

Ryanair Holdings plc (RYAAY)

\$63.47 (As of 04/30/20)

Price Target (6-12 Months): **\$55.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 04/17/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: A

Summary

Ryanair has been severely hit by the coronavirus outbreak as Italy, one of its main markets, is among the worst-hit countries amid this pandemic situation. Consequently, shares of the company have declined more than 32% since the beginning of February. Due to the coronavirus-induced reduced demand, the company's fiscal 2020 traffic was only 149 million. Notably, the carrier was on track to achieve traffic worth 154 million even as late as in early March. The carrier expects to record an exceptional charge of €300 million in its fiscal 2020 results. With the current crisis showing no signs of subsiding, Ryanair anticipates its fleet to remain mostly grounded through at least April and May. Moreover, below-par performance of the Laudamotion segment is concerning. However, the airline's efforts to reduce debt are encouraging.

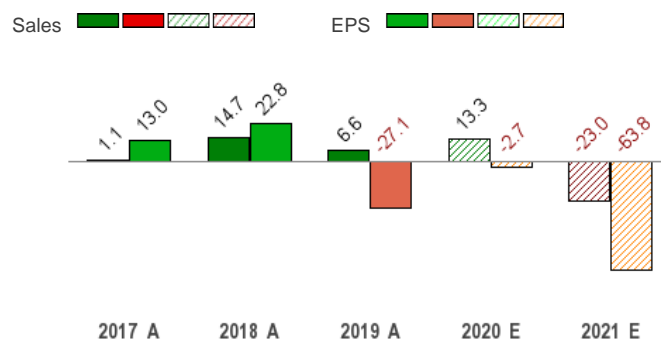
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$96.79 - \$44.44
20 Day Average Volume (sh)	549,605
Market Cap	\$14.6 B
YTD Price Change	-26.2%
Beta	1.22
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Transportation - Airline
Zacks Industry Rank	Bottom 40% (151 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	222.9%
Last Sales Surprise	13.4%
EPS F1 Est- 4 week change	-52.0%
Expected Report Date	05/18/2020
Earnings ESP	0.0%
P/E TTM	12.0
P/E F1	35.1
PEG F1	2.2
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	678 E	2,192 E	1,757 E	1,249 E	7,779 E
2020	2,599 A	3,422 A	2,111 A	1,189 E	10,098 E
2019	2,480 A	3,208 A	1,805 A	1,451 A	8,915 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.95 E	\$2.60 E	-\$0.10 E	-\$2.00 E	\$1.81 E
2020	\$1.20 A	\$4.51 A	\$0.43 A	-\$1.29 E	\$5.00 E
2019	\$1.62 A	\$4.42 A	-\$0.10 A	-\$0.74 A	\$5.14 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/30/2020. The reports text is as of 05/01/2020.

Overview

Ryanair Holdings is the parent company of Ryanair Designated Activity Company (formerly known as Ryanair Limited). Ryanair, which commenced its flight operations in 1985, is based in headquarters in Swords, Ireland.

This ultra-low fare carrier offers scheduled-passenger airline service in Ireland, the UK, Continental Europe, Morocco and Israel. Also, it serves short-haul, point-to-point routes. In fact, Ryanair is growing steadily in Germany, Italy and the UK.

Ryanair's new Polish charter airline, Ryanair Sun (now rebranded as Buzz), commenced operations in April 2018. In December 2018, it purchased the remaining 25% of Austrian airline Laudamotion.

In Jun 2019, Ryanair inked a deal to purchase Malta Air — a start-up carrier — in a bid to expand its presence in Malta. The acquisition, expected to be completed by June 30, 2019, will strengthen the carrier's foothold in Malta. Also, it will allow the company to operate flights from Malta to non-EU markets (North Africa).

The company is also making constant efforts to expand its fleet size. The carrier boasts of more than 460 planes in its fleet. This apart, it has an agreement with Boeing to buy 183 new Boeing 737-800NG jets during the FY15 to FY19 period. Moreover, Ryanair has agreed to buy up to 210 (110 firm and 100 options) Boeing 737-Max-200 planes from Boeing in the FY20-FY24 timeframe.

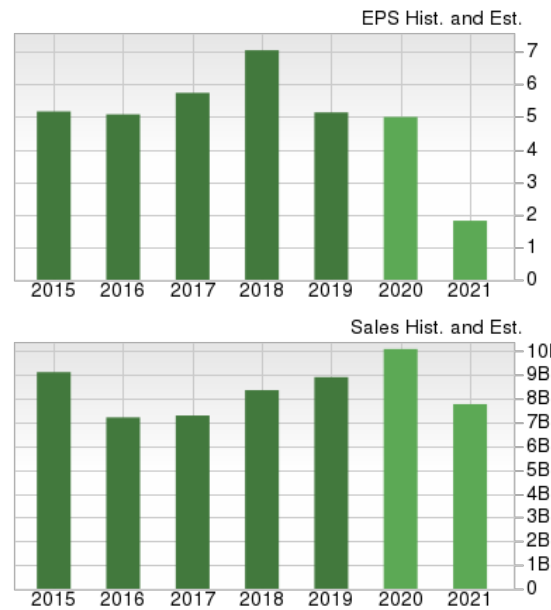
Ryanair is being aided by increase in traffic. During fiscal 2019, fiscal 2019 traffic (excluding LaudaMotion) increased 7% to 139 million, while load factor improved to 96% from 95% a year ago. Including LaudaMotion, traffic grew 9% to 142 million. Traffic is expected to increase to 154 million in fiscal 2020.

Revenues increased 7.6% to €7,697.4 million in fiscal 2019, with scheduled revenues accounting for bulk (68.9%) of the top line. Ancillary revenues accounted for the balance.

In February 2019, Ryanair announced a structural overhaul. The carrier announced that it is moving to a group structure with each group having its own CEO and management team.

Michael O'Leary is the group's CEO. Eddie Wilson is the CEO of the group's biggest airline, Ryanair DAC.

The company's fiscal year ends on Mar 31.



Reasons To Sell:

- ▼ Due to the coronavirus-led reduced demand, the company reported a 48% year-over-year decline in March traffic to 5.7 million guests. As a result of this adversity, Ryanair expects fiscal 2020 Profit After Tax in the €950-€1,000 million range (which is at the lower end of the earlier expected range). The company will release its fiscal 2020 results on May 18. With oil prices having dropped dramatically, the heavily-hedged Ryanair expects to record a €300-million charge from fuel hedges in its fiscal 2020 results. The carrier anticipates its fleet to remain mostly grounded through at least April and May.
- ▼ Additionally, the company is taking a hit from the Boeing 737 MAX groundings. Due to delivery delays of the aircraft, the company now does not expect to receive its first MAX aircraft not before September/ October 2020. Steep labor costs are also hurting the company's performance. Notably, escalated labor costs caused a 1% rise in non-fuel unit costs during the third quarter of fiscal 2020. High fuel costs are also hurting Ryanair's bottom line. Notably, fuel bill increased 14% in third-quarter fiscal 2020.
- ▼ Continued below-par performance of the carrier's Laudamotion unit is quite concerning. Despite robust traffic growth and high load factors, the unit's average fares during Christmas were weak. Consequently, the company expects Laudamotion's net loss to increase to around 90 million euros in fiscal 2020, compared with the previous estimate of below 80 million euros
- ▼ The negativity surrounding the stock is evident from the Zacks Consensus Estimate for current-year earnings being revised downward over the past 60 days. Particularly, due to coronavirus-induced low demand, shares of the company have slumped more than 32% since the beginning of February. With the crisis showing no signs of fading, the stock price may depreciate further, dampening investor confidence in the stock.

Due to the coronavirus-led reduced demand the company expects fiscal 2020 Profit After Tax in the €950-€1,000 million range (which is at the lower end of the earlier expected range).

Risks

- Although share buybacks have been suspended temporarily to address the coronavirus-induced demand woes, Ryanair's efforts to reward its shareholders through repurchase are otherwise impressive. The carrier returned more than €560 million to shareholders in fiscal 2019. Ryanair's efforts to expand its fleet size are encouraging as well. Moreover, its environment-friendly efforts are commendable. The carrier expects to cut carbon dioxide emissions by 10% within 2030.
 - The company's initiatives to expand operations are commendable too. Its acquisition of Malta Air — a start-up carrier — in 2019, is an example in this respect. The buyout has strengthened the carrier's foothold in Malta. The acquisition also allows Ryanair to operate flights from Malta to non-EU markets (North Africa). Currently, Ryanair is responsible for transporting 3 million passengers to and from Malta. Additionally, Ryanair acquired Austrian airline, Laudamotion, in 2018. Ryanair's efforts to reduce its debt levels are also encouraging. Evidently, 70% of the company's aircraft fleet is debt free. Moreover, the ratio of its long-term debt-to-capitalization currently reads 0.39, comparing favorably with the industry's figure of 0.47.
 - Although Ryanair failed to achieve its targeted traffic of 154 million for fiscal 2020 despite being very close to it even till early March, its traffic of 149 million (up 4%) was impressive given the low capacity from the grounding of the more fuel-efficient B737 MAX jets and the coronavirus outbreak. Additionally, Ryanair's strong liquidity position should aid the company in dealing with the coronavirus-led demand slump. Notably, as of Mar 12, the company had cash and cash equivalents of more than €4 billion. Additionally, it has undrawn credit lines and nearly 300-owned aircraft with a value of approximately \$8-\$10 billion. Ryanair also took several cost-reduction initiatives to mitigate the challenges, such as deferring capital expenditures, freezing recruitment, trimming pay for April and May by half and pushing back discretionary spending.
-

Last Earnings Report

Ryanair's Q3 Earnings Top Estimates

Ryanair's third-quarter fiscal 2020 earnings of 43 cents per share compared favorably with the Zacks Consensus Estimate of a loss of 35 cents. The company had reported a loss of 10 cents in the year ago quarter. Quarterly revenues of \$2,111 million (€1.91 billion) also outpaced the Zacks Consensus Estimate of \$1,862 million. The top line increased 21% year over year on the back of a 6% rise in traffic to 36 million.

Meanwhile, profit after tax came in at €88 million as against a loss of €66 million witnessed in the prior year. Additionally, the load factor improved to 96% from the prior year's 95%.

Ryanair reported a 13% increase in revenue per guest rose backed by 9% higher fares in the December-end quarter. The carrier still expects fiscal 2020 profit after tax in the €0.95-€1.05 billion range. Fiscal 2020 revenue per guest is expected to be up 3-4%. Fuel bill for fiscal 2020 is anticipated to rise €440 million from the fiscal 2019 levels. Non-fuel unit costs are projected to rise by roughly 2%.

Quarter Ending **12/2019**

Report Date	Feb 03, 2020
Sales Surprise	13.36%
EPS Surprise	222.86%
Quarterly EPS	0.43
Annual EPS (TTM)	5.40

Recent News

Coronavirus Update – Apr 24, 2020

Ryanair's CEO Michael O'Leary has warned of job cuts if flights remain suspended post May due to coronavirus-related travel restrictions. As of now, the company has assured pay for all employees in April and May.

March Traffic – Apr 3, 2020

With the coronavirus pandemic crippling air-travel demand, Ryanair reported a 48% year-over-year decline in March traffic to 5.7 million guests. Additionally, in view of the widespread travel restrictions in place due to the outbreak, Ryanair's traffic for fiscal 2020 (ended Mar 31, 2020) improved a mere 4% year over year to 149 million.

Valuation

Ryanair's shares are down 26.2% and 17.1% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry and the Zacks Transportation sector are down 54.2% and 22.9% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are down 53.1% and 22% respectively.

The S&P 500 index is down 11.4% and 2.6% in the year-to-date period and in the past year, respectively.

The stock is currently trading at 11.97X trailing 12-month price to earnings, which compares to 4.98X for the Zacks sub-industry, 12.41X for the Zacks sector and 17.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 37.56X and as low as 8.8X, with a 5-year median of 16.65X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$55 price target reflects 10.18X trailing 12-month earnings.

The table below shows summary valuation data for RYAAY

Valuation Multiples - RYAAY					
		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	11.97	4.98	12.41	17.8
	5-Year High	37.56	13.2	19.58	22.17
	5-Year Low	8.8	4.98	11.63	15.91
	5-Year Median	16.65	10.79	15.56	18.9
EV/EBITDA TTM	Current	6.78	3.87	6.59	10.45
	5-Year High	22.23	7.03	11.16	12.87
	5-Year Low	5.01	3.4	5.61	8.27
	5-Year Median	9.91	5.98	7.37	10.78
P/S F 12M	Current	1.85	0.55	1.09	3.3
	5-Year High	3.47	0.98	1.42	3.44
	5-Year Low	1.05	0.39	0.85	2.54
	5-Year Median	2.69	0.77	1.21	3.01

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 40% (151 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Alaska Air Group, Inc. (ALK)	Neutral	3
Avianca Holdings S.A. (AVH)	Neutral	3
easyjet PLC (EJTTF)	Neutral	3
JetBlue Airways Corporation (JBLU)	Neutral	3
LATAM Airlines Group S.A. (LTM)	Neutral	3
Controladora Vuela Compania de Aviacion, S.A.B. de C.V. (VLRS)	Neutral	3
Delta Air Lines, Inc. (DAL)	Underperform	3
Southwest Airlines Co. (LUV)	Underperform	3

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	RYAAY	X Industry	S&P 500	ALK	EJTTF	LTM
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	3	3	3
VGM Score	A	-	-	C	B	A
Market Cap	14.55 B	2.33 B	20.82 B	4.17 B	3.22 B	2.38 B
# of Analysts	3	4	14	6	2	4
Dividend Yield	0.00%	0.00%	2.07%	0.00%	0.00%	1.02%
Value Score	C	-	-	C	A	A
Cash/Price	0.34	0.62	0.06	0.44	0.75	0.51
EV/EBITDA	7.69	3.45	12.12	3.53	2.51	1.78
PEG Ratio	2.19	2.30	2.51	NA	NA	NA
Price/Book (P/B)	2.10	0.71	2.74	0.97	0.84	0.76
Price/Cash Flow (P/CF)	7.85	2.33	11.23	3.43	2.97	12.48
P/E (F1)	35.07	22.33	19.26	NA	NA	NA
Price/Sales (P/S)	1.52	0.32	2.16	0.47	NA	0.24
Earnings Yield	2.80%	-19.33%	5.03%	-10.44%	-0.25%	-26.53%
Debt/Equity	0.64	0.68	0.72	0.62	0.56	0.00
Cash Flow (\$/share)	8.23	4.14	7.01	9.91	2.73	0.31
Growth Score	A	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	15.65%	4.00%	10.88%	-3.84%	NA	26.80%
Proj. EPS Growth (F1/F0)	-63.73%	-193.69%	-6.94%	-155.30%	-101.79%	-434.68%
Curr. Cash Flow Growth	-18.07%	12.49%	5.92%	28.26%	18.35%	4.67%
Hist. Cash Flow Growth (3-5 yrs)	10.18%	9.63%	8.55%	7.14%	2.84%	4.04%
Current Ratio	1.07	0.68	1.23	0.64	0.79	0.58
Debt/Capital	38.97%	47.44%	43.90%	38.43%	36.05%	0.00%
Net Margin	12.06%	6.69%	11.15%	8.76%	NA	1.89%
Return on Equity	18.64%	12.61%	16.47%	19.58%	NA	6.15%
Sales/Assets	0.59	0.64	0.54	0.68	NA	0.49
Proj. Sales Growth (F1/F0)	-22.97%	-33.30%	-1.52%	-39.13%	8.84%	-26.36%
Momentum Score	A	-	-	F	D	F
Daily Price Chg	9.87%	5.27%	2.91%	7.66%	14.89%	6.23%
1 Week Price Chg	-4.99%	-4.56%	-1.74%	-6.41%	-1.47%	-5.69%
4 Week Price Chg	27.86%	20.18%	21.33%	29.03%	24.34%	66.81%
12 Week Price Chg	-31.20%	-47.27%	-16.28%	-48.74%	-57.26%	-56.88%
52 Week Price Chg	-17.05%	-45.37%	-7.57%	-45.22%	-46.00%	-59.84%
20 Day Average Volume	549,605	185,378	2,658,107	2,944,108	5,247	1,904,338
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-20,649.96%
(F1) EPS Est 4 week change	-51.99%	-215.10%	-6.32%	-563.04%	-150.00%	-20,649.96%
(F1) EPS Est 12 week change	-72.95%	-166.37%	-12.93%	-150.03%	-101.37%	-354.60%
(Q1) EPS Est Mthly Chg	50.00%	-386.43%	-11.84%	-520.26%	NA	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	A
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.