

Ryanair Holdings plc (RYAAY)

\$73.64 (As of 07/15/20)

Price Target (6-12 Months): **\$78.00**

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:D

Value: D

Growth: D

Momentum: B

Summary

Travel demand woes due to coronavirus 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. Due to the same reason, June traffic plunged 97%. Amid these adversities, the carrier expects to incur a loss of more than €200 million in first quarter fiscal 2021. Moreover, it expects to transport less than 80 million passengers during fiscal 2021. Due to the coronavirus-related headwinds, shares of the company have declined more than 17% since the beginning of February. Persistent below-par performance of the Laudamotion unit is also concerning. Notably, the company's cost-cutting measures are impressive. Moreover, the airline's strong liquidity position is noteworthy.

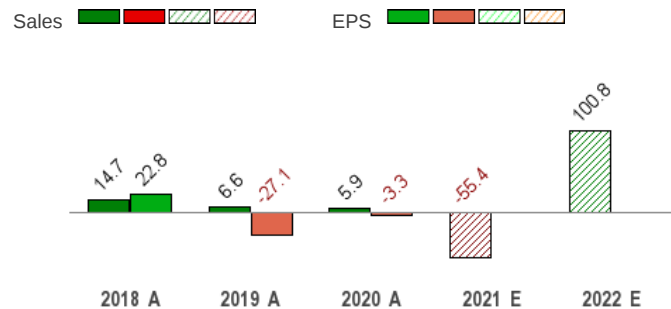
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$96.79 - \$44.44
20 Day Average Volume (sh)	358,155
Market Cap	\$16.6 B
YTD Price Change	-16.0%
Beta	1.32
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Transportation - Airline
Zacks Industry Rank	Bottom 15% (214 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	10.1%
Last Sales Surprise	11.2%
EPS F1 Est- 4 week change	3.6%
Expected Report Date	08/03/2020
Earnings ESP	0.0%
P/E TTM	14.8
P/E F1	NA
PEG F1	NA
P/S TTM	1.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					8,463 E
2021	139 E	1,348 E	1,492 E	1,187 E	4,215 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					\$4.81 E
2021	-\$1.45 E	\$0.25 E	-\$0.35 E	-\$1.70 E	-\$3.63 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 07/15/2020. The reports text is as of 07/16/2020.

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.

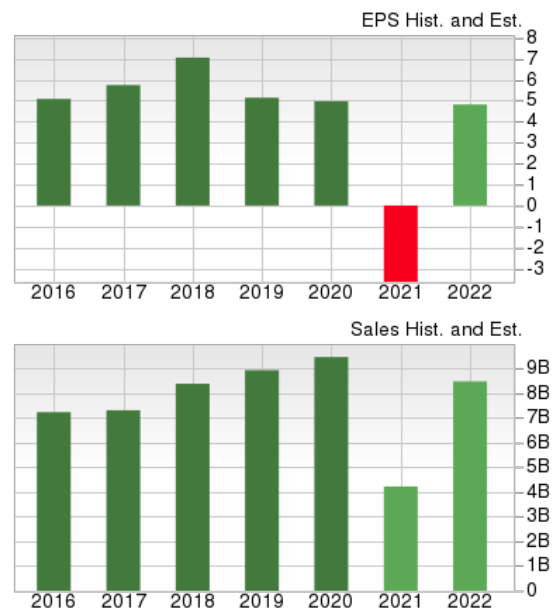
Despite coronavirus woes, Ryanair's fiscal 2020 traffic increased 4% to 149 million. However, the carrier expects to transport less than 80 million passengers in fiscal 2021 due to weak travel demand amid coronavirus concerns.

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.



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, we are encouraged by the fact that through stringent cost-cutting measures, the company has been able to reduce its average weekly cash burn rate to around €60 million in May, from approximately €200 million in March.
- ▲ 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.
- ▲ Ryanair's cash and cash equivalents at the end of fiscal 2020 stood at €2.57 billion, way above the short term debt figure of €382.3 million, implying that the company has enough cash to meet its current debt burden. This indicates the company's sound financial position. Moreover, the carrier's current ratio, a measure of liquidity, stood at 0.82 at the end of first-quarter 2020. The reading is higher than its industry's 0.48.

The carrier's expansion initiatives are encouraging.

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. In June, Ryanair reported a 97% year-over-year plunge in traffic to merely 0.4 million guests. Due to travel bans and curbs, Ryanair expects its traffic numbers for July to be minimal too. Ryanair expects to incur a loss of more than €200 million in first quarter fiscal 2021. Detailed results will be out on Jul 27. During fiscal 2021, the carrier expects to transport less than 80 million passengers, indicating an approximate 50% drop from its original target of 154 million passengers.
- ▼ 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 before October 2020. High fuel costs are also hurting Ryanair's bottom line. Notably, fuel bill increased 14% year over year in fiscal 2020.
- ▼ 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, Laudamotion's fleet has been grounded since Mar 17 amid coronavirus-led travel restrictions.

Ryanair expects to incur a loss of more than €200 million in first quarter fiscal 2021.

Last Earnings Report

Ryanair Incurs Loss in Q4

Ryanair incurred a loss of \$1.16 per share in fourth-quarter fiscal 2020 (ended Mar 31, 2020), narrower than the Zacks Consensus Estimate of a loss of \$1.29. The loss deteriorated year over year.

Quarterly revenues of \$1,323 million also surpassed the Zacks Consensus Estimate of \$1,189 million. However, the top line suffered year over year due to the coronavirus-led drop in air travel demand.

Quarter Ending 03/2020

Report Date	May 18, 2020
Sales Surprise	11.24%
EPS Surprise	10.08%
Quarterly EPS	-1.16
Annual EPS (TTM)	4.98

Fiscal 2020 Results

Ryanair's profit after tax plunged 26.7% year over year in fiscal 2020. The impact of coronavirus-led low demand for air travel was more than €40 million on profits. Fiscal 2020 earnings per share came in at €0.58 per share, down 24.4% year over year. Total revenues ascended 10% to €8.5 billion owing to a 4% rise in traffic (149 million guests). Traffic decreased by more than 5 million due to travel restrictions and aircraft groundings, thanks to coronavirus. Load factor deteriorated to 95% from 96% in the year-ago period. Ancillary revenues rose 20% year over year for full fiscal 2020.

The airlines' fuel costs increased 14% year over year. Additionally, non-fuel unit costs rose 4%, affected by a 48% slump in March traffic due to coronavirus-related woes.

Balance Sheet Highlights

Ryanair currently has a cash balance of €4.1 billion. Through stringent cost-cutting measures, the company has been able to reduce its average weekly cash burn rate to around €60 million in May, from approximately €200 million in March.

Outlook

Ryanair expects to operate less than 1% of its total scheduled flights in the first quarter of fiscal 2021. From July onward some of the flight services are expected to resume. However, with bookings anticipated to be affected by public health restrictions and mandatory quarantines, the carrier expects to carry only 50% of its second-quarter traffic guidance of 44.6 million guests.

The carrier expects to incur a loss of more than €200 million in the first quarter of fiscal 2021 as a result of the coronavirus-induced decline in traffic and low pricing. With the company anticipating a rise in demand during the peak summer season, losses are expected to decrease sequentially in second-quarter fiscal 2021. The carrier expects to transport less than 80 million passengers during fiscal 2021. This indicates an approximate 50% drop from its original target of 154 million passengers.

Recent News

June Traffic — Jul 2, 2020

Ryanair reported 97% year-over-year plunge in June traffic to merely 0.4 million guests. As wide-spread travel restrictions are still in place, the carrier's LaudaMotion unit in Austria did not carry any passenger during the month. Nevertheless, in response to recent rise in demand, this Austria-based unit has reopened from Jul 1. Ryanair operated 2800 scheduled flights in June with 95% of them arriving on time. On a rolling annual basis, total traffic at Ryanair (including the LaudaMotion unit) declined 27% to 107.2 million. Load factor (% of seats filled with passengers) was 95% on a rolling annual basis.

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.

May Traffic — Jun 3, 2020

Ryanair reported a 99.5% year-over-year plunge in May traffic to merely 0.07 million guests. As wide-spread travel restrictions are still in place, the carrier's LaudaMotion unit in Austria did not carry any passenger during the month. Ryanair operated 701 scheduled flights in May including those for rescue operations, relief and medicine supply on behalf of various EU governments. Moreover, 99% of those flights arrived on time.

Valuation

Ryanair's shares are down 16% but up 15.3% 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 44.1% and 9% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are down 44.2% and 4.7% respectively.

The S&P 500 index is down 0.5% in the year-to-date period but up 7.9% in the past year.

The stock is currently trading at 14.79X trailing 12-month price to earnings, which compares to 10.39X for the Zacks sub-industry, 16.85X for the Zacks sector and 20.83X 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 16.22X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$78 price target reflects 15.69X 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	14.79	10.39	16.85	20.83
	5-Year High	37.56	13.19	19.57	22.25
	5-Year Low	8.8	7.45	11.63	15.98
	5-Year Median	16.22	10.58	15.55	19.13
EV/EBITDA TTM	Current	6.61	4.88	7.62	11.88
	5-Year High	22.23	7.03	11.21	12.86
	5-Year Low	4.45	3.19	5.45	8.25
	5-Year Median	9.68	5.9	7.38	10.87
P/S F 12M	Current	2.12	0.75	1.29	3.55
	5-Year High	3.47	0.98	1.42	3.55
	5-Year Low	1.05	0.38	0.85	2.53
	5-Year Median	2.65	0.76	1.2	3.02

As of 07/15/2020

Industry Analysis Zacks Industry Rank: Bottom 15% (214 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
American Airlines Group Inc. (AAL)	Neutral	3
Alaska Air Group, Inc. (ALK)	Neutral	3
Delta Air Lines, Inc. (DAL)	Neutral	3
easyjet PLC (EJTTF)	Neutral	4
JetBlue Airways Corporation (JBLU)	Neutral	3
Southwest Airlines Co. (LUV)	Neutral	3
Controladora Vuela Compania de Aviacion, S.A.B. de C.V. (VLRS)	Neutral	3
LATAM Airlines Group S.A. (LTM)	Underperform	5

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	RYAAY	X Industry	S&P 500	ALK	EJTTF	LTM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	4	5
VGM Score	D	-	-	D	B	-
Market Cap	16.57 B	2.40 B	22.66 B	4.75 B	3.33 B	NA
# of Analysts	3	4.5	14	6	2	1
Dividend Yield	0.00%	0.00%	1.83%	0.00%	0.00%	%
Value Score	D	-	-	B	A	C
Cash/Price	0.31	0.51	0.07	0.49	0.67	NA
EV/EBITDA	9.90	3.68	12.99	3.43	NA	NA
PEG Ratio	NA	4.89	2.97	NA	NA	NA
Price/Book (P/B)	3.00	0.73	3.12	1.18	1.24	NA
Price/Cash Flow (P/CF)	8.52	2.45	12.14	3.91	3.08	NA
P/E (F1)	NA	24.21	22.04	NA	NA	NA
Price/Sales (P/S)	1.75	0.40	2.38	0.56	NA	NA
Earnings Yield	-4.93%	-26.32%	4.32%	-14.60%	-20.83%	NA%
Debt/Equity	0.76	0.83	0.76	0.64	0.76	0.00
Cash Flow (\$/share)	8.65	4.15	6.94	9.91	2.73	0.31
Growth Score	D	-	-	F	B	D
Hist. EPS Growth (3-5 yrs)	14.48%	2.29%	10.85%	-5.75%	NA	22.44%
Proj. EPS Growth (F1/F0)	-173.10%	-253.95%	-9.64%	-188.19%	-256.25%	-2,054.84%
Curr. Cash Flow Growth	0.95%	12.07%	5.51%	28.26%	18.35%	4.67%
Hist. Cash Flow Growth (3-5 yrs)	0.72%	8.55%	8.55%	7.14%	2.84%	4.04%
Current Ratio	0.82	0.61	1.30	0.69	0.55	0.56
Debt/Capital	43.04%	55.53%	44.46%	39.10%	43.20%	0.00%
Net Margin	7.72%	1.05%	10.59%	6.24%	NA	-18.88%
Return on Equity	17.59%	9.01%	15.75%	16.29%	NA	-6.19%
Sales/Assets	0.58	0.61	0.54	0.65	NA	0.50
Proj. Sales Growth (F1/F0)	-55.41%	-45.36%	-2.52%	-51.35%	-40.56%	-48.19%
Momentum Score	B	-	-	C	F	-
Daily Price Chg	8.41%	6.24%	1.91%	9.21%	0.00%	0.00%
1 Week Price Chg	-0.54%	-1.29%	-0.41%	-2.08%	-6.34%	NA%
4 Week Price Chg	4.66%	-3.36%	1.88%	3.61%	-18.68%	NA%
12 Week Price Chg	32.64%	21.16%	16.37%	40.79%	14.29%	NA
52 Week Price Chg	15.30%	-41.32%	-4.22%	-39.23%	-31.43%	NA
20 Day Average Volume	358,155	248,679	2,266,132	2,716,475	688	0
(F1) EPS Est 1 week change	3.63%	0.00%	0.00%	4.23%	-8.02%	0.00%
(F1) EPS Est 4 week change	3.63%	0.00%	0.00%	1.88%	-16.67%	-13.23%
(F1) EPS Est 12 week change	-266.67%	-118.52%	-5.76%	-295.00%	-4,475.00%	-73,499.84%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-46.95%	NA	19.64%

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	D
Growth Score	D
Momentum Score	B
VGM Score	D

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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