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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 FY25	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 FY25	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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