Apollo / easyJet: what does 715p need to work?

Samuel Keane | 31 October 2026

Offer	Valuation	Funding	Timetable
715p cash; equity £5.7bn	81% premium to 394p unaffected (28 May 2026)	£3.5bn senior secured bridge; £1.3bn RCF (undrawn)	Scheme Document 15 Oct 2026
Eagle Bidco (Apollo Funds), scheme of arrangement	EV/NTM EBITDA 4.4x vs 2.2x unaffected; peer median 3.8x	Apollo £1.77bn: £851m prefs (14%) + £920m ordinary (49.9%)	Court Meeting / GM 11 Nov 2026; completion by end Q1 2027

The question

What does Apollo need to believe to earn a 20% IRR at a 715p offer, and is that more or less than easyJet's plan and the market already expected?

Answer: The most plausible answer is that Apollo is relying on a combination of EBITDA growth and a re-rating, since neither is likely alone; EBITDA would need to beat management's plan by ∼16%, or the exit multiple reach ∼5.0x. If easyJet beats its own plan by ∼7% in every year, Apollo earns 20% by exiting at roughly the ∼4.4x entry multiple. However, this is still more than either management or the market expects.

Exhibit 1: what a 15–25% IRR requires

	Consensus	Mgmt plan
Apollo IRR at 3.8x exit	5.1%	7.3%
Exit multiple needed (EBITDA per case)		
15% IRR	4.55x	4.40x
20% IRR	**5.02x**	**4.87x**
25% IRR	5.55x	5.40x
EBITDA uplift needed, all years (3.8x exit)		
15% IRR	+11.8%	+9.3%
20% IRR	**+19.1%**	**+16.4%**
25% IRR	+27.4%	+24.6%
20% with EBITDA +7%	4.52x	4.37x

Peers (EV/NTM EBITDA, 28 May 2026): AF-KLM 2.9x, Lufthansa 3.4x, IAG 3.8x, Wizz 5.0x, Ryanair 6.7x.

What 20% requires

- **EBITDA route:** At a 3.8x EV / EBITDA multiple, a 20% IRR needs EBITDA ∼19% above consensus in every year, or ∼16% above management's plan. Management's plan barely beats consensus at exit (£2.28bn vs £2.27bn); it brings profit forward rather than raising it.
- **Multiple route:** At consensus EBITDA, 20% IRR needs a ∼5.0x exit: level with Wizz, above network carriers, above Apollo's entry (∼4.4x) and more than double the unaffected 2.2x. A lasting re-rating is implied, towards a higher-margin and less cyclical business. However, peer comparisons are limited due to lease and fleet-ownership differences.

Where Apollo's return comes from

Apollo's 5.1% return comes almost entirely from the preference shares it owns outright; a 14% cash coupon redeemed at par. Apollo's 49.9% stake of the ordinary equity returns less than its cost (–3.5%). easyJet's free cash flow is close to zero, so net debt rises from ∼£3.0bn to ∼£6.2bn and absorbs the EBITDA growth.

Exhibit 2: room for error (consensus, 3.8x)

	Base	–10%	–20%	Capex change
Apollo IRR	5.1%	–6.5%	–7.9%*	–7.9%*
Net debt / EBITDA	2.72x	3.31x	4.06x	3.53x
Lowest cash (£m)	316	(248)	(861)	(1,487)

–10%/–20%: EBITDA below consensus in all years. Capex: steady state from FY30 not FY29. *Ordinary equity worth zero; return from prefs only. RCF £1.3bn.

Risks

- **Earnings:** A 10% EBITDA shortfall drops Apollo's return from 5.1% to –6.5%, and lifts exit leverage to 3.3x. At –20%, the ordinary equity is worth nothing, leaving only the pref coupon.
- **Capex timing:** The model assumes capex falls to a £1.6bn steady state from FY29. Pushing this to FY30 (one more year at peak) takes consensus cash to –£1.49bn, beyond the £1.3bn RCF. Financing of aircraft would likely bridge this gap, but the deal depends on capex normalising promptly after the FY28 aircraft delivery peak.

Key assumptions: Close 31 Mar 2027, exit 31 Mar 2031 (4 years) at 3.8x LTM EBITDA (peer median). IRR on Apollo's whole cheque (prefs + 49.9% of ordinary). Consensus: CapIQ (c. Jun 2026, proxy for 28 May). Management plan: £1bn PBT target phased in by FY29. Capex per management guidance (£1.6bn steady state from FY29) in both cases. Existing debt and leases held flat; no cash sweep. New senior secured notes £3.5bn at 7.5% (assumption; final coupon undisclosed). Fees £359m all-in (Scheme Document). FY to 30 Sep; £m.

Sources: Scheme Document (15 Oct 2026); Rule 2.7 Announcement (6 Aug 2026); financing documents; easyJet results (FY25, H1 FY26); S&P Capital IQ; broker research. Author's LBO model.