

Ryanair Holdings plc (RYAAY)

\$47.51 (As of 03/18/20)

Price Target (6-12 Months): **\$50.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/19/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

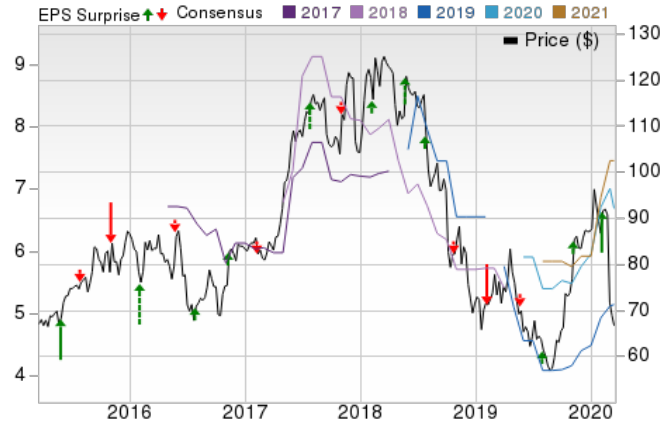
Growth: A

Momentum: C

Summary

Ryanair has been badly hit by the coronavirus outbreak as Italy, one of its main markets, has been affected significantly. Owing to the outbreak, shares of the company have declined 48% in the past month. Due to the coronavirus-led reduced demand the company lowered its fiscal 2020 traffic forecast by 3 million to 151 million. Notably, Ryanair suspended all their flights to/ from Italy following the entire nation being placed on lockdown. Moreover, below-par performance of the Laudamotion unit is concerning. However, efforts to add shareholder value are a positive too. 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.

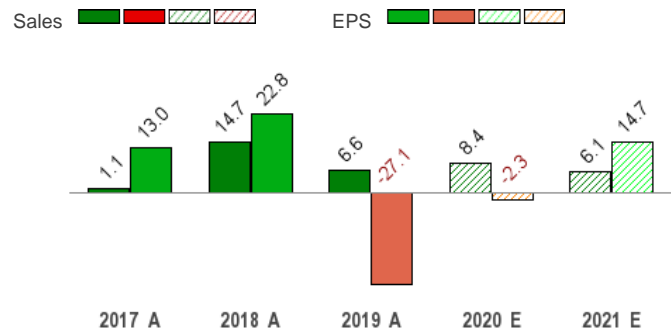
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$96.79 - \$44.44
20 Day Average Volume (sh)	1,522,067
Market Cap	\$10.7 B
YTD Price Change	-45.8%
Beta	1.02
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Transportation - Airline
Zacks Industry Rank	Top 43% (110 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	-1.8%
Expected Report Date	05/18/2020
Earnings ESP	0.0%
P/E TTM	8.8
P/E F1	9.5
PEG F1	0.6
P/S TTM	1.1

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	\$5.76 E
2020	\$1.20 A	\$4.51 A	\$0.43 A	-\$1.15 E	\$5.02 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 03/18/2020. The reports text is as of 03/19/2020.

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.

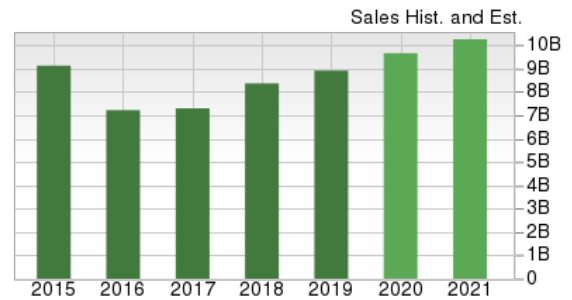
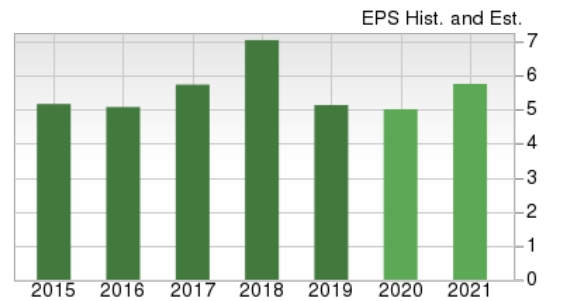
Ryanair is being aided by increase in traffic. During fiscal 2019, fiscal 2019 traffic (excluding LaudaMotion) increased 7% to 139 million, while load factor improved to 96% from 95% a year ago. Including LaudaMotion, traffic grew 9% to 142 million. Traffic is expected to increase to 154 million in fiscal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

▲ 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% within 2030.

We are impressed by the carrier's efforts to reward its shareholders through buybacks.

▲ 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.

▲ Despite struggling with low capacity from the grounding of the more fuel efficient B737 MAX jets and the coronavirus outbreak, the carrier's passenger traffic on the whole has been consistently strong. Notably, traffic rose an impressive 9% in the first 11 months of fiscal 2020.

Reasons To Sell:

- ▼ Due to the coronavirus-led reduced demand the company lowered its fiscal 2020 traffic forecast by 3 million to 151 million. Notably, Ryanair suspended all their flights to/ from Italy following the entire nation being placed on lockdown. 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. 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.

Due to the coronavirus-led reduced demand the company lowered its fiscal 2020 traffic forecast by 3 million to 151 million.

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

February Traffic – Mar 3, 2020

Traffic (including 0.5 million from its LaudaMotion unit in Austria) rose 9% year over year to 10.5 million. However, load factor (% of seats filled with passengers) remained unaltered at 96%. This low-cost carrier's passenger growth excluding traffic from LaudaMotion unit was 8% in the month. On a rolling annual basis, total traffic increased 9% to 153.8 million.

Valuation

Ryanair's shares are down 35.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 56.4%. Stocks in the sector are down 32.4% in the past year. Over the past year, the S&P 500 Index is down 15.9%.

The stock is currently trading at 7.16X forward 12-month price to earnings, which compares to 4.25X for the Zacks sub-industry, 8.95X for the Zacks sector and 14.12X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.8X and as low as 7.16X, with a 5-year median of 14.07X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$50 price target reflects 7.54X forward 12-month earnings.

The table below shows summary valuation data for RYAA

Valuation Multiples - RYAA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	7.16	4.25	8.95	14.12
	5-Year High	18.8	12.3	17.02	19.34
	5-Year Low	7.16	4.25	8.95	14.12
	5-Year Median	14.07	9.04	13.1	17.42
EV/EBITDA TTM	Current	14.26	3.77	5.94	8.87
	5-Year High	22.23	7.22	11.11	12.88
	5-Year Low	5.01	3.77	5.85	8.31
	5-Year Median	9.95	6.04	7.41	10.78
P/S F12M	Current	1.05	.3	0.73	2.58
	5-Year High	3.47	0.98	1.41	3.43
	5-Year Low	1.05	0.3	0.73	2.54
	5-Year Median	2.7	0.77	1.21	3

As of 03/18/2020

Industry Analysis Zacks Industry Rank: Top 43% (110 out of 253)



Top Peers

easyjet PLC (EJTF)	Outperform
LATAM Airlines Group S.A. (LTM)	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
Delta Air Lines, Inc. (DAL)	Neutral
JetBlue Airways Corporation (JBLU)	Neutral
Southwest Airlines Co. (LUV)	Neutral

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	RYAAY Neutral	X Industry	S&P 500	ALK Neutral	EJTF Outperform	LTM Outperform
VGM Score	A	-	-	B	A	A
Market Cap	10.69 B	2.02 B	16.02 B	3.09 B	2.38 B	1.07 B
# of Analysts	3	4	13	6	2	4
Dividend Yield	0.00%	0.00%	2.66%	5.97%	0.00%	2.27%
Value Score	B	-	-	B	A	B
Cash/Price	0.29	0.41	0.06	0.33	0.45	0.36
EV/EBITDA	5.66	3.06	10.21	2.82	1.85	-0.01
PEG Ratio	0.59	0.52	1.46	0.38	NA	NA
Price/Book (P/B)	1.54	0.56	2.18	0.71	0.63	0.34
Price/Cash Flow (P/CF)	5.77	1.89	8.79	2.54	2.20	0.38
P/E (F1)	9.52	3.83	12.92	5.54	4.11	6.97
Price/Sales (P/S)	1.12	0.22	1.74	0.35	NA	0.11
Earnings Yield	10.57%	25.46%	7.70%	18.07%	24.33%	14.20%
Debt/Equity	0.64	0.64	0.70	0.62	0.56	0.00
Cash Flow (\$/share)	8.23	4.42	7.01	9.91	2.73	4.66
Growth Score	A	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	15.65%	3.75%	10.85%	-3.84%	NA	26.80%
Proj. EPS Growth (F1/F0)	-2.40%	-5.35%	5.12%	-29.33%	30.36%	-18.55%
Curr. Cash Flow Growth	-18.07%	12.07%	6.03%	28.26%	18.35%	1,453.67%
Hist. Cash Flow Growth (3-5 yrs)	10.18%	8.82%	8.55%	7.14%	2.84%	78.45%
Current Ratio	1.07	0.69	1.23	0.64	0.79	0.58
Debt/Capital	38.97%	47.20%	42.57%	38.43%	36.05%	0.00%
Net Margin	12.06%	7.03%	11.57%	8.76%	NA	1.89%
Return on Equity	18.64%	13.82%	16.74%	19.58%	NA	6.15%
Sales/Assets	0.59	0.64	0.54	0.68	NA	0.49
Proj. Sales Growth (F1/F0)	8.03%	0.00%	3.22%	-6.19%	41.43%	5.42%
Momentum Score	C	-	-	F	A	F
Daily Price Chg	-9.80%	-12.32%	-6.77%	-22.75%	-20.53%	-47.93%
1 Week Price Chg	-3.27%	-16.57%	-11.01%	-16.06%	-12.50%	-23.21%
4 Week Price Chg	-47.69%	-55.06%	-34.65%	-61.44%	-69.47%	-79.68%
12 Week Price Chg	-45.08%	-56.78%	-32.08%	-63.63%	-67.39%	-83.78%
52 Week Price Chg	-35.05%	-60.87%	-23.52%	-54.47%	-60.00%	-84.83%
20 Day Average Volume	1,522,067	176,297	3,834,688	3,163,069	1,009	1,384,307
(F1) EPS Est 1 week change	-2.27%	-2.27%	-0.06%	-27.68%	0.00%	-38.04%
(F1) EPS Est 4 week change	-1.83%	-18.13%	-0.74%	-36.39%	0.00%	-38.04%
(F1) EPS Est 12 week change	12.15%	-16.58%	-1.38%	-35.65%	21.16%	-34.70%
(Q1) EPS Est Mthly Chg	0.00%	-13.70%	-0.85%	-102.83%	NA	-150.00%

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	B
Growth Score	A
Momentum Score	C
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.

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