals like Go in 2002 and establishing new operating bases across Europe to grow its footprint in the competitive low-cost carrier market (EasyJet, 2023).

2. Key Financial Information

2.1 Financial details of EasyJet Plc

EasyJet Plc has ISIN – ‘GB00B7KR2P84’ and Exchange: LSE-London Stock Exchange information (Nexis, 2024)

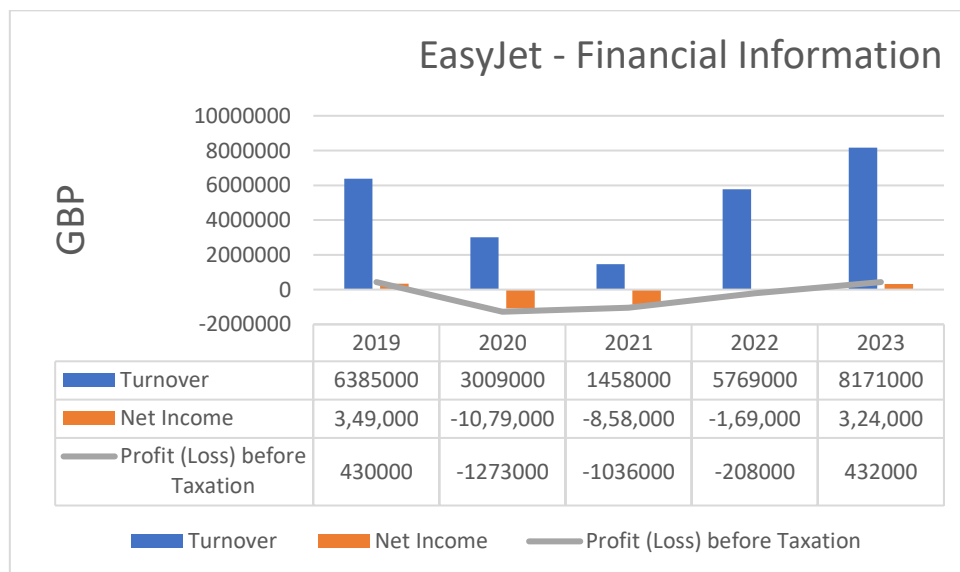


Figure 1: Turnover and Profit (Loss) before Taxation information of EasyJet Plc

Source: FAME (2023)

EasyJet's turnover (revenue) was £685m before Covid-19. Due to the pandemic, there was disruption in the transportation industry and hence, the turnover is reduced from £3009m to £1458m. However, with its new strategies implemented, turnover has been increased from £5769m to £8171m. Profit (Loss) before taxation was £430m in 2019 and there was huge loss in 2020 which was slowly improved back to the earlier value of around £432m in 2023.

2.2 Comparison of financials with Competitors

According to Nexis (2024) and MarketLine (2023), EasyJet and Ryanair Holdings Plc are two prominent players in the European low-cost airline market. 'Ryanair' is considered a competitor due to its significant presence and market share in the budget airline sector, often targeting the same customer base as EasyJet. Ryanair Holdings has a turnover of around £9468.73m which is higher compared to the easyJet.

Companies	Shareholders Funds (GBP)	Return on Shareholders Funds (%)	Return on Capital Employed (%)	Gearing (%)
Ryanair Holdings Plc	4,958,800	22.46	15.63	80.65
EasyJet Plc	2,787,000	15.50	7.58	119.95

Table 1: Financial Metrics of EasyJet Plc and Ryanair Holding Plc. Source: FAME (2023)

It is evident from Shareholders funds, Return on Shareholders' Funds, Return on Capital Employed, EasyJet's lower values suggest a weaker equity base and lesser generation of profits from funds which can provide less financial stability and resources for expansion compared to its competitors. Gearing ratio indicates the level of a company's debt related to its equity. EasyJet's higher gearing ratio indicates a greater reliance on debt financing, which could imply higher financial risk compared to Ryanair.

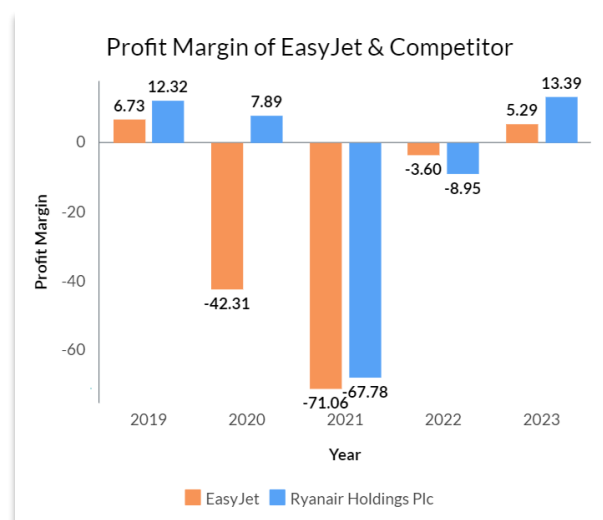


Figure 3: Profit Margin Analysis. FAME (2023)

The profit margin graph highlights the profitability trends of both companies over the past five years. EasyJet showed fluctuating profit margins, with significant losses in 2021 due to the pandemic's impact on travel. However, it recovered in 2022 and 2023. Ryanair exhibited better resilience during the same period, with less severe dips and a quicker recovery, culminating in a higher profit margin in 2023.

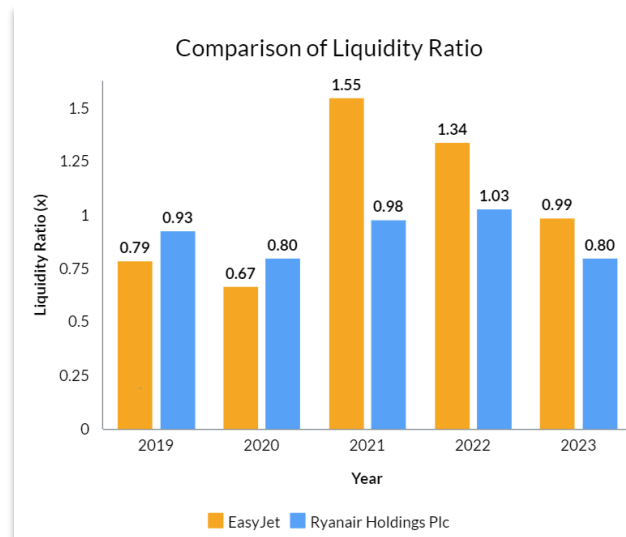


Figure 4: Comparison of Liquidity Ratio of EasyJet Plc & Ryanair Holdings Plc. FAME (2023)

Liquidity ratios measure a company's ability to meet its short-term obligations, and the chart suggests that easyJet has maintained a stronger liquidity position compared to Ryanair Holdings throughout the period. According to the FY 2023 Results, Net cash/debt as at 30 September 2023 was £41 million (30 September 2022: £670 million net debt). (EasyJet Plc, 2023)

2.3 Stock Data Analysis

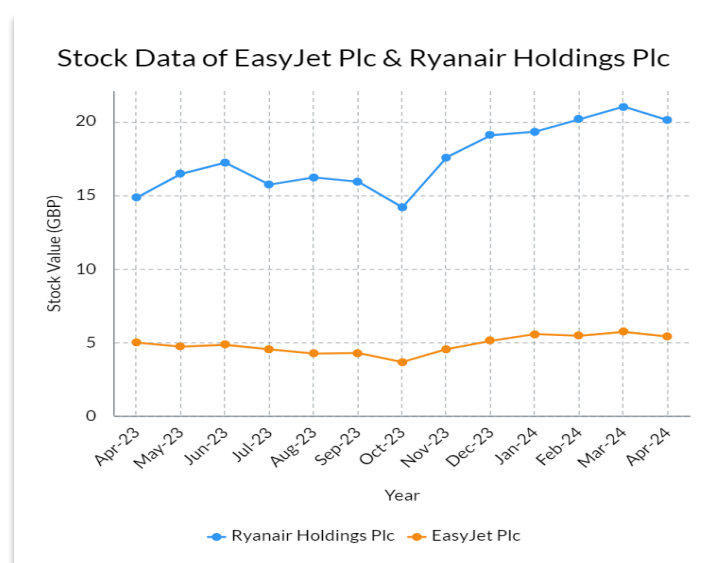


Figure 5: Stock Data Comparison. FAME (2023)

Stock data of EasyJet' value remained lower compared to Ryanair and there is 7% decrease in the stock compared to last year. (Adam G. and Prarthana P. 2024, May 20)

Date	Close (£)	Change +/-	High (£)	Low (£)
Year to date	5.04	-7.55%	5.11	4.98
1 week	5.29	- 12.05%	5.38	5.24
1 month	5.47	- 14.91%	5.53	5.41
6 months	4.22	10.33%	4.24	4.13
1 year	5.02	-7.18%	5.12	5

Table 2: Stock Profile of EasyJet Plc. FAME (2023)

In terms of critical analysis, it is essential to consider the broader industry context and the challenges faced by the aviation sector during the pandemic. The financial performance of both companies was likely impacted by factors such as travel restrictions, reduced demand for air travel, and increased operational costs associated with health and safety measures. This is primarily due to an increase in capacity to 92.6 million seats from 81.5 million in 2022, coupled with strong ticket yield and a continued increase in ancillary revenue generation.

3. Industry and Competitor Analysis

3.1 Overview of Industry

EasyJet has grown to become a major player in the European airline industry with a significant presence in many other key markets. EasyJet faces stiff competition from both low-cost carriers and traditional full-service airlines. Key competitors include Ryanair, Wizz Air, British Airways etc.,

EasyJet and its competitors employ various strategies such as Pricing & Promotions, Route Expansion, Customer Experience and Operational Efficiency to capture market share and improve profitability.

There is a growing emphasis on reducing carbon emissions and adopting more environmentally friendly practices. EasyJet has taken steps towards sustainability, such as offsetting carbon emissions and exploring hybrid and electric aircraft.

Factors such as fuel prices, regulatory changes (e.g., Brexit), and external shocks (e.g., pandemics) significantly impacted the industry in the past 5 years (Mintel, 2023). Few of the airlines had remained resilient whereas they continue to recover from the impact.

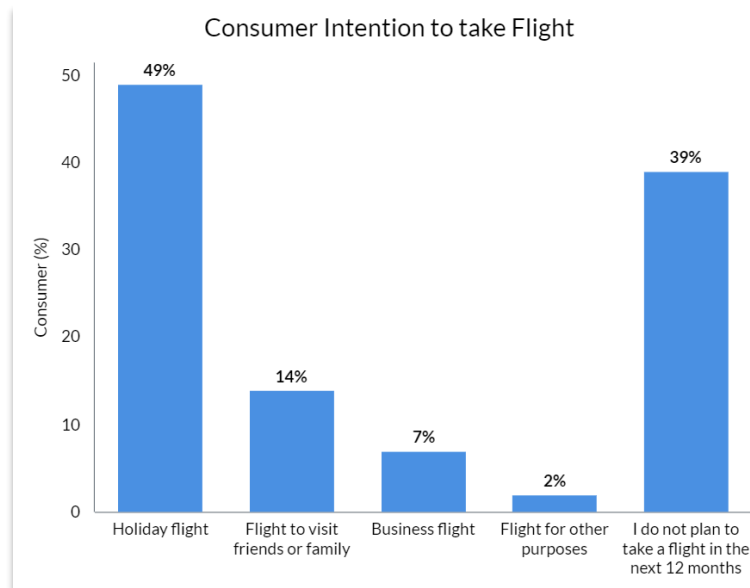


Figure 6: Intention of Flight Consumers. Mintel (2023)

Majority of the consumers (49%) have intention to take flights for holiday. With the decrease in inflation there are higher chances of increase in the flow of consumers. However, demand of flights for business travel tend to recover slowly due to availability of remote work opportunity.

3.2 PESTLE Analysis

Political Factors:

- EasyJet operates within a highly regulated industry with stringent safety and operational standards. Changes in aviation policies and regulations, particularly **post-Brexit**, have impacted flight operations and market access within Europe. (Investors' Chronicle reporters, 2023, January 27).

Economic Factors:

- Fluctuations in fuel prices directly affect operational costs. EasyJet employs hedging strategies to mitigate the impact of volatile fuel prices on its finances. (EasyJet Plc, 2023)
- Economic recessions such as those induced by the COVID-19 pandemic, significantly reduce demand for air travel. This has a direct impact on EasyJet's revenues and profitability. (Philip Georgiadis and Richard Milne, 2021, April 14).

Social Factors:

- Increasing preference for affordable travel options among consumers has benefited low-cost carriers like EasyJet. The airline capitalizes on this trend by offering competitive fares and extensive route options. (Leke Oso Alabi and Robert Wright, 2022, November 29).

- The COVID-19 pandemic has heightened health and safety concerns among travellers, influencing their travel choices. EasyJet has had to implement rigorous health protocols to regain passenger confidence. (Helen Thomas, 2022, May 6)

Technological Factors:

- EasyJet invests in advanced digital technologies to enhance customer experience, such as mobile apps for booking and check-in, and in-flight Wi-Fi. (Bhavya Velani, 2024, May 27).
- The airline continues to upgrade its fleet with more fuel-efficient aircraft, which not only reduces operational costs but also aligns with environmental goals. (Philip Georgiadis, 2023, October 12).

Legal Factors:

- EasyJet must comply with stringent EU regulations on passenger rights, which include compensation for delays and cancellations. Compliance with these regulations affects operational procedures and financial liabilities. (IBIS, 2024)
- The airline must navigate varying employment laws across the countries it operates in, impacting labour costs and contractual obligations. (Philip Georgiadis and Sarah White, 2024, April 8).

Environmental Factors:

- Environmental concerns are increasingly influencing the airline industry. EasyJet has committed to reducing its carbon footprint through initiatives such as carbon offset programs and investing in more efficient aircraft. (Philip Georgiadis and Sylvia Pfeifer, 2024 March 18).
- The airline's sustainability initiatives include exploring the use of sustainable aviation fuels (SAFs) and reducing single-use plastics on board. (EasyJet Plc, 2023)

3.3 Social Media Analysis

- Brand Image Creation through Social Media:
EasyJet, Ryanair, and Wizz Air have strategically utilized their social media platforms to create and reinforce their brand images.
- Platform Presence and Content Styles:
Both EasyJet and Wizz Air are well-established across social media platforms, including Instagram, Facebook, Twitter, LinkedIn, and YouTube. Each platform allows them to deploy different styles of content tailored to the specific audience and engagement norms of that platform. For instance, Instagram is used for visually engaging content, while LinkedIn focuses on professional updates and industry news.
- Content Strategies:
 1. **EasyJet:** Its content is a mix of informative and engaging posts. They frequently host contests, share travel tips, and post updates on flight

schedules and destinations, making their content both useful and interactive for followers.

- II. **Ryanair:** It has carved out a niche with its humorous and meme-centric content strategy. Their posts are designed to entertain and engage, often using humor to build a relatable and approachable brand image. This strategy has garnered a highly engaged following that appreciates the airline's unique voice.
 - III. **Wizz Air:** It takes a more formal approach with informative content that highlights their products, special offers, and company news.
- Engagement on Instagram:
For all three brands, Instagram emerges as the most engaged platform. This platform is particularly effective for its visual-centric approach, which is ideal for showcasing destinations, aircraft, and travel experiences. They all produce daily content on Instagram. This frequent posting schedule helps maintain a steady stream of interaction with followers, who reach out with questions, feedback, and comments. The dynamic nature of Instagram allows these airlines to build a community of loyal followers who feel connected to the brand.

4. Key Issues Affecting EasyJet Plc

1. The COVID-19 pandemic had a profound impact on the airline industry, including EasyJet. Despite the lifting of travel restrictions, the pandemic induced significant revenue losses due to decreased passenger demand and continued uncertainty. Additionally, the fluctuating fuel prices and operational costs posed further financial challenges. (IBIS, 2024)
2. Geo-spatial conflicts, such as the ongoing war in Ukraine, have considerably affected the airline industry. For EasyJet, the conflict has led to increased flight cancellations due to air traffic control issues. (Philip Georgiadis, 2023, July 10; Philip Georgiadis, 2023, July 12).
3. According to report, Brexit has introduced complexities in regulatory compliance, especially concerning flight operations between the UK and the EU. EasyJet has had to navigate these new regulations to maintain its extensive European network. (IBIS, 2024)
4. Environmental Regulations: Increasing pressure to reduce carbon emissions and enhance sustainability practices is influencing operational strategies. EasyJet is under enquiry to adopt more environmentally friendly practices while maintaining profitability. (Sylvia Pfeifer, 2024, May 16; Philip Georgiadis, 2023, April 25).
5. Stock Market: Despite the increase in revenue and airlines returning to pre-COVID-19 operational levels, share prices have not shown a proportionate rise. This discrepancy raises questions about the long-term financial health and future

prospects of the airline industry. (Questions grow over the future, 2024; Adam G. and Prarthana P., 2024, May 20).

4.1 SWOT Analysis



5. Consumer Market Analysis

5.1 Usage of EasyJet and Consumer Satisfaction

Usage: According to the Mintel Databook, EasyJet has a significant market share among its competitors. Specifically, 53% of users have utilized EasyJet's services, whereas Ryanair is preferred by 43%, and Wizz Air by 14%. This data suggests that EasyJet is a leader in the market, outperforming its competitors in terms of user preference.

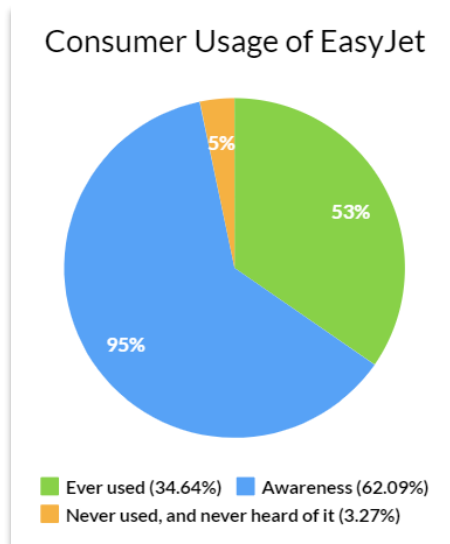


Figure 7: Consumer Usage of EasyJet. Mintel (2023)

Consumer Satisfaction: More than half of the consumers have provided positive endorsements for EasyJet, indicating high levels of satisfaction with their services. This suggests that EasyJet not only attracts a large number of users but also maintains high customer satisfaction levels.

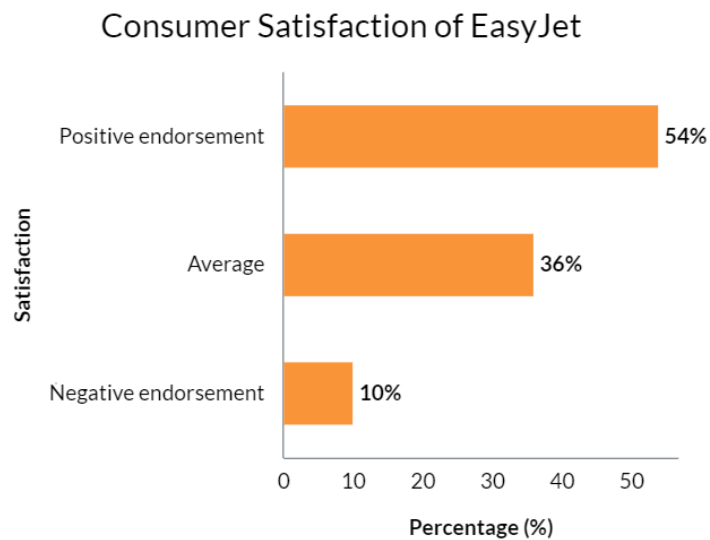


Figure 8: Consumer Satisfaction analysis. Mintel (2023)

5.2 Flights Taken and Factors of Influence:

Flight Destination: A significant 64% of consumers reported traveling to Europe, which benefits EasyJet given its extensive network of European routes. EasyJet's strategic focus on European destinations aligns well with consumer preferences, enhancing its competitive edge.

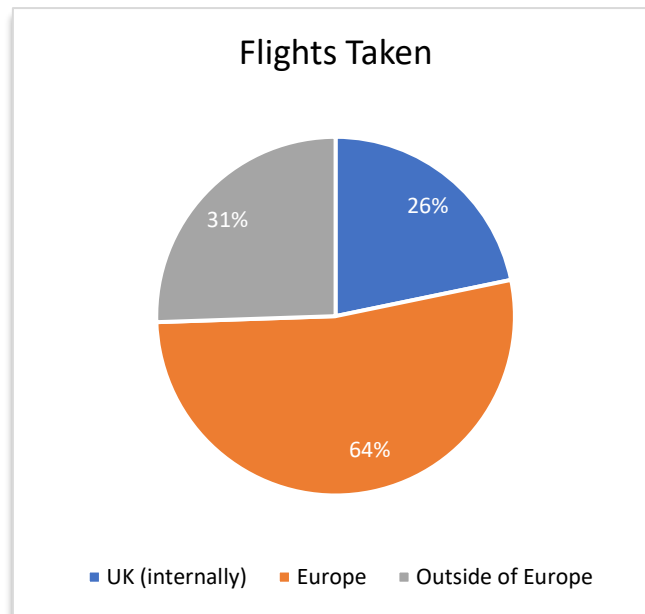


Figure 9: Flight Destinations Analysis. Mintel (2023)

Factors influencing choice of airline: Over half of the consumers have voted to choose a flight based on the price that adds value to the strategies implemented by EasyJet. The Factors influencing the choice are part of targets that EasyJet aim to address. However, by focusing on reducing delays/cancellations, improving the comfort level on board, making it a disability friendly would make it one of the first preferences for travel across Europe. In addition, it is also evident the low impact on the environment is one of the factors in influencing choice of consumer.

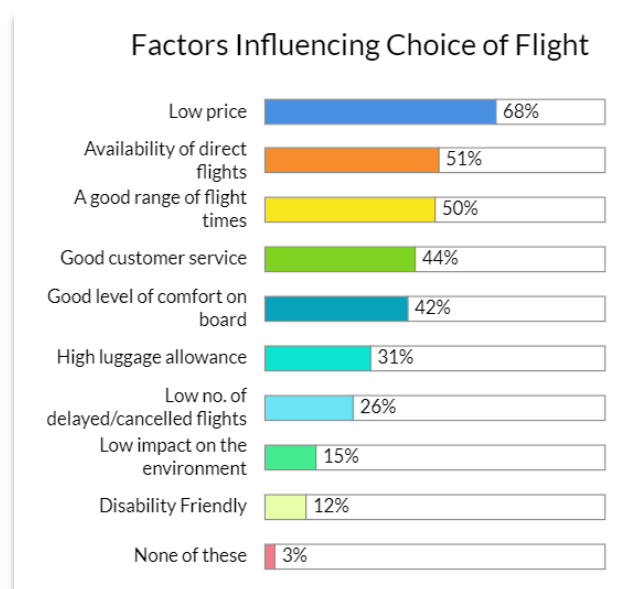


Figure 10: Influencing factors in Choice of Flights. Mintel (2023)

6. Conclusion

While the company has shown signs of recovery from the pandemic-induced downturn, several factors raise concerns about its long-term prospects and competitive position.

Firstly, EasyJet's financial metrics, such as return on shareholders' funds, return on capital employed, and gearing ratio, lag behind its main competitor, Ryanair Holdings. This suggests a weaker equity base, lower profitability, and higher reliance on debt financing, which could increase financial risk.

Secondly, the airline industry faces significant challenges, including volatile fuel prices, regulatory uncertainties (particularly post-Brexit), and increasing pressure to reduce carbon emissions. EasyJet's ability to navigate these challenges effectively may impact its future performance. Furthermore, the report highlights concern regarding its stock performance, which has declined compared to its competitors, and the lingering impact of the COVID-19 pandemic on its operations and financial stability.

EasyJet has implemented strategies to improve operational efficiency and customer experience, the intense competition in the low-cost carrier market and the industry's inherent volatility raises doubts about the company's long-term growth prospects. Therefore, investing in EasyJet PLC may carry significant risks, and alternative investment opportunities should be explored.

Considering these factors, I recommend **NOT TO INVEST** in EasyJet Plc.

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