

Morning Wrap

Today's Newsflow

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Equity Research

17 Jul 2025

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Upcoming Events

Company Events

21-Jul	Ryanair; Q1 FY26
22-Jul	Compass Group; Q325 Trading Update
23-Jul	Breedon Group; Q225 Results J D Wetherspoon; Q425 Trading Update
24-Jul	Howden Joinery; Q225 Results Wizz Air; Q126 Results

Economic Events

Ireland

17-Jul	Trade Balance
22-Jul	PPI Wholesale Price Index

United Kingdom

17-Jul	ILO Unemployment Rate
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easyJet Q3 PBT in line but RASK trends weaker than expected

easyJet has reported Q3 PBT of £286m. At a headline level this is in line with consensus for Q3 which stood at £286m. Q3 capacity, in ASK, increased by +7.9% yoy which was a little higher than we had forecast (+6.0% yoy). While the higher-than-expected capacity growth will have had some impact, despite the positive impact of Easter, airline RASK only increased by +0.5% yoy. Ticket RASK was up +1.8% yoy and ancillary RASK down by -2.5% yoy. We have expected both of these to be up mid-single digits and airline RASK to be +4.7% yoy. Elsewhere Holidays revenue of £428m was higher than our £370m forecast and putting it all together, easyJet reported Q3 revenue of £2,918m (+11% yoy). This is in line with our forecast at £2,917m. Total CASK was -0.5% lower with the ex-fuel CASK +2.3% yoy and the fuel CASK -7.3% yoy. Operating costs increased by +10% to £2,625m and operating profits increased by +25% to £293m. Q3 PBT of £286m included easyJet holidays PBT of £86m (+13m yoy).

Looking forward, the outlook for FY25 is said to be positive albeit impacted by an increase in fuel prices and the recent French ATC strike which are likely to have a c.£25m impact. Capacity growth of +9% is now expected (was +8% yoy). Q4 forward bookings are +1ppt yoy at 67% sold, however, Q4 RASK is expected to see a continuation of the trend seen in Q3 after adjusting for Easter. This suggests that Q4 RASK could be down low single digits and it compares to our forecast at up low single digits. easyJet Holidays is expected to deliver PBT greater than £235m versus our forecast at £248m.

At first glance we expect to downgrade our FY25 PBT forecast by c.-8% from £716m to c.£660m. The downgrade will be driven by the weaker than expected RASK trends, the higher fuel bill, the French ATC strike impact and a slight reduction in our forecast for easyJet holidays. Given the weaker than expected RASK momentum and the earnings downgrades we think the market will be disappointed with this update.

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Recommendation: Buy
Closing Price: £5.26

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UK Economic view Further signs of a weakening labour market

Although doubts remain about the accuracy of some of the official data, there is growing evidence of a slowdown in the UK labour market. This should pave the way for ongoing modest reductions in the UK Bank Rate over the coming months, most likely starting with next month's meeting.

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According to the monthly administrative data, there was a fall of 41K in payrolled employees in June 2025, taking the fall over the past year to 178K (-0.6% yoy). As is common, May's data was revised upwards from an initially reported fall of 109K to just 25K. Within this, public sector dominated areas such as health and education are up over the past year, so private sector jobs are even weaker. Job vacancies also continued to fall, down another 56K and are now 68K below pre-pandemic levels. The Labour Force Survey estimate showed a gain of 134K in the three months to May, but there continues to be doubts about the accuracy of this survey and its value should be discounted heavily.

Meanwhile, pay growth continues to ease, with regular pay growth standing at 5.0% in the three months to May, the lowest since June 2022, driven by easing private sector pay growth.

While yesterday's inflation data showed that price concerns have not gone away, this morning's labour market release indicates that growth and wage inflation are easing, bolstering the case for moderate rate cuts. We believe there is scope for two cuts this year, in August and November.

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Kainos Group NED appointment - positive

The group announces the appointment of Shruthi Chindalur as non-executive director and as a member of the audit and risk committee and remuneration committee with effect from 24 September 2025. She has over 20 years' experience in SAAS and adtech sectors including time at LinkedIn and oracle and currently serves as non-executive director at Access Group and Bytes tech group.

This is a strong, senior and relevant appointment for Kainos which will improve industry expertise at board level.

Recommendation: Hold
Closing Price: £7.24

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