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.

1. easyJet plc, "Statement regarding possible offer for easyJet plc" — Rule 2.4 announcement, 10 July 2026.
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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The Baratelli LBO Reference: baratelliinstitute.com/lbo.html

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