Feb 10, 2020

Ryanair Holdings plc (RYAAY)

$91.59 (As of 02/07/20)

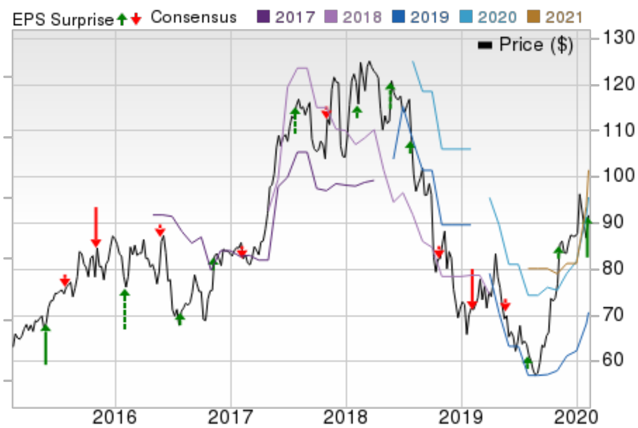
Price Target (6-12 Months): **$105.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/10/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:B
	Value: D | Growth: A | Momentum: F	

Summary

Ryanair's passenger traffic has been strong despite struggling with low capacity from the MAX groundings. Traffic rose 6% in the third quarter of fiscal 2020 backed by impressive performance in Christmas/New year. For fiscal 2020, Ryanair now expects traffic of 154 million (153 million expected earlier). The carrier expects fiscal 2020 profit after tax in the €0.95-€1.05 billion range. Efforts to add shareholder value are a positive too. Shares of Ryanair have outperformed its industry in a year, primarily owing to these tailwinds. However, the B737 MAX groundings are resulting in delivery delays. The company expects to receive its first MAX aircraft not before September/ October. 2020. Additionally, high costs are limiting bottom-line growth. Fuel bill for fiscal 2020 is anticipated to rise €440 million year over year.

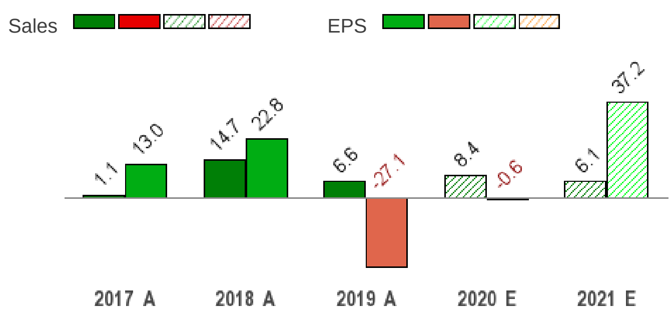
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$96.79 - $55.75**
20 Day Average Volume (sh)	**447,461**
Market Cap	**$20.6 B**
YTD Price Change	**4.5%**
Beta	**0.86**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Transportation - Airline**
Zacks Industry Rank	**Top 13% (33 out of 254)**
Last EPS Surprise	**222.9%**
Last Sales Surprise	**13.4%**
EPS F1 Est- 4 week change	**14.2%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**17.0**
P/E F1	**17.9**
PEG F1	**1.1**
P/S TTM	**2.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,763 E	3,682 E	2,285 E	1,715 E	10,255 E
2020	2,599 A	3,422 A	2,111 A	1,550 E	9,662 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	$1.75 E	$5.25 E	$0.66 E	-$1.05 E	$7.01 E
2020	$1.20 A	$4.51 A	$0.43 A	-$1.15 E	$5.11 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 02/07/2020. The reports text is as of 02/10/2020.

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 headquartered in Swords, Ireland.

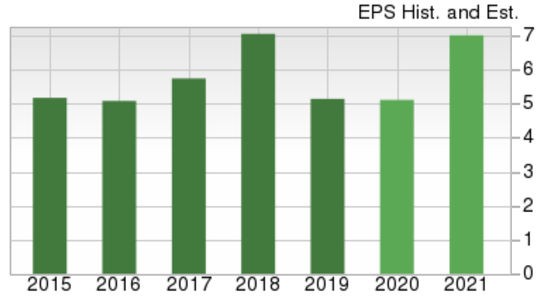
This ultra-low fare carrier offers scheduled-passenger airline service in Ireland, the UK, Continental Europe, Morocco and Israel. Also, it serves short-haul, point-to-point routes. In fact, Ryanair is growing steadily in Germany, Italy and the UK.

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.

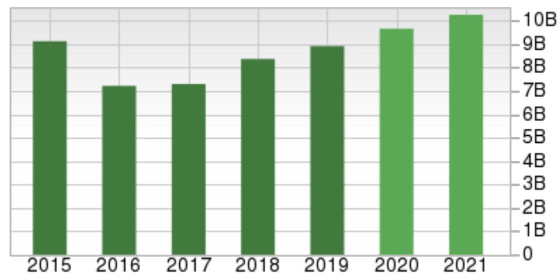
In Jun 2019, Ryanair inked a deal to purchase Malta Air — a start-up carrier — in a bid to expand its presence in Malta. The acquisition, expected to be completed by June 30, 2019, will strengthen the carrier's foothold in Malta. Also, it will allow the company to operate flights from Malta to non-EU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

EPS Hist. and Est.



Sales Hist. and Est.



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 Buy:

Ryanair’s raised profit forecast for fiscal 2020 is appreciative. Its efforts to add shareholder value are also noteworthy.

- Despite struggling with low capacity from the grounding of the more fuel efficient B737 MAX jets, the carrier’s passenger traffic on the whole has been consistently strong. Notably, traffic rose an impressive 8% in the first 10 months of fiscal 2020. Further, the carrier expects fiscal 2020 traffic to increase more than 8% to 154 million.

- Ryanair’s upbeat profit guidance for fiscal 2020 on the back of strong forward bookings and a robust performance during Christmas and the New Year travel period is encouraging. The carrier now expects profit after tax to be 950-1050 million euros compared with 800-900 million euros anticipated last November. The airline anticipates reaping a profit near the mid-point of this guided range.

- We are impressed by the carrier’s efforts to reward its shareholders through buybacks. Ryanair returned more than €560 million to its shareholders through this investor-friendly measure 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% by 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.

Risks

- Weak airfares are a major challenge at Ryanair. Airfares dipped 6% in fiscal 2019, causing profits to decline around 29%. The downtrend persisted has continued in fiscal 2020. The company is also 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 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. During fiscal 2020, non-fuel unit costs are projected to inch up 2% due to delivery delays of the B737 MAX aircraft and other factors. High fuel costs are also hurting Ryanair's bottom line. Fuel bill, which rose 14% in third-quarter fiscal 2020, is expected to increase €440 million in fiscal 2020 from the fiscal 2019 levels.

- 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.

Last Earnings Report

Ryanair's Q3 Earnings Top Estimates

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**

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%.

Recent News

January Traffic – Feb 4, 2020

Ryanair's January traffic report was impressive, with the metric (including 0.5 million from its LaudaMotion unit) increasing 5% year over year to 10.8 million. Additionally, the load factor increased to 92% from 91% a year ago. Ryanair operated more than 62,000 scheduled flights in January.

Valuation

Ryanair's shares are up 27.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.3%. Stocks in the sector are up 3.9% in the past year. Over the past year, the S&P 500 Index is up 21.9%.

The stock is currently trading at 13.58X forward 12-month price to earnings, which compares to 8.53X for the Zacks sub-industry, 13.04X for the Zacks sector and 19.12X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.8X and as low as 10.29X, with a 5-year median of 14.23X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $105 price target reflects 15.56X forward 12-month earnings.

The table below shows summary valuation data for RYAAY

Valuation Multiples - RYAAY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.58	8.53	13.04	19.12
	5-Year High	18.8	12.3	17	19.34
	5-Year Low	10.29	6.85	10.48	15.18
	5-Year Median	14.23	9.04	13.16	17.47
EV/EBITDA TTM	Current	9.61	6.53	7.83	11.36
	5-Year High	22.07	7.22	11.09	12.85
	5-Year Low	6.42	4.34	6.01	8.49
	5-Year Median	10.09	6.03	7.41	10.7
P/S F12M	Current	2.03	0.71	1.13	3.53
	5-Year High	3.47	0.98	1.44	3.53
	5-Year Low	1.35	0.63	1.02	2.54
	5-Year Median	2.7	0.77	1.21	3

As of 02/07/2020

Industry Analysis **Zacks Industry Rank:** Top 13% (33 out of 254)

Top Peers

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

Industry Comparison Industry: Transportation - Airline

Industry Peers

	RYAAY Outperform	X Industry	S&P 500	ALK Neutral	EJTTF Outperform	LTM Neutral
VGM Score	B	-	-	A	A	A
Market Cap	20.62 B	4.79 B	24.00 B	7.88 B	7.77 B	5.55 B
# of Analysts	3	4	13	7	2	3
Dividend Yield	0.00%	0.00%	1.78%	2.19%	0.00%	0.44%
Value Score	D	-	-	A	B	A
Cash/Price	0.25	0.26	0.04	0.19	0.30	0.19
EV/EBITDA	10.60	6.18	14.07	8.44	6.12	7.04
PEG Ratio	1.12	0.64	2.04	0.38	NA	NA
Price/Book (P/B)	2.97	1.32	3.28	1.82	2.04	1.95
Price/Cash Flow (P/CF)	11.13	5.14	13.58	6.45	7.18	30.52
P/E (F1)	17.92	8.83	18.86	8.97	13.41	22.45
Price/Sales (P/S)	2.15	0.63	2.65	0.90	NA	0.56
Earnings Yield	5.58%	11.31%	5.30%	11.15%	7.46%	4.48%
Debt/Equity	0.64	0.64	0.71	0.62	0.56	0.00
Cash Flow ($/share)	8.23	3.94	6.89	9.91	2.73	0.30
Growth Score	A	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	16.63%	2.47%	10.80%	-3.84%	NA	11.99%
Proj. EPS Growth (F1/F0)	-0.58%	14.58%	7.23%	11.08%	30.36%	139.71%
Curr. Cash Flow Growth	-18.07%	10.49%	9.51%	28.26%	18.35%	17.15%
Hist. Cash Flow Growth (3-5 yrs)	10.18%	8.55%	8.55%	7.14%	2.84%	28.50%
Current Ratio	1.07	0.70	1.20	0.64	0.79	0.59
Debt/Capital	38.97%	47.20%	42.90%	38.43%	36.05%	0.00%
Net Margin	12.06%	5.81%	11.76%	8.76%	NA	1.13%
Return on Equity	18.64%	14.71%	16.98%	19.58%	NA	3.45%
Sales/Assets	0.59	0.66	0.54	0.68	NA	0.51
Proj. Sales Growth (F1/F0)	8.03%	4.92%	4.15%	4.96%	41.43%	5.65%
Momentum Score	F	-	-	A	A	C
Daily Price Chg	-1.01%	-0.80%	-0.64%	-0.09%	3.32%	-0.54%
1 Week Price Chg	-2.98%	-3.95%	-2.60%	-3.19%	-4.68%	-5.49%
4 Week Price Chg	1.77%	-3.63%	0.72%	-3.63%	6.41%	-6.44%
12 Week Price Chg	7.30%	-1.79%	4.69%	-9.16%	36.05%	-14.25%
52 Week Price Chg	30.66%	-9.80%	16.01%	-1.95%	30.53%	-22.26%
20 Day Average Volume	447,461	116,387	1,961,054	1,356,908	674	803,259
(F1) EPS Est 1 week change	3.86%	0.00%	0.00%	0.50%	0.00%	0.00%
(F1) EPS Est 4 week change	14.23%	0.75%	-0.00%	1.15%	21.16%	5.39%
(F1) EPS Est 12 week change	16.05%	1.35%	-0.16%	1.35%	25.86%	-20.62%
(Q1) EPS Est Mthly Chg	-64.29%	0.00%	0.00%	-19.18%	NA	0.00%

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	D
Growth Score	A
Momentum Score	F
VGM Score	B

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.