CASE MEMO · SPONSOR TAKE-PRIVATE · 12 JULY 2026 **LIVE**

Apollo's £5.7 billion take-private bid for easyJet

"Highly differentiated franchise" or 81% premium at a moment of margin compression. The practitioner reads the Rule 2.4 announcement, the H1 FY26 interim, and the Q3 trading update — and reconciles them.

THE DEAL AT A GLANCE

£7.15 cash per share · £5.7B fully diluted equity value · 81% premium to 28 May 2026 close

Beats Castlelake at £6.90/share · Stub Equity Alternative with voting rights

Rule 2.6(a) deadline: 5:00 PM on 7 August 2026

1 Executive summary

Apollo Management X, L.P., on behalf of certain managed Apollo Funds, announced a Rule 2.4 possible cash offer for easyJet plc at **£7.15 per share, valuing the fully diluted ordinary share capital at approximately £5.7 billion**. The announcement follows a Castlelake, L.P. proposal at £6.90 per share submitted six days earlier on 4 July 2026. The easyJet Board has confirmed that the financial terms of the Apollo proposal are at a level it "would be minded to recommend" to shareholders (subject to satisfaction of all other terms and a firm Rule 2.7 offer being announced) and that it is **no longer minded to recommend the Castlelake Proposal**.

The consideration includes a Stub Equity Alternative under which eligible easyJet shareholders may elect to roll their shareholding into the vehicle through which the Apollo Funds would hold their investment in easyJet. The Stub Equity Alternative would carry voting rights. Committed equity financing is provided by the Apollo Funds. Debt financing is subject to a "highly confident letter" from Barclays — not yet a commitment.

Apollo has until **5.00 PM on 7 August 2026** under Rule 2.6(a) of the City Code to announce a firm intention to make an offer or announce that it does not intend to do so. Pre-conditions to any firm Rule 2.7 announcement include satisfactory completion of due diligence, definitive documentation, unanimous board recommendation, and director irrevocables from each easyJet director holding easyJet shares.

The Rule 2.4 announcement *does not explicitly address* the EU airline ownership and control rule — the requirement under EU Regulation (EC) No. 1008/2008 that the majority of an EU air-operator-certified airline be owned and effectively controlled by EU nationals. That constraint is the structural elephant in the room.

On valuation. At Apollo's bid, easyJet trades at 4.0x FY25 lease-adjusted EV/EBITDA — a **7-13% discount to the LCC peer median** (Ryanair 5.0x, Wizz 4.2x, median 4.6x LTM / 4.3x FY26E). On management's medium-term £1B PBT ambition, the entry multiple compresses to 3.1x. Exit at even LCC median would deliver 40-50% multiple expansion. Apollo is paying

LCC-median-minus-a-sponsor-discount to bet on a medium-term LCC-median-plus outcome — a defensible sponsor entry.

On debt paydown. The illustrative capital structure carries **2.34x traditional / 3.12x lease-adjusted leverage at close** — materially lower than a standard sponsor LBO because airline collateral cannot support 5-7x without breaking rating. Operating FCF of £659M-£942M/year (maintenance capex only; fleet financed separately via aircraft-secured drawdown) drives the £3B term loan to full repayment by FY28 and leverage to **0.53x by FY30**. Apollo trades MOIC ceiling for capital-structure durability — Athene-linked permanent capital makes this rational at fund level.

Apollo is not bidding at a moment of peak strength. It is bidding into early-stage margin compression, at a strategic-scale premium, on a hopeful medium-term thesis. That is the practitioner underwriting question this memo walks.

2 The bid at a glance

The 10 July 2026 announcement is a Rule 2.4 possible offer under the City Code on Takeovers and Mergers. Rule 2.4 is a lower disclosure bar than a Rule 2.7 firm offer — it signals bidder intent and locks in a Rule 2.6 put-up-or-shut-up clock but does not commit the bidder to firm terms.

Term	Detail
Bidder	Apollo Management X, L.P., on behalf of managed Apollo Funds
Announcement type	Rule 2.4 possible offer statement (not a firm Rule 2.7 offer)
Announcement date	10 July 2026
Cash consideration	£7.15 per easyJet ordinary share
Alternative consideration	Stub Equity Alternative — rollover into Apollo vehicle, with voting rights
Rule 2.6(a) deadline	5.00 PM on 7 August 2026
Equity value (fully diluted)	Approximately £5.7 billion (£7.15 × 794.76M diluted shares)
Equity financing	Committed — from Apollo Funds
Debt financing	Barclays “highly confident letter” — not committed debt
Displaces	Castlelake, L.P. proposal at £6.90/share (submitted 4 July 2026)
easyJet advisers	Evercore (lead), BNP Paribas, Panmure Liberum, Clifford Chance (legal)
Apollo advisers	Barclays (sole), FGS Global (comms), Paul Weiss (legal)

Source: easyJet plc RNS “Statement regarding possible offer for easyJet plc,” 10 July 2026.

3 The premium walk — three reference points

The Rule 2.4 announcement discloses three premium reference points. Practitioners should read all three, not just the headline.

Reference share price	Date	Price	Premium at £7.15
Close (day before Castlelake offer period)	28 May 2026	£3.94	81%
Highest trading price in 4 years prior to 28 May 2026	4-year high	£5.88	22%
90-day trading volume weighted average price	90-day VWAP	£3.97	80%
Castlelake proposal (displaced)	4 July 2026	£6.90	3.6% topper

The 81% headline premium is real — but it is being measured off a pre-speculation share price at which easyJet was trading at approximately 4.5x FY25 headline PBT (~6.0x FY25 P/E after tax). The 22% premium to the 4-year trading high of £5.88 is the more sobering read: even against easyJet's own best public-market valuation of the last four years, Apollo is paying only 22% up. This is the difference between paying a "public-market discount premium" and paying a "strategic-value premium." Apollo is paying the first, not the second.

4 Purchase price math — share count and equity value

Item	Shares (M)	£/share	Value (£M)
Ordinary shares in issue	758.010	£7.15	£5,420
Plus: dilutive share awards	36.751	£7.15	£263
Fully diluted equity value	**794.761**	**£7.15**	**£5,683**

Source: easyJet plc RNS 10 July 2026, Sources and Bases of Information paragraphs 2 and 3.

5 From equity value to enterprise value

An airline balance sheet has three characteristics that shape LBO math: substantial owned aircraft (collateralizable), material lease liabilities under IFRS 16 (a real fixed-cost claim), and material unearned revenue liabilities (customer prepayments). The H1 FY26 interim discloses each.

Balance sheet line (31 March 2026)	£M
Goodwill and other intangibles	776
Property, plant & equipment (excl. right-of-use)	5,042
Right-of-use assets	928
Trade and other receivables	570
Cash and other cash investments	3,446
Debt (excluding lease liabilities)	(2,017)
Lease liabilities	(995)
Unearned revenue	(3,056)
Trade and other payables	(1,591)
Net assets	**3,657**

Enterprise value bridge at Apollo's £5.7B equity	£M
Fully diluted equity value	5,683
Less: net cash excluding leases	(1,429)
Enterprise value (traditional, ex-leases)	4,254
Plus: lease liabilities (IFRS 16)	995
Enterprise value (lease-adjusted)	**5,249**

Apollo is buying an enterprise valued at approximately £4.3B on a traditional net-debt basis and approximately £5.2B on a lease-adjusted basis. The lease-adjusted view is the honest one for airline LBOs.

6 Entry multiples — three earnings periods

The practitioner discipline: never quote an entry multiple against a single earnings period. Airlines are cyclical. The Institute standard is to quote multiples against three references — FY25 (audited peak), FY26 estimate (guidance-implied), and a normalized through-cycle earnings level.

Metric	FY25 (audited peak)	FY26E (guidance)	Medium-term
Group revenue	£10,116M	~£10,700M	n/d
Group headline PBT	£665M	~£625M	>£1,000M
Group headline EBIT	£703M	~£660M	n/d
Adj. EBITDA (est.)	~£1,320M	~£1,290M	~£1,700M
EV / EBITDA (lease-adjusted)	4.0x	4.1x	3.1x
P / E (post-tax proxy)	10.6x	11.4x	7.1x

At 4.0x EV/EBITDA on lease-adjusted FY25 EBITDA, Apollo is paying a below-peer-average multiple against a peak year. At 3.1x against management's own medium-term target, the entry looks generous only if that ambition lands. On P/E, 10.6x on peak FY25 earnings is neither cheap nor rich for a European short-haul carrier — Ryanair trades at ~10-12x, Wizz at 8-10x, IAG at 4-6x.

7 European airline public-market comparables — is the price defensible?

Entry multiples in isolation prove nothing. The practitioner test is: what would easyJet trade at if it remained public alongside its European peers? Below is the trading comparable set with FY25 actuals or last-reported annual figures, benchmarked against Apollo's proposed EV.

Low-cost carriers (peer set)

Company	Ticker	Mkt cap	EV (lease-adj)	EV/EBITDA	EV/EBITDA FY26E	P/E FY26E
Ryanair Holdings	RYA.I	€19.5B	€22.0B	5.0x	4.7x	11.2x
Wizz Air	WIZZ.L	£2.1B	£3.8B	4.2x	3.9x	9.5x
LCC median (2-way)				**4.6x**	**4.3x**	**10.4x**

Full-service carriers (context)

Company	Ticker	Mkt cap	EV (lease-adj)	EV/EBITDA	EV/EBITDA FY26E	P/E FY26E
IAG	IAG.L	€15.0B	€20.5B	3.8x	3.6x	5.5x
Lufthansa Group	LHA.DE	€8.5B	€13.2B	3.2x	3.1x	4.8x
Air France-KLM	AF.PA	€3.8B	€7.5B	2.7x	2.6x	3.9x
Full-service median (3-way)				**3.2x**	**3.1x**	**4.8x**

easyJet at Apollo's bid

Company	Ticker	Mkt cap	EV (lease-adj)	EV/EBITDA LTM	EV/EBITDA FY26E	P/E FY26E
easyJet plc (Apollo bid)	**EZJ.L**	**£5.7B**	**£5.2B**	**4.0x**	**4.0x**	**10.6x**
Discount to LCC median				(13%)	(7%)	2%
Premium to FSC median				25%	29%	121%

Sources: Bloomberg trading data 10 July 2026 pre-market; easyJet H1 FY26 Combined RNS; Ryanair FY26 preliminary results; Wizz Air H1 FY26 interim; IAG, Lufthansa, Air France-KLM Q1 2026 reports. All EV lease-adjusted per IFRS 16. FY26E consensus per S&P Capital IQ.

What the comps say about Apollo's bid

Against the LCC peer set (the honest comp). Apollo is buying easyJet at 4.0x lease-adjusted FY25 EBITDA. The LCC peer median is 4.6x LTM and 4.3x FY26E. **Apollo is paying a 7-13% discount to the LCC median on EBITDA-based metrics** — a defensible sponsor entry point that leaves room for multiple recovery at exit. On P/E, easyJet at 10.6x is essentially at LCC median (10.4x).

Against the full-service peer set (context, not comp). Apollo is paying a 25-29% premium to the full-service median. This is expected and correct — LCCs trade at structural premiums to full-service carriers because of higher unit economics, lower cost per seat, and asset-lighter operating models. The premium is not evidence of overpayment; it is evidence that the LCC categorisation is the right frame.

The multiple expansion sponsor case. If easyJet's medium-term Group PBT target of >£1B lands (upgauging + Holidays + ancillary + private-co discipline delivering by FY30), the entry multiple compresses to **approximately 3.1x EV/EBITDA on a medium-term basis**. Exit at even the LCC median of 4.3-4.6x would deliver 40-50% multiple expansion. That is the sponsor case in one number.

The Ryanair benchmark. Ryanair is the peer that matters. It trades at 5.0x LTM / 4.7x FY26E — a premium to easyJet at Apollo's bid because Ryanair has stronger unit economics, faster ancillary growth, and superior fleet leverage. If Apollo executes easyJet toward Ryanair-comparable economics (Apollo's implicit underwriting), the medium-term EV/EBITDA gap closes and drives approximately 15-20% multiple expansion at exit alone, before any EBITDA growth.

The Baratelli read on price defensibility. Apollo's bid at 4.0x FY25 lease-adjusted EBITDA is **defensible and modestly attractive against the LCC peer set**. It is not a bargain — but it is not a Ryanair-style premium either. The 7-13% discount to LCC median is the sponsor discount for taking on execution risk (upgauging delivery, Holidays scaling, EU ownership resolution, LBO leverage). The framing that holds is: *Apollo is paying LCC-median-minus-a-sponsor-discount to bet on a medium-term LCC-median-plus outcome.*

8 The two bidders — Apollo vs. Castlelake

Apollo Global Management. AUM approximately $700B+ across credit, PE, and hybrid vehicles. Deep aviation exposure: longstanding investor in Sun Country Airlines (Apollo Fund IX; now public), Diamond Aircraft, aviation finance platforms including Merx Aviation and PK AirFinance (acquired from GE in 2019), structured aircraft credit through Athene / Apollo Insurance Solutions. Value-oriented, distressed and complex-situation credit-adjacent PE. Willing to take strategic time horizons. Uses proprietary insurance-balance-sheet capital (Athene) to hold longer. Sole bidder here; committed equity; Barclays highly confident on debt.

Castlelake, L.P. AUM approximately $24B, alternative credit specialist. Concentrated on aviation. The largest independent aircraft-finance-focused alternative asset manager. Aircraft-collateral-first credit orientation. Would likely have structured a bid heavier on secured debt against the owned aircraft base and lower on unsecured equity. Displaced by Apollo. Prior proposal at £6.90 submitted 4 July 2026; Board no longer minded to recommend. May revisit or drop.

9 Latest publicly-filed financials

Under UK Disclosure and Transparency Rules, easyJet is required to publish an audited annual report (within four months of year-end) and a reviewed half-year interim (within three months of half-year end). Quarterly trading updates are voluntary. As of the announcement date, the complete public dataset comprises FY25 audited, H1 FY26 reviewed, and the Q3 FY26 trading update.

FY25 audited (year ended 30 September 2025)

Metric	FY25	FY24	YoY
Group revenue	£10,116M	£9,309M	+9%
Headline EBIT	£703M	£597M	+18%
Headline PBT	£665M	£610M	+9%
ROCE	18%	15%	+3ppt
Net cash (excl. leases)	£1,504M	£1,225M	+23%

H1 FY26 reviewed (six months ended 31 March 2026)

Metric	H1 FY26	H1 FY25	YoY
Group revenue	£3,954M	£3,534M	+12%
Airline headline LBIT	£(581)M	£(401)M	(45)%
Holidays headline EBIT	£48M	£32M	+50%
Group headline LBT	£(552)M	£(394)M	(40)%
Load factor	89.8%	87.9%	+1.9ppt
Passengers (M)	42.0	39.5	+6%
Net cash (all-in, IFRS 16)	£434M	£327M	+33%

H1 is structurally the loss-making half. Northern-hemisphere winter demand does not cover fixed cost. What matters is the deterioration versus prior year: airline LBIT worsened by £180M, group LBIT by £164M.

Q3 FY26 trading update (three months ended 30 June 2026)

Metric	Q3 FY26	Q3 FY25	YoY
Q3 revenue	£2,920M	£2,633M	+10.9%
Q3 headline PBT	£286M	£236M	+£50M
Passengers	25.9M	25.3M	+2.2%
Load factor	90.2%	90.0%	+0.2ppt

Delivery in line with consensus but analysts cut FY26 consensus approximately 5.5% on French air traffic control strike costs and elevated fuel costs. Management raised H2 fuel CASK guidance to -7% from -8%.

10 Apollo's strategic thesis — four levers

Lever 1: Fleet upgauging. Convert the fleet from A319/A320 to A321neo (and eventually A321XLR). Management target: gauge from 182 (H1 FY26) to 192 seats by FY28. Quantified benefit: **£250M of incremental annual cost efficiencies by FY28**. Total CPS benefit £2.86 per seat.

Lever 2: Ancillary and loyalty. Enhance ancillary revenue mix (bags, seats, priority, food) and launch a loyalty programme in FY27. Ancillary per seat £22.97 in H1 FY26 vs. Ryanair £24-25. Practitioner estimate: 5-10% ancillary uplift = £100-200M annual revenue at ~90% margin.

Lever 3: Holidays scaling. easyJet holidays generated H1 FY26 Headline PBT of £61M (+39% YoY); given H2 seasonality it is on track for approximately £150-160M full-year FY26 PBT. Management target: **£450M PBT by FY30** — a ~3x scale-up in five years. Asset-light, high-margin adjacent business that monetizes the existing flight network.

Lever 4 (implicit): Private-company acceleration. Apollo argues the three levers can be "substantially accelerated via the access to incremental capital and longer-term business and strategic planning that a private company setting affords." Standard sponsor rhetoric; execution-dependent.

11 Illustrative sources and uses

Because this is a Rule 2.4 announcement, not a firm Rule 2.7 offer, the sources and uses table below is illustrative. Actual terms will disclose at Rule 2.7 by 7 August 2026.

USES	£M
Purchase fully diluted equity (£7.15 × 794.8M)	5,683
Refinance existing on-balance-sheet debt	2,017
Transaction fees (2.5% of enterprise value)	131
Financing fees (2.5% of new debt)	75
Total uses	7,906
SOURCES	
Existing cash on balance sheet (net of £750M min. operating retention)	2,696
Aircraft-secured term loan (SOFR + 425 bps)	2,000
High-yield senior notes (unsecured, 9% coupon)	1,000
Rollover + Stub Equity Alternative	400
Sponsor equity check (Apollo Funds)	1,810
Total sources	7,906

Key observations. Total debt of £3.0B against LTM (FY25) EBITDA of £1.3B = 2.3x traditional leverage — but on a lease-adjusted basis with the £995M lease liabilities retained, effective leverage is 3.1x. Sponsor equity check is correspondingly higher — ~£1.81B, or 23% of total sources.

Pro-forma leverage — both bases

Airline LBOs are read on two leverage bases. Traditional (excluding IFRS 16 leases) is the credit-committee number for term-loan pricing. Lease-adjusted (including the £995M IFRS 16 lease liability retained) is the honest read for the covenant package and sponsor economics.

Line	£M	Note
Total secured debt (term loan)	2,000	SOFR + 425 bps
Total unsecured debt (HY notes)	1,000	9% coupon; incurrence covenants
Total debt (excluding leases)	3,000	Sub-total
Plus: lease liabilities retained (IFRS 16)	995	H1 FY26 lease balance
Total lease-adjusted debt	**3,995**	**Rating-agency basis**
FY25 Adj. EBITDA (audited peak)	1,320	EBIT £703M + est. D&A £617M
FY26E Adj. EBITDA (consensus)	1,290	Post -5.5% cut
Medium-term Adj. EBITDA (target)	1,700	Consistent with >£1B PBT ambition
Total debt / FY25 EBITDA (traditional)	2.3x	Term-loan pricing basis
Lease-adj debt / FY25 EBITDA	3.0x	Covenant + rating basis
Lease-adj debt / FY26E EBITDA	3.1x	Forward on cut consensus
Lease-adj debt / Medium-term EBITDA	2.3x	If ambition delivers

The practitioner read on leverage. 2.3x traditional and 3.1x lease-adjusted are *materially lower* than the standard sponsor LBO band of 5-7x. This is not a bug; it is the constraint. Airline collateral cannot support 5-7x leverage without breaking the investment-grade rating that underpins aircraft-secured financing at attractive rates. Apollo trades sponsor equity efficiency (higher check) for capital-structure durability (lower leverage). Result: lower MOIC ceiling but a more resilient hold through cyclical stress — and Apollo's Athene-linked permanent-capital orientation makes this trade rational at fund level. Rating-agency treatment: expect S&P BBB+ / Moody's Baa2 to drop to **BB+ / Ba1 crossover** at Rule 2.7, with further one-notch potential downgrade if EU ownership introduces execution uncertainty.

12 Sponsor return sensitivity

Illustrative sponsor MOIC on the £1.85B equity check assuming a 5-year hold, exit at year 5 EBITDA multiple, 100% of FCF to debt paydown, and management's stated £250M cost efficiency programme delivered on schedule.

Exit / Ambition landing	50%	65%	75%	90%	100%
4.0x exit	1.3x / 5%	1.5x / 9%	1.7x / 11%	1.9x / 14%	2.1x / 16%
4.5x exit	1.6x / 10%	1.9x / 14%	2.1x / 16%	2.4x / 19%	2.6x / 21%
5.0x exit	1.9x / 14%	2.2x / 17%	2.5x / 20%	2.8x / 23%	3.1x / 25%
5.5x exit	2.3x / 18%	2.6x / 21%	2.9x / 24%	3.3x / 27%	3.6x / 29%

Values shown are MOIC / IRR. Base case (75% ambition landing, 5.0x exit): 2.5x MOIC / 20% IRR. Downside (50% landing, 4.0x exit): 1.3x MOIC / 5% IRR — below LP hurdle. Sensitivity is stark.

13 The regulatory path

Apollo's Rule 2.4 announcement commits to “all necessary steps” on merger control and EU Foreign Subsidies Regulation and “best endeavours” on other regulatory conditions. Three distinct regulatory regimes are relevant.

1. Merger control. Standard EU/UK merger control review. Filings likely required at European Commission, UK CMA, and potentially US HSR. Typically 3-6 months to first-phase clearance.

2. EU Foreign Subsidies Regulation. In force July 2023. Apollo will trigger notification. Newer, more uncertain regime; adds 3-4 months. Apollo's commitment to “all necessary steps” means Apollo will accept EC-imposed remedies.

3. UK National Security & Investment Act 2021. Aviation is a “sensitive sector” under NSIA. Acquisitions of >25% control require mandatory pre-completion notification. NSIA clearance will be a firm condition of the Rule 2.7 offer document.

4. The elephant — EU airline ownership and control (Reg. 1008/2008). EU air carriers must be majority-owned and effectively controlled by EU nationals. easyJet Europe (Austrian AOC, Vienna hub) is the critical entity for EU-wide operations. Apollo is US-domiciled. The Rule 2.4 announcement is conspicuously silent on this point. Watch Rule 2.7 for one of three approaches: (a) segregation of easyJet Europe into a majority-EU-owned holding structure with Apollo as minority economic beneficiary, (b) a strategic EU co-investor commitment (Wizz-style majority-EU trust arrangement), or (c) a straight political-risk gamble that the AOC survives Apollo control on “effective control” arguments. The Ryanair Holdings 2019-2021 voting-trust structure is the closest practitioner precedent. IAG's Spanish holdco is related. The Austrian authority (Austro Control / BMK) is the actual regulator. easyJet Switzerland operates under the separate EU-Swiss bilateral agreement.

14 The Stub Equity Alternative

The Rule 2.4 announcement offers eligible shareholders the option to elect the Stub Equity Alternative — roll their existing shareholding into the vehicle through which the Apollo Funds would hold their investment. The terms specify voting rights.

What's positive: Voting rights are meaningful. Many sponsor rollover structures grant only economic exposure with no governance. Apollo giving voting rights suggests genuine long-term partnership orientation.

Note on Rule 24.11: Any partial-consideration alternative offered at Rule 2.7 must include independent valuation — so terms disclose at firm-offer stage. **What matters in the terms:** Rollover valuation basis, lockup period, tag-along rights on Apollo exit, ratchet if Apollo underperforms, minority protection covenants (transfer restrictions, RoFR/RoFO, drag-along thresholds), information rights, UK CGT rollover relief conditions.

What could make it a gimmick: Cash-price parity (£7.15) but punitive vehicle economics on exit — below-market ratchets, hurdle rates paid to Apollo first, dilutive management incentive plans. If any of these, stub holders participate in downside without commensurate upside.

15 Comparable European airline take-privates and sponsor deals

Target	Sponsor / Acquirer	Year	EV	Outcome
Aer Lingus	IAG (strategic)	2015	€1.4B	Integrated
Alitalia	Etihad + Italian	2014	€560M	Bankruptcy 2017 → ITA
Monarch Airlines	Greybull Capital	2014	£125M	Bankruptcy 2017
Norwegian Air	Ch. 11 equiv.	2021	n/a	Debt-for-equity
Wizz Air (pre-IPO)	Indigo Partners	2003-15	~$300M	LSE IPO 2015; ~8x MOIC
Sun Country	Apollo Fund IX	2018-21	$350M	IPO 2021; ~4x MOIC
Frontier Airlines	Indigo Partners	2013-21	$145M	IPO 2021; successful exit

The pattern: airline sponsor deals are binary. Successful outcomes almost exclusively low-cost, structurally-cost-advantaged carriers (Indigo playbook: Wizz, Frontier, Volaris) or specialised niches (Sun Country hybrid ULCC). easyJet is closer to the successful cluster. But this scale — £5.7B — has no direct European precedent.

16 The downside case — what breaks Apollo's underwriting

1. Fuel step-change. Spot ~$1,350/MT vs. H2 FY26 hedged $726/MT. Coverage drops to 53% H1 FY27, 29% H2 FY27. Sustained $1,300+/MT unwind = £200-400M unhedged FY27 cost.

2. Overcapacity in beach markets. Ryanair and Wizz continue to add capacity aggressively. Sustained overcapacity impairs the yield improvement Apollo needs to underwrite Holidays and ancillary uplift.

3. EU ownership resolution fails. If the Austrian AOC cannot be preserved under Apollo control, easyJet Europe's EU-wide operating rights impaired. 40%+ of flight network. Loss of AOC is a going-concern event.

4. Airbus delivery slippage. 287 firm orders through FY34 assume Airbus delivery on schedule. Airbus has run 12-24 months behind on A321neo since 2023. Delayed deliveries push out the upgauging benefit.

5. Rating downgrade cost. S&P BBB+ / Moody's Baa2 investment grade almost certainly drops to BB+/BB post-LBO. Raises debt service across £2.0B existing paper if refinanced; constrains treasury operations.

6. Brand royalty step-up. Apollo's announcement notes easyGroup Ltd brand royalties “expected to increase.” Stelios is a rigorous royalty holder. Structural drag on sponsor case.

17 The Baratelli view

On the price. Apollo's £7.15 offer is defensible but not compelling. The 81% headline premium is measured off a pre-speculation share price at which the market was penalising easyJet for post-COVID cyclical uncertainty and airline-sector volatility discount. The 22% premium to the four-year trading high is the honest read.

On the Board's pivot. The pivot from Castlelake at £6.90 to Apollo at £7.15 is defensible on cash-price alone (3.6% higher). The Stub Equity Alternative with voting rights is a meaningful differentiator. Fine.

On execution risk. Apollo's underwriting requires three things to substantially land: (a) the £250M upgauging efficiency programme by FY28, (b) Holidays scaling from ~£150M to £450M PBT by FY30, and (c) a workable resolution of the EU airline ownership constraint. Any one failing produces returns below LP hurdle. Two failing is distressed hold. All three failing is partial writedown.

On the timing. Apollo is bidding at a specific inflection point. FY25 was the peak. H1 FY26 shows margin compression. Q3 FY26 shows in-line delivery but with FY26 consensus cut. Apollo is not buying an obvious steal — they are buying a franchise business at a moment of operating pressure.

On what to watch before 7 August. Three items. First, the firm Rule 2.7 announcement's treatment of the EU 1008/2008 ownership constraint. Second, whether Castlelake returns with a topping bid. Third, whether the definitive Stub Equity Alternative terms disclose stub-holder-favourable protections.

The bigger question. This deal will index as the largest sponsor take-private of a European short-haul low-cost carrier ever announced. If Apollo executes, it validates the LBO playbook for aviation at a scale European markets have not previously accepted. If Apollo underdelivers, the failure mode will be visible — and the sector will absorb it as a cautionary tale.

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MENTORING AT SCALE

PRACTITIONER CASE MODEL

Apollo's £5.7 Billion Take-Private Bid for easyJet

Case No. 26 • Rule 2.4 announcement 10 July 2026 • Model v2 (corrected reference map)

MODEL CONTENTS

COLOUR CONVENTION

Blue on light blue fill = Hard-coded input

Black = In-cell formula

Green = Cross-sheet reference

Red = Balancing check (should equal zero)

Bold on gold fill = Key output

White on navy fill = Section header

MODEL ASSUMPTIONS — FIXED REFERENCE MAP

Every input at a known cell. Downstream tabs reference these exact addresses.

TRANSACTION TERMS (Rule 2.4 announcement)		
Cash offer per share (£)	7.15	*Rule 2.4*
Ordinary shares in issue (M)	758.010	*Para. 2*
Dilutive incentive shares (M)	36.751	*Para. 3b*
Castlelake competing bid (£/share)	6.90	*4 July 2026*
28 May 2026 close (£)	3.94	*Day before Castlelake*
4-year high (£)	5.88	*Pre 28 May 2026*
90-day VWAP to 28 May 2026 (£)	3.97	*VWAP*

H1 FY26 BALANCE SHEET (31 March 2026)		
Cash & other cash investments (£M)	3,446	*H1'26 RNS*
Debt excl. lease liabilities (£M)	-2,017	*H1'26 RNS*
Lease liabilities (£M)	-995	*H1'26 RNS*
PP&E ex RoU (£M)	5,042	*H1'26 RNS*
Net assets (£M)	3,657	*H1'26 RNS*

HISTORICAL OPERATING		
FY23 Revenue (£M)	8,171	*FY23 Annual*
FY24 Revenue (£M)	9,309	*FY24 Annual*
FY25 Revenue (£M)	10,116	*FY25 Annual*
FY23 Headline PBT (£M)	455	*FY23 Annual*
FY24 Headline PBT (£M)	610	*FY24 Annual*
FY25 Headline PBT (£M)	665	*FY25 Annual*
FY25 Headline EBIT (£M)	703	*FY25 Annual*
FY25 est. D&A (£M)	617	*Est.*
FY25 Adj EBITDA (£M)	1,320	*EBIT + D&A*

H1 FY26 OPERATING		
H1'26 Revenue (£M)	3,954	*H1'26 RNS*
H1'26 Airline revenue (£M)	3,436	*H1'26 RNS*
H1'26 Holidays revenue (£M)	519	*H1'26 RNS*
H1'26 Airline LBIT (£M)	-581	*H1'26 RNS*
H1'26 Holidays EBIT (£M)	48	*H1'26 RNS*
H1'26 Group LBIT (£M)	-533	*H1'26 RNS*
H1'26 Group LBT (£M)	-552	*H1'26 RNS*
H1'26 Load factor (%)	89.8	*H1'26 RNS*
H1'26 Passengers (M)	42.0	*H1'26 RNS*

Q3 FY26 TRADING UPDATE		
Q3'26 Revenue (£M)	2,920	*Q3 update*
Q3'26 Headline PBT (£M)	286	*Q3 update*
Q3'26 Passengers (M)	25.9	*Q3 update*
Q3'26 Load factor (%)	90.2	*Q3 update*
FY26E Consensus PBT (£M)	625	*Post -5.5% cut*

MANAGEMENT MEDIUM-TERM TARGETS		
Medium-term Group PBT target (£M)	1,000	*H1'26 Investor Pres*
Holidays PBT by FY30 target (£M)	450	*H1'26 Investor Pres*
Upgauging savings by FY28 (£M)	250	*H1'26 Investor Pres*

SPONSOR CAPITAL STRUCTURE		
Aircraft-secured term loan (£M)	2,000	*Against £5.0B PPE*
Term loan rate (%)	7.50	*SOFR + 425 bps*
High-yield senior notes (£M)	1,000	*Unsecured*
HY notes coupon (%)	9.00	*Fixed*
Rollover + stub equity (£M)	400	*Modest stub election*
Min. operating cash retention (£M)	750	*Est.*
Transaction fees (% of EV)	2.50	*M&A + legal*
Financing fees (% of new debt)	2.50	*OID + underwriting*

EXIT ASSUMPTIONS		
Hold period (years)	5	*Standard sponsor hold*
Base exit EV/EBITDA multiple	5.00	*Practitioner est.*
Ambition landing (%)	75	*% of £1B target*
Cash tax rate (%)	25	*UK corporation tax*

PURCHASE PRICE ANALYSIS

FULLY DILUTED EQUITY VALUE	Shares (M)	£/share	Value (£M)
Ordinary shares in issue	758.010	7.15	5,420
Plus: dilutive incentive shares	36.751	7.15	263
Fully diluted equity value	**794.761**	7.15	**5,683**

PREMIUM ANALYSIS	Ref £/share	Offer £/share	Premium
81% to 28 May 2026 close	3.94	7.15	**81.5%**
22% to 4-year trading high	5.88	7.15	**21.6%**
80% to 90-day VWAP to 28 May 2026	3.97	7.15	**80.1%**
Topper over Castlelake £6.90	6.90	7.15	**3.6%**

EQUITY VALUE → ENTERPRISE VALUE	
Fully diluted equity value	5,683
Less: cash and other cash investments	-3,446
Plus: debt (excl. lease liabilities)	2,017
Enterprise value (traditional, ex-leases)	**4,254**
Plus: lease liabilities (IFRS 16)	995
Enterprise value (lease-adjusted)	**5,249**

ENTRY MULTIPLES	FY25	FY26E	Mid-Term
Headline PBT (£M)	665	625	1,000
Adj. EBITDA est. (£M)	1,320	1,242	1,700
EV/EBITDA (lease-adjusted)	**3.98x**	**4.23x**	**3.09x**

ILLUSTRATIVE SOURCES & USES

USES OF FUNDS

	£M	
Purchase fully diluted equity (£7.15 × 794.8M shares)	5,683	*Cash consideration to public shareholders*
Refinance existing on-balance-sheet debt	2,017	*Rating downgrade post-LBO; existing IG paper refinances*
Transaction fees (2.5% of enterprise value)	131	*M&A advisory, legal, accounting*
Financing fees (2.5% of new debt)	75	*OID, underwriting, arranger, agent, ratings*
TOTAL USES	**7,906**	

SOURCES OF FUNDS

	£M	
Existing cash on balance sheet (net of £750M min. operating retention)	2,696	*£3,446M cash less £750M practitioner-estimated liquidity buffer*
Aircraft-secured term loan (5.5x adj. EBITDA)	2,000	*Senior secured; SOFR + 425 bps; 100% cash sweep*
High-yield senior notes (unsecured, 9% coupon)	1,000	*Unsecured; 9% coupon; incurrence covenants*
Rollover management + Stub Equity Alternative	400	*Existing shareholders roll into Apollo vehicle; management rollover*
Sponsor equity check (Apollo Funds)	1,810	*The plug — funded from Apollo committed equity; ~23% of sources*
TOTAL SOURCES	**7,906**	

Check: Sources – Uses (must equal zero) **0**

PRO-FORMA LEVERAGE

Total secured debt (term loan)	2,000
Total unsecured debt (HY notes)	1,000
Total debt (excluding leases)	**3,000**
Lease liabilities retained (IFRS 16)	995
Total lease-adjusted debt	**3,995**
FY25 Adj EBITDA	1,320
Total debt / EBITDA (traditional)	**2.27x**
Lease-adjusted debt / EBITDA	**3.03x**

HISTORICAL FINANCIALS

INCOME STATEMENT (£M)

	FY23A	FY24A	FY25A	H1 FY26	Q3 FY26
Group revenue	8,171	9,309	10,116	3,954	2,920
Revenue growth YoY		13.9%	8.7%		
Headline PBT / (LBT)	455	610	665	-552	286
PBT margin	5.6%	6.6%	6.6%		
Headline EBIT			703		
D&A (est.)			617		
Adj. EBITDA			**1,320**		
EBITDA margin			13.0%		

H1 FY26 BALANCE SHEET SNAPSHOT (31 March 2026)

Cash and other cash investments	3,446
Debt (excluding lease liabilities)	-2,017
Net cash excluding leases	**1,429**
Lease liabilities	-995
Net cash (all-in, IFRS 16)	**434**
PPE (excluding RoU)	5,042

FIVE-YEAR PROJECTIONS (FY26E-FY30E)

REVENUE AND PBT (£M)

	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Group revenue	10,116	10,700	11,450	12,250	13,000	13,750
Growth YoY		5.8%	7.0%	7.0%	6.1%	5.8%
Ambition landing (% of £1B target)						75%
Medium-term Group PBT target (£M)						1,000
Group headline PBT (management case × landing	665	625	656	688	719	**750**
PBT margin	6.6%	5.8%	5.7%	5.6%	5.5%	5.5%
D&A	617	640	700	780	850	920
Interest expense (LBO cap structure)	0	0	(164)	(150)	(125)	(89)
EBIT (PBT + Interest)	665	625	821	837	844	910
Adj EBITDA	**1,282**	**1,265**	**1,521**	**1,617**	**1,694**	**1,830**
EBITDA margin	12.7%	11.8%	13.3%	13.2%	13.0%	13.3%

FREE CASH FLOW BUILD (£M)

	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Adj EBITDA	1,282	1,265	1,521	1,617	1,694	1,830
Less: cash interest	0	0	(177)	(150)	(125)	(160)
Less: cash taxes (25% of positive PBT)	(166)	(156)	(164)	(172)	(180)	(188)
Less: maintenance capex (per aircraft × fleet size)	(350)	(400)	(430)	(455)	(475)	(490)
Less: change in NWC	-50	-50	-50	-50	-50	-50
FCF available for debt paydown	**716**	**659**	**699**	**791**	**864**	**943**
Memo: gross Airbus fleet capex (aircraft-financec	*(900)*	*(1,700)*	*(2,300)*	*(3,300)*	*(2,100)*	*(1,800)*
Memo: aircraft-secured debt drawdown (offsets t	*900*	*1,700*	*2,300*	*3,300*	*2,100*	*1,800*
Memo: net fleet capex after aircraft financing	***0***	***0***	***0***	***0***	***0***	***0***

DEBT SCHEDULE — TRANCHE PAYDOWN AND INTEREST

TERM LOAN (aircraft-secured, SOFR + 425 bps)	Close	FY26E	FY27E	FY28E	FY29E	FY30E
Beginning balance	2,000	2,000	1,341	642	13	-7
Mandatory amort (1% p.a.)		-20	-20	-20	-20	-20
Cash sweep (from FCF)		(639)	(679)	(609)	0	0
Ending balance	2,000	**1,341**	**642**	**13**	**-7**	**-27**
Interest (7.5% on avg)		(125)	(74)	(60)	(35)	1

HIGH-YIELD SENIOR NOTES (9% bullet)						
Beginning balance	1,000	1,000	1,000	1,000	1,000	1,000
Ending balance	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Interest (9% cash coupon)		(90)	(90)	(90)	(90)	(90)

TOTAL DEBT AND INTEREST						
Total ending debt (ex-leases)	**3,000**	**2,341**	**1,642**	**1,013**	**993**	**973**
Total interest expense		**(215)**	**(164)**	**(150)**	**(125)**	**(89)**
Total debt / EBITDA (traditional, on year's own E	**2.34x**	1.85x	1.08x	0.63x	0.59x	0.53x
Total debt / FY25A EBITDA (pro-forma on trailin	**2.34x**	**1.83x**	**1.28x**	**0.79x**	**0.77x**	**0.76x**
Lease-adj debt / FY25A EBITDA (rating-agency b	**3.12x**	**2.60x**	**2.06x**	**1.57x**	**1.55x**	**1.53x**

RETURNS WATERFALL — MOIC AND IRR

ENTRY — SPONSOR EQUITY CHECK	
Sponsor equity check at close (£M)	1,810
EXIT — YEAR 5 (FY30E)	
FY30E EBITDA	1,830
Exit EV/EBITDA multiple	5.00x
Exit enterprise value	**9,149**
Less: FY30 net debt	(973)
Exit equity value	**8,176**
SPONSOR RETURN	
Sponsor share of equity	100%
Sponsor exit proceeds	8,176
MOIC	**4.52x**
Hold period (years)	5
IRR	**35.2%**

SENSITIVITY — MOIC × EXIT × AMBITION LANDING

Illustrative. Rows: exit EV/EBITDA. Cols: % of £1B PBT ambition landing. 5-year hold.

MOIC

	50%	65%	75%	90%	100%
4.0x	1.3x	1.5x	1.7x	1.9x	2.1x
4.5x	1.6x	1.9x	2.1x	2.4x	2.6x
5.0x	1.9x	2.2x	2.5x	2.8x	3.1x
5.5x	2.3x	2.6x	2.9x	3.3x	3.6x
6.0x	2.6x	3.0x	3.3x	3.7x	4.1x

IRR (5-year hold)

	50%	65%	75%	90%	100%
4.0x	5.0%	9.0%	11.0%	14.0%	16.0%
4.5x	10.0%	14.0%	16.0%	19.0%	21.0%
5.0x	14.0%	17.0%	20.0%	23.0%	25.0%
5.5x	18.0%	21.0%	24.0%	27.0%	29.0%
6.0x	21.0%	24.0%	27.0%	30.0%	33.0%

COMPARABLE AIRLINE TAKE-PRIVATES

SPONSOR / STRATEGIC EUROPEAN AIRLINE DEALS

Target	Sponsor/Acquirer	Year	EV	Outcome
Virgin Atlantic (49%)	Delta Air Lines	2013	£224M	Strategic minority; partnership
Alitalia	Etihad + Italian consortium	2014	€560M	Bankruptcy 2017 → ITA
Aer Lingus	IAG (strategic)	2015	€1.4B	Integrated; Ryanair sold minority
Monarch Airlines	Greybull Capital	2014	£125M	Bankruptcy 2017
Norwegian Air	Ch. 11 equivalent	2021	n/a	Debt-for-equity
Wizz Air (Indigo)	Indigo Partners	2003-15	~$300M	LSE IPO 2015; ~8x MOIC
Sun Country	Apollo Fund IX	2018-21	$350M	IPO 2021; ~4x MOIC
Frontier Airlines	Indigo Partners	2013-21	$145M	IPO April 2021
Silver Airways	Versa Capital	2018	$36M	Ch. 11 Dec 2024

WACC REFERENCE — COST OF CAPITAL

CAPM COST OF EQUITY	
Risk-free rate (UK 10-yr gilt)	4.30%
Equity risk premium	5.50%
Levered beta (airline peer avg)	1.45
CAPM cost of equity	**12.28%**

AFTER-TAX COST OF DEBT (BLENDED)	
Term loan pre-tax	7.50%
HY notes pre-tax	9.00%
Blended pre-tax cost of debt	8.00%
After-tax cost of debt	**6.00%**

POST-LBO WACC	
Debt weight	57.6%
Equity weight	42.4%
Blended WACC	**8.66%**

APOLLO / EASYJET LBO — ONE-PAGE SUMMARY

TRANSACTION

Cash offer per share	£7.15
Fully diluted equity value	£5,683M
Enterprise value (lease-adjusted)	£5,249M
Premium to 28 May 2026 close	81.5%

SPONSOR CAP STRUCTURE

Sponsor equity check	£1,810M
Aircraft-secured term loan	£2,000M
High-yield senior notes	£1,000M
Total debt / FY25 EBITDA	2.27x

BASE-CASE RETURNS (75% land, 5.0x exit)

MOIC	4.52x
IRR	35.2%

Illustrative. Rule 2.4 announcement does not disclose actual financing terms. Actual terms will disclose at Rule 2.7 by 7 August 2026. Not investment advice.

LIVE

Apollo's £5.7 Billion Take-Private Bid for easyJet

"Highly differentiated franchise" — or 81% premium at a moment of margin compression? A practitioner walk of the Rule 2.4 announcement, the H1 FY26 interim, and the Q3 trading update.

THE DEAL

£7.15 cash per share | £5.7B fully diluted equity value | 81% premium to 28 May 2026 close

Beats Castlelake at £6.90/share | Stub Equity Alternative with voting rights
Rule 2.6(a) deadline: 5:00 PM on 7 August 2026

Executive summary

What Apollo is proposing, what the Board thinks, and what the practitioner should watch

- **Cash offer £7.15/share · £5.7B fully diluted equity value · 81% premium to 28 May close**
  Apollo Management X, on behalf of certain managed Apollo Funds
- **Beats Castlelake proposal at £6.90/share (submitted 4 July 2026)**
  Board "no longer minded to recommend" Castlelake proposal
- **Stub Equity Alternative — rollover into Apollo vehicle with voting rights**
  Terms remain subject to further discussion
- **Equity financing committed by Apollo Funds · Barclays "highly confident" on debt**
  Debt terms not yet committed
- **Rule 2.6(a) deadline: 5:00 PM on 7 August 2026**
  Put-up-or-shut-up under UK Takeover Code
- **Apollo commits "all necessary steps" on merger control + EU Foreign Subsidies Regulation**
  "Best endeavours" on other regulatory conditions
- **Valuation: 4.0x FY25 lease-adj EV/EBITDA — a 7-13% discount to LCC median (Ryanair 5.0x, Wizz 4.2x)**
  3.1x on medium-term £1B PBT ambition — potential 40-50% multiple expansion at LCC-median exit
- **Debt paydown: 2.34x traditional / 3.12x lease-adj leverage at close deleverages to 0.53x by FY30**
  £3B term loan fully repaid by FY28 via £659M-£942M/yr operating FCF; fleet financed separately
- **EU airline ownership rule (Reg. 1008/2008) NOT explicitly addressed**
  Structural elephant — Apollo is US; easyJet Europe requires majority EU control

The price walk — three premium reference points

81% headline. 22% to the four-year trading high. Practitioners read all three.

Reference share price	Date	Price (£)	Premium at £7.15
Close of business (day before Castlelake offer period)	28 May 2026	£3.94	**81%**
Highest trading price in 4 years prior to 28 May 2026	4-year high	£5.88	22%
90-day trading volume weighted average price	90-day VWAP	£3.97	80%
Castlelake proposal (displaced)	4 July 2026	£6.90	3.6% topper

Read: Apollo is paying only 22% above the last four years' best public-market valuation.

81% headline premium is measured off a pre-speculation price at ~4.5x FY25 PBT (~6.0x P/E after tax).

The Board's pivot from Castlelake is defensible on cash alone (3.6% higher);
but the Stub Equity Alternative with voting rights is what likely tipped the fiduciary calculus.

The 22% premium to the 4-year trading high is the honest read.

Apollo is paying only modestly above easyJet's own best public-market valuation of the last four years.

Purchase price math — from £7.15 to £5.7 billion

Fully diluted share count disclosed in the Rule 2.4 announcement's Sources and Bases appendix

Item	Shares (M)	£/share	Value (£M)
Ordinary shares in issue (paragraph 2)	758.010	£7.15	£5,420
Plus: share incentive scheme awards (paragraph 3b)	36.751	£7.15	£263
Fully diluted equity value	**794.761**	**£7.15**	**£5,683**

From equity value to enterprise value (H1 FY26 balance sheet, 31 March 2026):

Item	£M
Fully diluted equity value	5,683
Less: net cash excluding leases (£3,446M cash - £2,017M debt)	(1,429)
Enterprise value (traditional, ex-leases)	**4,254**
Plus: lease liabilities (IFRS 16)	995
Enterprise value (lease-adjusted)	**5,249**

Latest publicly-filed financials — three data layers

UK DTR requires H1 interim + FY annual. Q3 trading update is voluntary.

FY25 audited (year ended 30 September 2025)

	FY25	FY24
Group revenue	£10,116M	£9,309M
Headline EBIT	£703M	£597M
Headline PBT	£665M	£610M
ROCE	18%	15%

Q3 FY26 trading update (3M to 30 June 2026)

	Q3'26	Q3'25	YoY
Q3 revenue	£2,920M	£2,633M	+10.9%
Q3 PBT	£286M	£236M	+£50M
Passengers	25.9M	25.3M	+2.2%
Load factor	90.2%	90.0%	+0.2ppt

Consensus cut ~5.5% for FY26 on French ATC + fuel
9M FY26 cumulative revenue: £6.87B, LBT £(266)M
Q4 (peak summer) must deliver ~£900M PBT to hit consensus

H1 FY26 reviewed (six months to 31 March 2026)

	H1'26	H1'25	YoY
Group revenue	£3,954M	£3,534M	+12%
Airline LBIT	£(581)M	£(401)M	(45)%
Holidays EBIT	£48M	£32M	+50%
Group LBT	£(552)M	£(394)M	(40)%
Load factor	89.8%	87.9%	+1.9ppt

Apollo bids at a moment of early-stage margin compression, not peak strength.

FY25 = peak. H1 FY26 = £164M YoY deterioration. Q3 FY26 = in-line but consensus cut. Q4 is the pivot point.

What Apollo is buying — the H1 FY26 balance sheet

Investment grade rated. £3.4B cash. £5.0B owned aircraft base growing to £7.5B by FY28.

Balance sheet snapshot (31 March 2026)

Line item	£M
Goodwill and intangibles	776
PP&E (excl. right-of-use)	5,042
Right-of-use assets	928
Trade and other receivables	570
Cash and cash investments	3,446
Debt (excl. leases)	(2,017)
Lease liabilities	(995)
Unearned revenue	(3,056)
Trade and other payables	(1,591)
Net assets	**3,657**

Key credit metrics

- S&P BBB+ / Moody's Baa2 (investment grade)
- £4.7B total liquidity (£3.4B cash + facilities)
- No debt maturity until March 2028
- 86% of neo aircraft owned outright
- 287 firm Airbus orders through FY34

The LBO capex constraint

- FY26 gross capex £1.7B
- FY27 gross capex £2.3B
- FY28 gross capex £3.3B (delivery peak)
- Locks debt paydown pace during hold
- Sponsor upside contingent on on-schedule delivery

Read: rating downgrade post-LBO is almost certain. £2.0B of existing IG paper refis at BB+/BB rates.

Apollo's strategic thesis — four levers

The Rule 2.4 announcement is explicit about three strategic levers plus a fourth implicit one

1 Fleet upgauging

£250M annual cost efficiencies by FY28
Gauge: 182 → 192 seats. All A319s retired by FY29.

Convert A319/A320 fleet to A321neo. Higher-gauge aircraft carry more passengers per flight with modest incremental crewing and fuel cost. Total CPS benefit £2.86 through FY28.

2 Ancillary + loyalty

Ancillary uplift + loyalty launch FY27
Ancillary per seat £22.97 vs. Ryanair £24-25.

Practitioner estimate: 5-10% ancillary uplift = £100-200M annual revenue at ~90% margin. Loyalty programme launches FY27.

3 Holidays scaling

£450M PBT by FY30
vs. ~£150M annualized today (3x scale-up)

Asset-light, high-margin adjacent business. H1 FY26: 1.3M customers (+22%), PBT +39% to £61M. Flight-plus-hotel launched, 500 Berlin retail sites.

4 Private-co acceleration

Freed from quarterly public-market management
Sponsor rhetoric — depends on execution.

Apollo argues levers 1-3 accelerate under private ownership. Standard sponsor claim. Whether it delivers depends on execution and the EU ownership structural solution.

Illustrative sources & uses — the sponsor structure

Structure at Rule 2.7 will disclose actual terms. This is illustrative.

USES OF FUNDS

Item	£M
Purchase fully diluted equity (£7.15 × 794.8M)	5,683
Refinance existing on-balance-sheet debt	2,017
Less: existing cash (net of £750M min. operating)	(2,696)
Transaction fees (~2.5% of EV)	150
Financing fees (~2.5% of new debt)	100
Total uses	**5,254**

SOURCES OF FUNDS

Item	£M
Aircraft-secured term loan (SOFR + 425 bps)	2,000
High-yield senior notes (unsecured, 9% coupon)	1,000
Rollover + Stub Equity Alternative	400
Sponsor equity check (Apollo Funds)	1,854
Total sources	**5,254**

PRO-FORMA LEVERAGE

Metric	Value
Total debt / FY25 EBITDA (traditional)	2.3x
Lease-adjusted debt / EBITDA	3.1x
Sponsor equity % of sources	35%

Airline collateral cannot support standard 5-7x LBO leverage without b
Sponsor equity check is correspondingly higher — ~£1.85B, or 35% of total
Apollo underwrites mid-teens IRR on stable long-hold capital, not 25%+ spo

Sponsor return sensitivity — MOIC × exit × ambition landing

Rows: exit EV/EBITDA. Cols: % of £1B medium-term PBT ambition landing. 5-year hold.

MOIC (multiple on invested capital)

	50% land	65% land	75% land	90% land	100% land
4.0x exit	1.3x	1.5x	1.7x	1.9x	2.1x
4.5x exit	1.6x	1.9x	2.1x	2.4x	2.6x
5.0x exit	1.9x	2.2x	**2.5x**	2.8x	3.1x
5.5x exit	2.3x	2.6x	2.9x	3.3x	3.6x
6.0x exit	2.6x	3.0x	3.3x	3.7x	4.1x

IRR (%, 5-year hold)

	50% land	65% land	75% land	90% land	100% land
4.0x exit	5%	9%	11%	14%	16%
4.5x exit	10%	14%	16%	19%	21%
5.0x exit	14%	17%	**20%**	23%	25%
5.5x exit	18%	21%	24%	27%	29%
6.0x exit	21%	24%	27%	30%	33%

Base case (75% land, 5.0x exit): 2.5x MOIC / 20% IRR. Downside (50% land, 4.0x exit): 1.3x MOIC / 5% IRR — below LP hurdle.

FCF, debt paydown, and leverage reduction

Airline-standard FCF (maintenance capex only; fleet financed separately). 100% cash sweep to term loan.

Operating FCF build (£M)

Line	FY26E	FY27E	FY28E	FY29E	FY30E
Adj. EBITDA	1,265	1,521	1,617	1,694	1,830
Less: cash interest	(0)	(240)	(230)	(218)	(204)
Less: cash taxes @ 25% PBT	(156)	(164)	(172)	(180)	(188)
Less: maintenance capex	(400)	(430)	(455)	(475)	(490)
Less: change in NWC	(50)	(50)	(50)	(50)	(50)
FCF for debt paydown	**659**	**699**	**791**	**864**	**942**

Debt paydown and leverage reduction

Line	Close	FY26E	FY27E	FY28E	FY29E	FY30E
Total debt (£M)	3,000	2,341	1,642	1,013	993	973
Traditional leverage	**2.34x**	1.85x	1.08x	0.63x	0.59x	0.53x
Lease-adj leverage (rating basis)	**3.12x**	2.60x	2.06x	1.57x	1.55x	1.53x

£3B term loan fully repaid by FY28. Leverage crashes from 2.34x → 0.53x over 5-yr hold.

Fleet capex (£1.7B-£3.3B/year) is financed separately via aircraft-secured drawdown — cash-neutral to operating FCF. Rating agency lease-adj basis: 3.12x → 1.53x.

The regulatory path — three regimes, one unaddressed elephant

Apollo commits to "all necessary steps" on merger control + EU FSR. The EU airline ownership rule is not explicitly addressed.

1. Merger control (EU, UK, potentially US HSR)

Standard filings. Typically 3-6 months to first-phase clearance. Not a material impediment absent horizontal overlaps with Apollo aviation portfolio (Sun Country in US, aviation finance platforms).

2. EU Foreign Subsidies Regulation (in force July 2023)

Newer, more uncertain regime. Applies to Apollo as US-domiciled acquirer receiving foreign financial contributions. Adds 3-4 months. Apollo's explicit commitment to "all necessary steps" means Apollo will accept EC-imposed remedies. First cases have seen conditional clearances.

3. EU airline ownership and control (Reg. 1008/2008) — THE ELEPHANT

Air carriers holding an EU operating licence must be MAJORITY-OWNED and EFFECTIVELY CONTROLLED by EU nationals. easyJet Europe (Austrian AOC, Vienna hub) is the critical entity for EU-wide operations. Apollo is a US-domiciled asset manager. Rule 2.4 announcement is SILENT on this. Practitioners should watch Rule 2.7 for one of three approaches: (a) segregate easyJet Europe into majority-EU holding structure with Apollo as minority economic beneficiary, (b) strategic EU co-investor commitment (Wizz-style majority-EU trust arrangement), or (c) political-risk gamble on "effective control" arguments. IAG's Spanish holdco / dual UK-Spanish AOC structure is the practitioner precedent.

The Stub Equity Alternative — sponsor alignment or dilutive gimmick?

Voting rights are meaningful. Terms remain "subject to further discussion." Watch Rule 2.7.

What's positive

- Voting rights included — many sponsor rollovers offer only economic exposure with no governance
- Apollo signalling long-term partnership orientation, not pure take-private extraction
- Existing large shareholders (Stelios family holdings, long-only airline specialists) can participate in operational uplift
- Sponsor alignment on retention of easyJet management + brand + strategy

What matters in the terms (watch Rule 2.7)

- Rollover valuation basis — par at £7.15 or premium/discount
- Lockup period, tag-along rights on Apollo exit
- Ratchet mechanics if Apollo underperforms threshold
- Minority protection covenants: transfer restrictions, RoFR/RoFO, drag-along thresholds, information rights
- UK CGT rollover relief conditions — deferral of gain requires specific structural tests

What could make it a gimmick

- Cash-price parity (£7.15) but punitive vehicle economics on exit — below-market ratchets, hurdle rates paid to Apollo first
- Dilutive management incentive plans that erode stub-holder share of exit proceeds
- If any of the above, stub holders participate in downside without commensurate upside

Terms remain "subject to further discussion and agreement" — watch Rule 2.7 firm offer document.

European airline comparables — is Apollo's price reasonable?

Benchmark against LCC peers (Ryanair, Wizz) and full-service context (IAG, Lufthansa, AF-KLM).

Company	Ticker	Mkt cap	EV (lease-adj)	EV/EBITDA LTM	EV/EBITDA FY26E	P/E FY26E
LOW-COST CARRIERS						
Ryanair Holdings	RYA.I	€19.5B	€22.0B	5.0x	4.7x	11.2x
Wizz Air	WIZZ.L	£2.1B	£3.8B	4.2x	3.9x	9.5x
LCC median (2-way)				**4.6x**	**4.3x**	**10.4x**
FULL-SERVICE CARRIERS						
IAG	IAG.L	€15.0B	€20.5B	3.8x	3.6x	5.5x
Lufthansa Group	LHA.DE	€8.5B	€13.2B	3.2x	3.1x	4.8x
Air France-KLM	AF.PA	€3.8B	€7.5B	2.7x	2.6x	3.9x
Full-service median				**3.2x**	**3.1x**	**4.8x**
EASYJET AT APOLLO BID	**EZJ.L**	**£5.7B**	**£5.2B**	**4.0x**	**4.0x**	**10.6x**
Discount to LCC median				**(13%)**	**(7%)**	**2%**

The Baratelli read: Apollo is paying a 7-13% discount to LCC median — defensible sponsor entry.

- Against LCC peer set (the honest comp): 4.0x vs 4.6x LTM median — sponsor discount for execution risk.
- Against full-service median (context, not comp): 25-29% premium is expected — LCC structural advantage.
- On medium-term ambition (£1B PBT): entry compresses to 3.1x → 40-50% multiple expansion at LCC-median exit.

Downside case — what breaks Apollo's underwriting

Six risks to track.

1. Fuel step-change

Spot ~$1,350/MT vs. H2'26 hedged $726/MT. Coverage drops to 53% H1'27, 29% H2'27. Sustained $1,300+/MT unwind = £200-400M unhedged FY27 cost.

2. Overcapacity in beach markets

Ryanair + Wizz continue to add capacity. Sustained overcapacity impairs the yield and Holidays uplift Apollo underwrites.

3. EU ownership resolution fails

If Austrian AOC cannot be preserved under Apollo control, easyJet Europe's EU-wide rights impaired. Loss of AOC = going-concern event, not margin event.

4. Airbus delivery slippage

287 firm orders through FY34 assume on-schedule delivery. Airbus has run 12-24mo behind on A321neo since 2023. Delayed deliveries push out £250M efficiency schedule.

5. Rating downgrade cost

IG (BBB+/Baa2) almost certainly drops to BB+/BB post-LBO. Raises debt service across £2B existing paper if refinanced; constrains LCs, aircraft leases, card processing.

6. Brand royalty step-up

Apollo's announcement notes easyGroup Ltd royalties "expected to increase" as initiatives take hold. Stelios is a rigorous royalty-recovery holder. Structural drag on sponsor case.

What to watch — before 7 August 2026

The Rule 2.6(a) put-up-or-shut-up deadline. Three items to track.

Item 1: Firm Rule 2.7 announcement — how EU 1008/2008 is threaded

- The Rule 2.4 announcement is silent on the majority-EU-ownership requirement.
- Watch Rule 2.7 for: (a) segregated EU holding structure, (b) strategic EU co-investor, or (c) effective control legal arguments.
- The IAG/British Airways Spanish holdco + dual AOC structure is the practitioner precedent.
- **If Rule 2.7 does not credibly address this, Apollo's entire investment premise is impaired.**

Item 2: Castlelake's response — topping bid or withdrawal

- Castlelake was the auction-surfacing bidder. Whether they return with a topping bid depends on:
- (a) whether their aircraft-credit-first thesis can support materially higher offer,
- (b) whether the Board's pivot forecloses further engagement,
- (c) whether Castlelake is willing to compete against Apollo's committed equity + Barclays financing letter.

Item 3: Stub Equity Alternative definitive terms

- Rollover valuation basis, lockup, tag-along, ratchet, minority protection covenants, information rights, UK CGT rollover relief.
- Stub-holder-favourable protections signal genuine partnership; boilerplate reads as gimmick.

Rule 2.6(a) puts the clock at 5:00 PM on 7 August 2026. Apollo must either put up firm terms or announce it does not intend to make an offer.

The Baratelli view

■ On the price

Defensible but not compelling. 81% headline premium is measured off a pre-speculation share price penalising airline volatility. The 22% premium to the 4-year trading high is the honest read — Apollo is paying only modestly above easyJet's own best public-market valuation.

■ On the Board's pivot

Defensible on cash alone (3.6% higher). Stub Equity Alternative with voting rights is a meaningful differentiator. Fine.

■ On execution risk

Apollo needs three things to substantially land: (a) £250M upgauging by FY28, (b) Holidays scaling to £450M PBT by FY30, (c) workable EU ownership resolution. **Any one failing = returns below LP hurdle. Two failing = distressed hold. All three failing = partial writedown.**

■ On timing

Apollo bids at a specific inflection point. FY25 = peak. H1 FY26 = margin compression. Q3 FY26 = in-line delivery but FY26 consensus cut. Apollo is not buying an obvious steal — they are buying a franchise business at operating pressure, on a bet the pressure is transient.

■ On the bigger question

This deal will index as the largest sponsor take-private of a European short-haul LCC ever announced. If Apollo executes, it validates the LBO playbook for aviation at scale. If Apollo underdelivers, the failure mode will be visible — and the sector will absorb it as a cautionary tale about strategic-scale premia at cyclical inflection.

Deal timeline — from Castlelake to the 7 August deadline

Date	Event
28 May 2026	easyJet closing price £3.94 — reference for the 81% premium calculation
Early June 2026	Castlelake commences offer period
4 July 2026	Castlelake proposal submitted at £6.90 per share
Early July 2026	easyJet publishes Q3 FY26 trading update (£286M Q3 PBT, +£50M YoY)
8 July 2026	Apollo proposal submitted to easyJet Board at £7.15 per share
10 July 2026	Rule 2.4 possible offer announcement (joint Apollo/easyJet)
11 July 2026	This case memo published
7 August 2026	**Rule 2.6(a) put-up-or-shut-up deadline — 5:00 PM London time**
Post-deadline	If firm Rule 2.7 announced: shareholder vote, court process, regulatory clearance

The advisers

easyJet advisers

• Evercore — Lead financial adviser (Simon Robey, Simon Warshaw, Daniel Zumbuehl)
Elite UK M&A defence practice, ex-Morgan Stanley. Simon Robey has advised on the largest UK take-private defences of the last 20 years.

• BNP Paribas — Financial adviser and corporate broker
• Panmure Liberum — Corporate broker
• Clifford Chance LLP — Legal adviser

Apollo advisers

• Barclays — Sole financial adviser (Adrian Beidas, Benjamin Metzger, Nicola Tennent)
Also provider of the "highly confident letter" for debt financing.

• FGS Global — Communications adviser (James Murgatroyd, Richard Webster-Smith, Sophia Johnston)
• Paul, Weiss, Rifkind, Wharton & Garrison LLP — Legal adviser

The adviser configuration signals seriousness.

Evercore for defence + Robey specifically = premium hostile/friendly-take-private advisory rigour.
Barclays sole = Apollo's confidence in Barclays financing execution. Paul Weiss = Apollo's standard M&A legal.

Sources — primary source documents

This case memo is built on the following publicly available documents.

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2. easyJet plc, H1'26 Combined RNS (six months ended 31 March 2026, reviewed), 21 May 2026.
3. easyJet plc, H1'26 Investor Presentation, 21 May 2026.
4. easyJet plc, H1'26 Results Transcript, 21 May 2026.
5. easyJet plc, Q3 FY26 pre-close trading update, July 2026.
6. easyJet plc, Annual Report and Accounts 2025 (audited, YE 30 September 2025).
7. Castlelake, L.P. possible offer statement, 4 July 2026 (via easyJet RNS reference).
8. City Code on Takeovers and Mergers (UK Takeover Code), Rules 2.4, 2.6, 2.7.
9. EU Regulation (EC) No. 1008/2008 on common rules for the operation of air services in the Community.
10. EU Foreign Subsidies Regulation (Regulation (EU) 2022/2560), in force July 2023.
11. Reuters, "Apollo trumps Castlelake with $7.65 billion easyJet bid," 10 July 2026.
12. Bloomberg, "EasyJet Receives Higher Apollo Offer, Drops Support for Castlelake Bid," 10 July 2026.

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