

## Ryanair Holdings plc (RYAAY)

**\$78.72** (As of 08/10/20)

Price Target (6-12 Months): **\$83.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/26/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

### Summary

Coronavirus-led travel-demand woes are weighing on Ryanair's operations. The carrier's fiscal 2020 profits were hurt by over €40 million due to coronavirus-led reduced demand. Moreover, traffic decreased to 107.2 million in the period. Additionally, first-quarter fiscal 2021 traffic dropped 99%. Amid these adversities, Ryanair expects fiscal 2021 traffic to decline 60% year over year. Due to the coronavirus-related headwinds, shares of the company have declined more than 9% since the beginning of February. However, the company's cost-reduction efforts to combat the coronavirus-induced challenges are impressive. Ryanair's operating expenses fell 85% in first-quarter fiscal 2021 due to stringent cost controls as well as reduced capacity. We are also positive about the carrier's plans to gradually increase capacity.

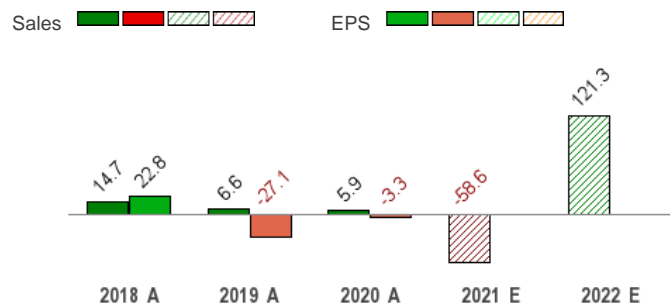
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$96.79 - \$44.44</b>
20 Day Average Volume (sh)	<b>580,367</b>
Market Cap	<b>\$17.7 B</b>
YTD Price Change	<b>-10.2%</b>
Beta	<b>1.35</b>
Dividend / Div Yld	<b>\$0.00 / 0.0%</b>
Industry	<a href="#">Transportation - Airline</a>
Zacks Industry Rank	<b>Bottom 8% (233 out of 253)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>35.9%</b>
Last Sales Surprise	<b>-0.6%</b>
EPS F1 Est- 4 week change	<b>0.7%</b>
Expected Report Date	<b>11/02/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>27.6</b>
P/E F1	<b>NA</b>
PEG F1	<b>NA</b>
P/S TTM	<b>2.5</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					8,663 E
2021	138 A	1,382 E	1,136 E	949 E	3,914 E
2020	2,599 A	3,422 A	2,111 A	1,323 A	9,444 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$5.48 E
2021	-\$0.93 A	-\$0.10 E	-\$0.85 E	-\$1.30 E	-\$3.74 E
2020	\$1.20 A	\$4.51 A	\$0.43 A	-\$1.16 A	\$4.97 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 08/10/2020. The reports text is as of 08/11/2020.

## 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 purchased Malta Air — a start-up carrier — in a bid to expand its presence in Malta. Apart from strengthening the carrier's foothold in Malta, the acquisition has allowed 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. As of Mar 31, 2020, Ryanair's operating fleet consisted of 440 Boeing 737 aircraft and 26 Airbus A320 aircraft compared with 455 and 16 respectively in 2019. Moreover, the company has agreed to buy up to 210 (130 firm and 75 options) Boeing 737-Max-200 planes from Boeing in the next few years.

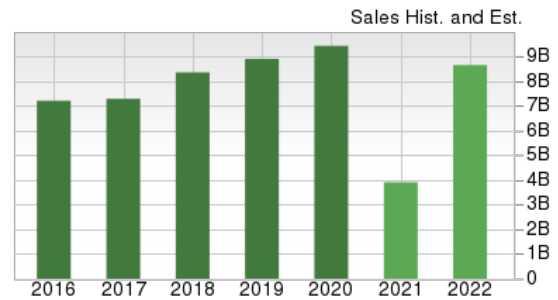
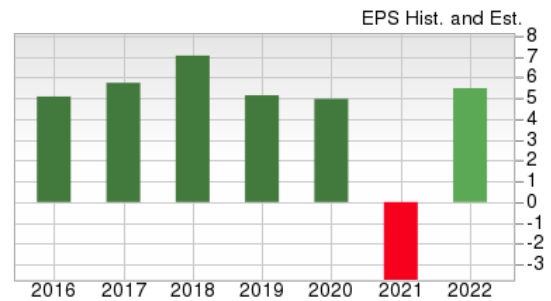
Despite coronavirus woes, Ryanair's fiscal 2020 traffic increased 4% to 149 million. However, the carrier expects to transport less than 80 million passengers in fiscal 2021 due to weak travel demand amid coronavirus concerns.

Revenues increased 10% to €8.5 billion in fiscal 2020, with scheduled revenues accounting for bulk (65.5%) 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.



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## Reasons To Buy:

- ▲ 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, the company's cost-cutting measures to combat coronavirus-related adversities are encouraging. Notably, Ryanair's operating expenses fell 85% year over year in the first quarter of fiscal 2021. Apart from cost-reduction efforts, low capacity led to the significant drop in operating expenses.
- ▲ 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. Malta Air's fleet consists of around 120 aircraft. Since becoming a part of Ryanair, the airline has been able to establish a strong presence in France, Germany, Italy and Malta. Coming back to the acquisitions, previously in 2018, Ryanair purchased Austrian airline, Laudamotion.
- ▲ Following months of fleet groundings amid coronavirus concerns, Ryanair resumed operations across 90% of its routes in July. The carrier is expected to have operated approximately 40% of its normal schedule in July. Flying schedules are expected to gradually increase to 60% in August and 70% in September. With this resumption in operations, the carrier estimates second-quarter fiscal 2021 loss to be smaller than the first (incurred a loss of 93 cents per share). Additionally, Ryanair's cash and cash equivalents at the end of first-quarter fiscal 2021 stood at \$4.33 billion, way above the current debt of \$2.11 billion, implying that the company has enough cash to meet its current debt burden. This indicates the company's sound financial position.

Ryanair's cost-cutting measures to combat coronavirus-related woes are appreciative.

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## Reasons To Sell:

- ▼ Due to the coronavirus-led reduced demand, the company's fiscal 2020 profits were hurt by more than €40 million. Additionally, the airline's traffic decreased to 107.2 million in the period due to travel restrictions and aircraft groundings. During first-quarter fiscal 2021, traffic dropped 99% year over year to 0.5 million. The carrier regarded first-quarter fiscal 2021 as the most challenging in its 35 years of history with EU governments' travel restrictions and lockdowns across several nations. More than 99% of the airline's fleet was grounded from mid-March to June-end. With coronavirus concerns continuing, the company is likely to remain under pressure.
- ▼ Due to suppressed travel demand amid coronavirus concerns, Ryanair expects to fly approximately 60 million passengers in fiscal 2021, indicating a fall of 60% from fiscal 2020. Additionally, the company is taking a hit from the Boeing 737 MAX groundings. Due to delivery delays of the aircraft, the company expects to receive its first MAX aircraft towards the end of this year. Delivery delays have continued for more than a year.
- ▼ Continued below-par performance of the carrier's Laudamotion unit is quite concerning. The unit performed poorly in fiscal 2020 due to weak fares amid intense price competition in the Austrian and German markets. Additionally, to address the COVID-19 situation, management has put a check on Laudamotion's fleet growth into the foreseeable future. The unit's fleet, which was expected to consist of 38 aircraft for the summer of 2020, has been limited to only 30.

Due to suppressed travel demand amid coronavirus concerns, Ryanair expects fiscal 2021 traffic to fall by 60% year over year.

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## Last Earnings Report

### Ryanair's Q1 Loss Narrower Than Expected

Ryanair incurred a loss of 93 cents per share in the first quarter of fiscal 2021 (ended Jun 30, 2020), narrower than the Zacks Consensus Estimate of a loss of \$1.45. In the year-ago period, the company reported earnings of \$1.2 per share. The carrier regarded first-quarter fiscal 2021 as the most challenging in its 35 years of history with EU governments' travel restrictions and lockdowns across several nations. More than 99% of the airline's fleet was grounded from mid-March to June-end.

Quarterly revenues of \$137.8 million missed the Zacks Consensus Estimate of \$138.6 million. Moreover, the top line plunged 94.7% year over year due to massive decline in traffic.

Ryanair's loss after tax came in at €185.1 million in first-quarter fiscal 2021, against profit after tax of €242.9 million in the year-ago period. Traffic dropped 99% year over year to 0.5 million due to weak travel demand and flight restrictions amid coronavirus concerns. Load factor deteriorated to 61% from 96% in first-quarter fiscal 2020.

Ancillary revenues fell 97% year over year in the reported quarter. The airline's fuel costs declined 99% year over year due to reduced flying amid coronavirus-related fleet groundings. Total operating expenses fell 85% year over year. Ryanair had cash of more than €3.9 billion as of Jun 30, 2020.

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Quarter Ending	06/2020
Report Date	Jul 27, 2020
Sales Surprise	-0.55%
EPS Surprise	35.86%
Quarterly EPS	-0.93
Annual EPS (TTM)	2.85

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## Recent News

### July Traffic — Aug 5, 2020

Ryanair reported a 70% year-over-year plunge in July traffic to 4.4 million passengers due to weak air-travel demand stemming from the COVID-19 pandemic. The carrier operated approximately 40% of the normal July schedule with a load factor (% of seats filled with passengers) of 72%.

### Lifeline for Laudamotion Unit — Jun 8, 2020

A wage agreement was finally been reached at Ryanair's Austrian unit, Laudamotion. This collective wage deal that came through at the last minute is of paramount importance as it saves more than 300 employees' jobs at its base in Vienna. Notably, Laudamotion's entire fleet, currently grounded due to the coronavirus pandemic, will take to the skies starting Jul 1.

## Valuation

Ryanair's shares are down 10.2% in the year-to-date period but up 31.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Transportation sector are down 44.2% and 2.5% in the year-to-date period respectively. Over the past year, the Zacks sub-industry is down 39.6%, while the sector is up 4.9%.

The S&P 500 index is up 3.9% and 16.4% in the year-to-date period and in the past year respectively.

The stock is currently trading at 3.14X forward 12-month price to sales, which compares to 0.7X for the Zacks sub-industry, 1.34X for the Zacks sector and 3.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 3.47X and as low as 1.05X, with a 5-year median of 2.64X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$83 price target reflects 3.31X forward 12-month sales.

The table below shows summary valuation data for RYAAY

Valuation Multiples - RYAAY					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	3.14	0.7	1.34	3.66
	5-Year High	3.47	0.94	1.41	3.66
	5-Year Low	1.05	0.37	0.84	2.53
	5-Year Median	2.64	0.74	1.2	3.05
EV/EBITDA TTM	Current	9.59	16.57	9.74	12.62
	5-Year High	22.23	16.57	11.09	12.84
	5-Year Low	4.54	3.22	5.41	8.24
	5-Year Median	9.59	5.63	7.24	10.9

As of 08/10/2020

## Industry Analysis Zacks Industry Rank: Bottom 8% (233 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
American Airlines Group Inc. (AAL)	Neutral	3
Alaska Air Group, Inc. (ALK)	Neutral	4
Delta Air Lines, Inc. (DAL)	Neutral	4
easyjet PLC (EJTTF)	Neutral	4
JetBlue Airways Corporation (JBLU)	Neutral	4
Southwest Airlines Co. (LUV)	Neutral	4
Mesa Air Group, Inc. (MESA)	Neutral	2
Controladora Vuela Compania de Aviacion, S.A.B. de C.V. (VLRS)	Neutral	2

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	RYAAY	X Industry	S&P 500	ALK	EJTTF	MESA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	2
VGM Score	F	-	-	B	A	A
Market Cap	17.72 B	2.12 B	23.56 B	4.85 B	2.54 B	115.31 M
# of Analysts	3	4	14	6	2	6
Dividend Yield	0.00%	0.00%	1.71%	0.00%	0.00%	0.00%
Value Score	D	-	-	A	A	A
Cash/Price	0.25	0.61	0.07	0.62	0.84	0.52
EV/EBITDA	7.81	3.75	13.39	3.28	NA	3.57
PEG Ratio	NA	2.20	2.92	NA	NA	3.58
Price/Book (P/B)	3.45	0.78	3.18	1.25	0.95	0.26
Price/Cash Flow (P/CF)	9.10	2.35	12.69	3.96	2.35	0.85
P/E (F1)	NA	44.18	22.16	NA	NA	48.70
Price/Sales (P/S)	2.53	0.42	2.55	0.73	NA	0.18
Earnings Yield	-4.75%	-24.02%	4.33%	-20.97%	-27.30%	2.01%
Debt/Equity	0.60	0.98	0.77	0.76	0.76	1.40
Cash Flow (\$/share)	8.65	4.15	6.94	9.91	2.73	4.10
Growth Score	F	-	-	C	B	D
Hist. EPS Growth (3-5 yrs)	9.71%	2.82%	10.41%	-7.47%	NA	NA
Proj. EPS Growth (F1/F0)	-175.32%	-249.01%	-6.51%	-228.17%	-256.25%	-95.63%
Curr. Cash Flow Growth	0.95%	11.77%	5.26%	28.26%	18.35%	43.79%
Hist. Cash Flow Growth (3-5 yrs)	0.72%	8.55%	8.55%	7.14%	2.84%	NA
Current Ratio	0.67	0.80	1.34	0.79	0.55	0.33
Debt/Capital	37.69%	52.86%	44.59%	43.10%	43.20%	58.41%
Net Margin	3.61%	-3.84%	10.13%	0.85%	NA	4.53%
Return on Equity	10.45%	-4.09%	14.59%	-0.83%	NA	6.62%
Sales/Assets	0.43	0.50	0.51	0.50	NA	0.42
Proj. Sales Growth (F1/F0)	-58.60%	-46.66%	-1.54%	-54.69%	-40.56%	-23.26%
Momentum Score	F	-	-	D	F	B
Daily Price Chg	1.92%	2.36%	0.91%	7.21%	0.00%	6.73%
1 Week Price Chg	2.99%	5.62%	2.30%	6.30%	-6.29%	5.48%
4 Week Price Chg	18.09%	3.10%	8.54%	12.53%	-23.69%	-0.57%
12 Week Price Chg	35.24%	14.42%	13.68%	35.11%	6.83%	9.06%
52 Week Price Chg	31.20%	-42.16%	3.71%	-36.81%	-44.26%	-40.24%
20 Day Average Volume	580,367	181,735	2,015,804	2,264,825	474	675,672
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.71%	-8.29%	1.67%	-39.19%	-8.02%	34.38%
(F1) EPS Est 12 week change	-306.81%	-50.35%	2.27%	-52.28%	-8,650.01%	265.39%
(Q1) EPS Est Mthly Chg	-140.00%	-42.23%	0.67%	-168.14%	NA	0.00%

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## 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.

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### 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	F
Momentum Score	F
VGM Score	F

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.

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