FASTJET RAISES $28M AND WELCOMES NEW MAJORITY SHAREHOLDER IN BID TO STABILISE TURBULENT BUSINESS

News / Airlines, Finance

Struggling airline Fastjet has tapped its investors for $28m and signed up a new shareholder in an attempt to stabilise a business that has been rocked by losses and boardroom turbulence.

The Africa-focused budget airline has raised gross proceeds of $28.8m after successfully placing 143m new shares.

It has also agreed a deal with specialist aviation group Solenta for the provision and operation of three leased aircraft, in return for a 28pc shareholding, which will make it the company's largest shareholder.

Fastjet, which is listed on Aim, suffered a shareholder uprising last year after reporting a £25m loss in 2015. Its co-founder, easyJet tycoon Sir Stelios Haji-Ioannou, successfully launched a rebellion to remove boss Ed Winter early last year, while chairman Colin Child announced he was leaving in November, little more than a year after taking the post, when he also admitted the carrier needed more cash.

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Nico Bezuidenhout, the former boss of low-cost South African airline Mango Airlines who was named as Fastjet's new chief executive in June, said the Solenta agreement "represents a good operational and strategic fit" but warned of another financially challenging year ahead.

He said the deal allowed Fastjet to continue to stabilise its business, with the short-term priority to reach cash flow break even by the fourth quarter of 2017.

Johannesburg-based Solenta operates 49 aircraft under five African air operator certificates and has "strategic alliances" or pending AOCs in a further seven African countries.

It will have the right to nominate two directors to the Fastjet board, and Mr Bezuidenhout said it would "add substantial value to the boardroom". The deal will be voted on at a special meeting called for January 23.

Fastjet, which was criticised by Sir Stelios for its high costs, is in the process of relocating from Gatwick to South Africa to ensure its headquarters is closer to its operational base. The company's commercial division has already relocated, with the financial division expected to complete its transfer by the end of March.

The airline has been headquartered at Gatwick

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The funding injection will go towards this relocation, fleet transition and geographic expansion, Mr Bezuidenhout said, adding that the agreement would provide the platform "from which to flexibly and cost effectively pursue Fastjet's medium to long-term objective of becoming the first truly pan-African low-cost airline".

Fastjet had blamed losses last year on Tanzania's turbulent economy. The country, which is by far and away the airline's largest market, was unsettled by a general election that led to a hiatus in government and civil service activity. It also pointed to the falling value of the Tanzanian shilling versus the US dollar.

"The African market remains overall a challenging one," said Mr Bezuidenhout, who agreed to subscribe for around 125,000 shares. "We are in a market where there is tough competition and

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we need to remain vigilant. The next 12 months will continue to be financially challenging."

Pointing to growing demand for low-cost carriers in South America and India, he added: "It is, as always, a question of making sure you have got the right business model, the right cost structure, and matching product to market demand. If you do all those things right, I see no reason why Africa cannot benefit from a more effective overall aviation industry."

Shares in Fastjet were up around 9.77pc to 18.25p on Thursday afternoon.

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