

Ryanair

F3Q miss a slight blip – story continues

Reiterate Rating: BUY | PO: 26.00 EUR | Price: 18.97 EUR

FY24 guidance narrowed; PO to €26 on higher costs

Ryanair's F3Q24 was an uncharacteristic profit miss, driven by higher costs and lower yields/load factors due to the removal of Ryanair flights from OTAs in December. As a result, FY24 PAT guidance has been narrowed to €1.85-1.95bn (from €1.85-2.05bn). We see this as a slight misstep in an overall story of market-leading costs and continuous share gains. Forward bookings for key F1H25 periods are robust, 5% ahead y-y, with summer fares up by low-single digits y-y. Our FY25E EPS goes down -4% due to higher cost estimates and our PO decreases to €26 (from €27) on our lower earnings. Ryanair shares trade at 9x FY25E, well below their historical 13x average, which we think is unjustified, given market share gains and 17% earnings growth. Reiterate Buy rating.

Net income estimate down, as fares not enough to offset

We cut our FY24E net income to €1.87bn, at the lower end of new guidance (€1.85-1.95bn), as we increase our estimate for incremental costs per pax ex fuel, in line with management comments (€2.50/pax higher y-y). Our higher fare estimates are not enough to fully offset the cost increase. For FY25E we now expect higher average fares, as per comments on current bookings as well as OTA changes leading to potentially higher ancillaries. However, this is more than offset as we annualise higher productivity pay increases and route charges, leading to an increase in cost ex fuel y-y. We note that our FY25E fare estimates are conservative in the context of management expectations that summer fares could drift higher closer to the travel period. Ryanair expects overall industry summer capacity to not grow y-y, on OEM delivery delays and sees itself approximately seven aircraft short for the peak summer period.

€400m FY24 divi and scope for special or buyback in FY25

Ryanair announced an interim dividend of €0.125/share (€200m), payable in February, with the second payment to follow in September 2024, in line with the previous announcement. Cash position remains strong and we anticipate net cash of €1.6bn at end-FY24 and increasing FCF, thus see scope for a special dividend or buyback next year, in addition to the €400m ordinary dividend.

Estimates (Mar) (EUR)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	(0.21)	1.15	1.63	1.99	2.29
EPS Change (YoY)	76.7%	641.2%	41.8%	21.9%	15.1%
Dividend / Share	0	0	0.35	0.50	0.57
ADR EPS (Adjusted Diluted - US\$)	(1.24)	6.00	8.88	10.8	12.5
ADR Dividend / Share (US\$)	0	0	1.90	2.71	3.11
Valuation (Mar)					
P/E	NM	16.3x	11.5x	9.44x	8.20x
Dividend Yield	0%	0%	1.86%	2.65%	3.05%
EV / EBITDA*	50.0x	8.03x	6.09x	5.05x	4.59x
Free Cash Flow Yield*	4.63%	9.87%	4.86%	12.5%	15.0%

* For full definitions of *IQmethod*SM measures, see page 8.

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Timestamp: 29 January 2024 09:06AM EST

29 January 2024

Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	27.00	26.00
2024E EPS	1.69	1.63
2025E EPS	2.08	1.99
2026E EPS	2.39	2.29

Muneeba Kayani >>

Research Analyst
MLI (UK)
+44 20 7996 5208
muneeba.kayani@bofa.com

Paul Kirjanovs >>

Research Analyst
MLI (UK)
+44 20 7996 1082
paul.kirjanovs@bofa.com

Stock Data

Price (Common / ADR)	18.97 EUR / 130.11 USD
Price Objective	26.00 EUR / 160.00 USD
Date Established	29-Jan-2024 / 29-Jan-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	13.64 EUR-19.45 EUR
Market Value (mn)	20,753 EUR
Shares Outstanding (mn)	1,094.0 / 218.8
Average Daily Value (mn)	33.39 USD
Free Float	96.0%
BofA Ticker / Exchange	RYAOF / LSE
BofA Ticker / Exchange	RYAAY / NAS
Bloomberg / Reuters	RYA ID / RYA.I
ROE (2024E)	28.8%
Net Dbt to Eqty (Mar-2023A)	-9.9%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Ryanair

Key Income Statement Data (Mar)	2022A	2023A	2024E	2025E	2026E
(EUR Millions)					
Sales	4,801	10,775	13,446	14,823	16,562
EBITDA Adjusted	380	2,366	3,120	3,757	4,135
Depreciation & Amortization	(719)	(923)	(1,106)	(1,233)	(1,302)
EBIT Adjusted	(340)	1,443	2,014	2,523	2,833
Net Interest & Other Income	(90.2)	(0.10)	89.5	160	255
Tax Expense / Benefit	189	(129)	(233)	(402)	(463)
Net Income (Adjusted)	(241)	1,314	1,871	2,281	2,624
Average Fully Diluted Shares Outstanding	1,131	1,140	1,145	1,145	1,145

Key Cash Flow Statement Data					
Net Income (Reported)	(355)	1,428	1,871	2,281	2,624
Depreciation & Amortization	719	923	1,106	1,233	1,302
Change in Working Capital	1,640	1,500	629	460	583
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(64.0)	39.5	237	(0.72)	(0.91)
Cash Flow from Operations	1,941	3,891	3,844	3,973	4,508
Capital Expenditure	(1,182)	(1,915)	(2,800)	(1,300)	(1,300)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other CFI	(233)	13.5	675	0	0
Cash Flow from Investing	(1,414)	(1,901)	(2,125)	(1,300)	(1,300)
Share Issue / (Repurchase)	46.8	31.7	13.6	0	0
Cost of Dividends Paid	0	0	(200)	(201)	(570)
Increase (decrease) debt	(349)	(961)	(1,343)	(60.3)	(850)
Other CFF	(234)	(125)	219	(40.7)	(40.7)
Cash Flow from Financing	(537)	(1,054)	(1,311)	(302)	(1,461)
Total Cash Flow (CFO + CFI + CFF)	(10.4)	936	408	2,372	1,748
FX and other changes to cash	486	113	(683)	0	0
Change in Cash	476	1,049	(275)	2,372	1,748
Change in Net Debt	(825)	(2,010)	(1,069)	(2,432)	(2,598)
Net Debt	1,452	(559)	(1,627)	(4,059)	(6,657)

Key Balance Sheet Data					
Property, Plant & Equipment	9,095	9,909	11,167	11,269	11,307
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	146	146	192	197	197
Other Non-Current Assets	433	439	385	385	385
Trade Receivables	43.5	59.7	70.0	77.2	86.2
Cash & Equivalents	3,626	4,675	4,400	6,772	8,519
Other Current Assets	1,806	1,177	1,187	1,293	1,427
Total Assets	15,150	16,406	17,401	19,994	21,923
Long-Term Debt	3,796	3,016	2,663	2,603	1,753
Other Non-Current Liabilities	410	325	636	636	636
Short-Term Debt	1,281	1,100	110	110	110
Other Current Liabilities	4,117	6,322	6,643	7,215	7,941
Total Liabilities	9,605	10,763	10,052	10,564	10,439
Total Equity	5,545	5,643	7,350	9,430	11,484
Total Equity & Liabilities	15,150	16,406	17,401	19,994	21,923

Business Performance*					
Return On Capital Employed	-1.76%	12.3%	17.8%	19.4%	19.6%
Return On Equity	-4.73%	23.5%	28.8%	27.2%	25.1%
Operating Margin	-7.07%	13.4%	15.0%	17.0%	17.1%
Free Cash Flow (MM)	983	2,109	1,044	2,673	3,208

Quality of Earnings*					
Cash Realization Ratio	NM	2.96x	2.05x	1.74x	1.72x
Asset Replacement Ratio	1.64x	2.07x	2.53x	1.05x	1.00x
Tax Rate	44.0%	8.92%	11.1%	15.0%	15.0%
Net Debt/Equity	26.2%	-9.90%	-22.1%	-43.0%	-58.0%
Interest Cover	-3.72x	41.9x	NA	NA	NA

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Airlines

Company Description

Ryanair operates low-fares/no-frills short-haul routes in Europe. In operation since 1985, and based in Dublin, Ryanair began to introduce the low-fares operating model between Ireland and the United Kingdom in 1991.

Investment Rationale

Ryanair's ultra low cost model and strong balance sheet appeal. Ryanair is well placed to gain market share as air travel recovery continues given its ultra low cost base and fleet growth.

Stock Data

Shares / ADR	5.00
Price to Book Value	2.9x

Quarterly Earnings Estimates

	2023	2024
Q1	0.16A	0.58A
Q2	0.95A	1.32A
Q3	0.18A	0.01A
Q4	-0.13A	-0.28E

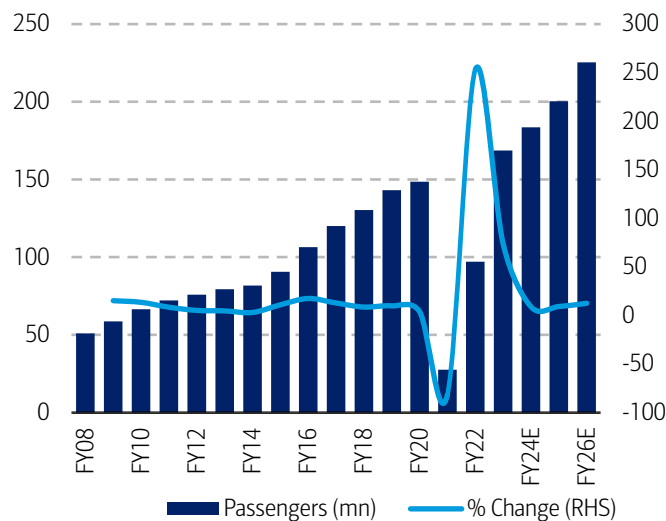
Key Changes

(US\$)	Previous	Current
Price Obj.	170.00	160.00
2024E EPS	9.18	8.88
2025E EPS	11.32	10.82
2026E EPS	12.97	12.45

Changes to estimates

Exhibit 1: Passengers (m) and change (%)

Ryanair targets to fly 200m passengers in FY25E

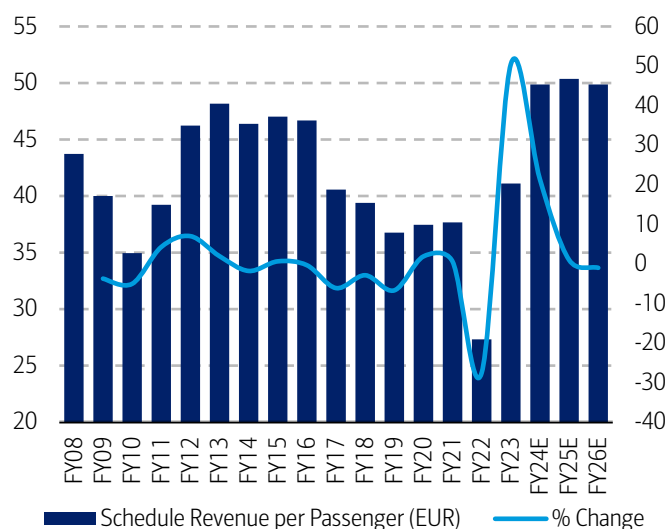


Source: BofA Global Research estimates, Company Reports

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Exhibit 3: Passenger fares (€)

We forecast fares to increase 1% in FY25E

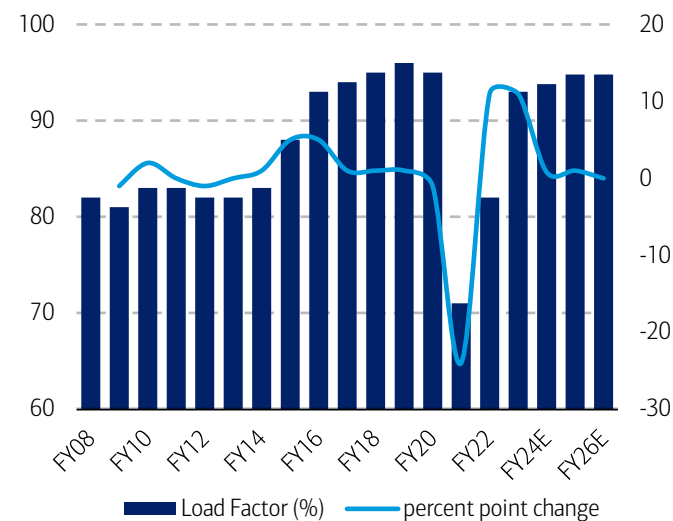


Source: BofA Global Research estimates, company report

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Exhibit 2: Passenger load factor (%) and change (ppts)

We forecast loads to recover to 95% in FY25E

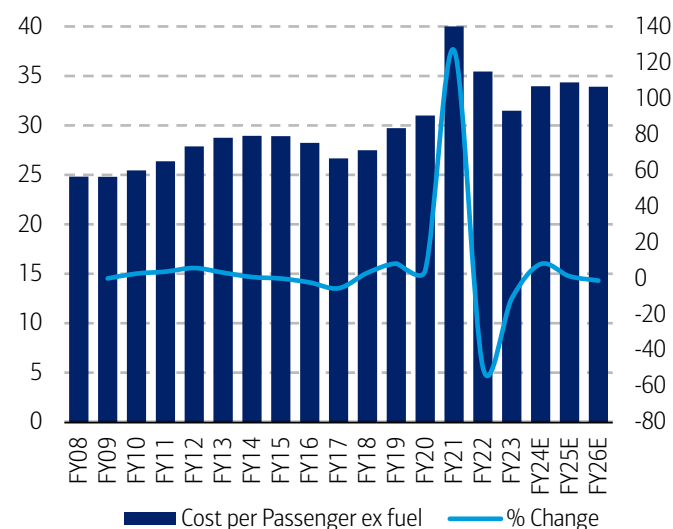


Source: BofA Global Research estimates, Company Reports

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Exhibit 4: Cost per passenger ex fuel (€)

We forecast FY24E unit costs ex fuel to increase by approx. €2.50

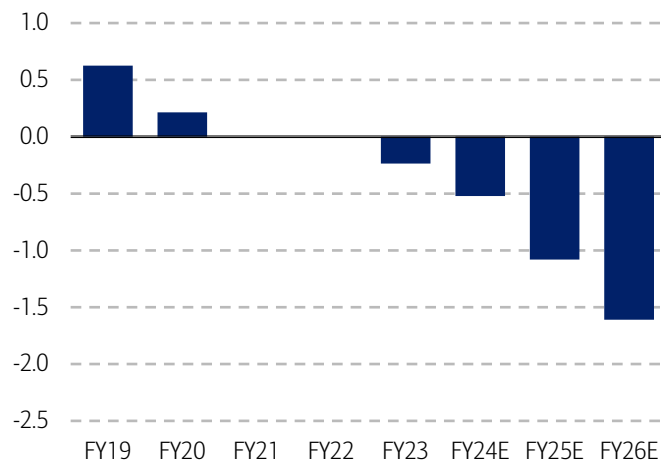


Source: BofA Global Research estimates, Company Reports

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Exhibit 5: Net Debt to EBITDA

Ryanair has a net cash position in FY24E of €1.6bn on our estimates

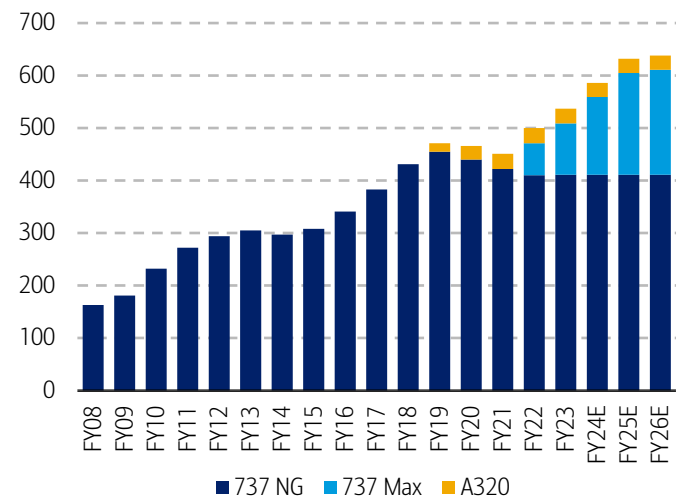


Source: BofA Global Research estimates, Company Reports

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Exhibit 6: Fleet breakdown by aircraft

Boeing MAX 10 order facilitates growth to 300m pax/year by FY34



Source: BofA Global Research estimates, Company Reports

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Exhibit 7: Changes to estimates

We decrease our FY24E net income estimate by 4% to €1.87bn, at low end of company guidance

(€m)	New			Old			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	13,446	14,823	16,562	13,448	14,673	16,396	0%	1%	1%
EBITDA	3,120	3,757	4,135	3,232	3,828	4,170	-3%	-2%	-1%
% margin	23%	25%	25%	24%	26%	25%			
EBIT	2,014	2,523	2,833	2,104	2,683	3,005	-4%	-6%	-6%
% margin	15%	17%	17%	16%	18%	18%			
Net income	1,871	2,281	2,624	1,935	2,385	2,733	-3%	-4%	-4%
% margin	14%	15%	16%	14%	16%	17%			
EPS (€)	1.63	1.99	2.29	1.69	2.08	2.39	-3%	-4%	-4%

Source: BofA Global Research estimates

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Exhibit 8: BofA estimates vs consensus

We are 5% below consensus on FY24E net income as consensus has yet to update

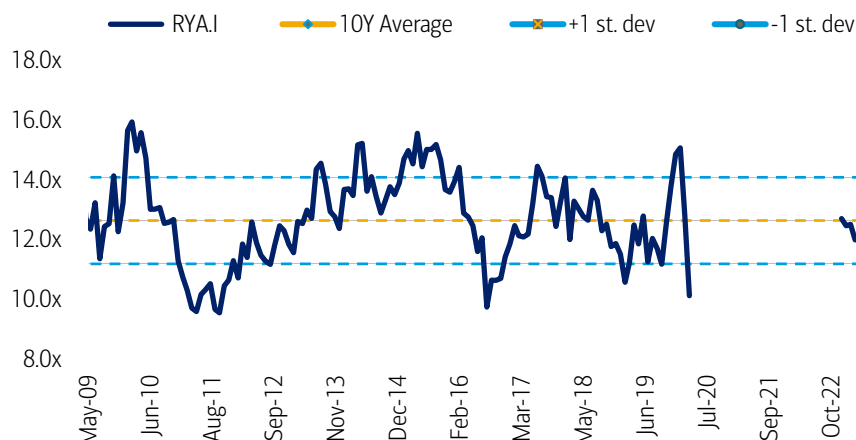
	BofA Est			Consensus			% Difference		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	13,446	14,823	16,562	13,392	14,683	16,158	0%	1%	2%
EBITDA	3,120	3,757	4,135	3,202	3,860	4,150	-3%	-3%	0%
% margin	23.2	25.3	25.0	23.9	26.3	25.7			
EBIT	2,014	2,523	2,833	2,119	2,679	2,867	-5%	-6%	-1%
% margin	15.0	17.0	17.1	15.8	18.2	17.7			
Clean Net Income	1,871	2,281	2,624	1,930	2,433	2,588	-3%	-6%	1%
% margin	13.9	15.4	15.8	14.4	16.6	16.0			
Reported EPS (€)	1.63	1.99	2.29	1.71	2.11	2.29	-5%	-5%	0%

Source: Bloomberg, BofA Global Research estimates

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Exhibit 9: Ryanair PE multiple

Ryanair is trading well below its 10Y historical average PE multiple of 13x on consensus estimates



Source: BofA Global Research, Refinitiv Eikon

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Exhibit 10: Ryanair valuation summary

Ryanair is trading at 9x P/E on our FY25E estimates, significantly below its historical average of 13x

Year End 31st March (€m)	FY19	FY20	FY23	FY24E	FY25E	FY26E
Share price (EUR) (period end)	11.36	9.21	14.88	18.80	18.80	18.80
Total Shares Outstanding	1,133	1,113	1,137	1,139	1,139	1,139
Market Cap	12,875	10,253	16,916	21,414	21,414	21,414
Plus: Net debt	1,037	403	-559	-1,627	-4,059	-6,657
Less: Associates	0	0	169	199	199	199
Enterprise Value	13,912	10,656	16,188	19,588	17,156	14,558
Revenue	7,697	8,495	10,775	13,446	14,823	16,562
EV/Revenue	1.8	1.3	1.5	1.5	1.2	0.9
EBITDA	1,657	1,876	2,366	3,120	3,757	4,135
EV/EBITDA	8.4	5.7	6.8	6.3	4.6	3.5
EBIT	1,017	1,127	1,443	2,014	2,523	2,833
EV/EBIT	13.7	9.5	11.2	9.7	6.8	5.1
EPS	0.77	0.89	1.25	1.63	1.99	2.29
P/E	14.8	10.3	11.9	11.5	9.4	8.2
Dividend per share (in cents)	0.00	0.00	0.00	0.35	0.50	0.57
Dividend yield	0.0	0.0	0.0	1.9	2.6	3.0
FCF	471	681	2,062	1,000	2,633	3,168
FCF yield	3.7	6.6	12.2	4.7	12.3	14.8
BV/share	4.2	4.5	4.9	5.7	7.4	9.2
P/BV	2.7	2.0	3.0	3.3	2.6	2.0
Invested Capital	6,797	7,003	6,692	6,250	6,443	5,995
EV/IC	2.0	1.5	2.4	3.1	2.7	2.4
ROIC Pre-Tax	15.8%	16.2%	21.0%	32.2%	39.2%	47.2%
ROIC Post-Tax	13.8%	16.2%	18.4%	28.2%	34.3%	41.3%
ROIC/WACC	1.7	2.0	2.2	3.4	4.1	5.0
ROE	18.3%	12.8%	23.5%	28.8%	27.2%	25.1%
ROE / CoE	2.1	1.5	2.7	3.3	3.1	2.9

Exhibit 10: Ryanair valuation summary
Ryanair is trading at 9x P/E on our FY25E estimates, significantly below its historical average of 13x

Year End 31st March (€m)	FY19	FY20	FY23	FY24E	FY25E	FY26E
Source: BofA Global Research estimates, company report						

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Price objective basis & risk

Ryanair (RYAOF / RYAAAY)

We base our EUR26 (US\$160) PO on a target P/E of 13x our FY25E EPS. Our target multiple is in-line with its historic average of 13x, which we believe is appropriate as we expect continued strong earnings growth and market share gains.

Upside risks to our PO are significant improvement in the macro-economic backdrop, lower competitor capacity environment, downward movements in fuel prices and foreign exchange (a depreciation in the dollar).

Downside risks to our PO are significant worsening in the macro-economic backdrop, higher competitor capacity environment, upward movements in fuel prices and foreign exchange (an appreciation in the dollar). We also note M&A-related, labour-related (risk of strikes), geopolitical-related, fall-out from the UK leaving the EU and environmental risks associated with our PO.

Analyst Certification

I, Muneeba Kayani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Transports & Hotels Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accor	ACRFF	AC FP	Muneeba Kayani
	DHL Group	DPSTF	DHL GY	Muneeba Kayani
	DHL Group	DHLGY	DHLGY US	Muneeba Kayani
	DSV	DSDVF	DSV DC	Muneeba Kayani
	DSV	DSDVY	DSDVY US	Muneeba Kayani
	easyJet	EJTTF	EZJ LN	Muneeba Kayani
	IAG	XACDF	IAG LN	Muneeba Kayani
	IAG	BABWF	IAG SM	Muneeba Kayani
	IAG	ICAGY	ICAGY US	Muneeba Kayani
	Intercontinental Hotels Group plc	ICHGF	IHG LN	Muneeba Kayani
	Intercontinental Hotels Group plc	IHG	IHG US	Muneeba Kayani
	International Distributions Services PLC	ROYMF	IDS LN	Muneeba Kayani
	Mobico Group Plc	NXPFG	MCG LN	Muneeba Kayani
	Ryanair	RYAAY	RYAAY US	Muneeba Kayani
	Ryanair	RYAOF	RYA ID	Muneeba Kayani
	TUI AG	TUIFD	TUI LN	Muneeba Kayani
NEUTRAL				
	APM Maersk	AMKBF	MAERSKB DC	Muneeba Kayani
	APM Maersk	AMKBY	AMKBY US	Muneeba Kayani
	bpost	BPOSF	BPOST BB	Muneeba Kayani
	InPost	INPOF	INPST NA	Muneeba Kayani
	Kuehne + Nagel	KHNGF	KNIN SW	Muneeba Kayani
	Kuehne + Nagel	KHNGY	KHNGY US	Muneeba Kayani
	Whitbread	WTBCF	WTB LN	Muneeba Kayani
	Wizz Air	WZZAF	WIZZ LN	Muneeba Kayani
UNDERPERFORM				
	Air France-KLM	AFRAF	AF FP	Muneeba Kayani
	Air France-KLM	AFLYY	AFLYY US	Muneeba Kayani
	Austrian Post	OERCF	POST AV	Muneeba Kayani
	Lufthansa	DLAKY	DLAKY US	Muneeba Kayani
	Lufthansa	DLAKF	LHA GY	Muneeba Kayani
	PostNL	TNTFF	PNL NA	Muneeba Kayani
	ZIM	ZIM	ZIM US	Muneeba Kayani



EMEA - Transports & Hotels Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

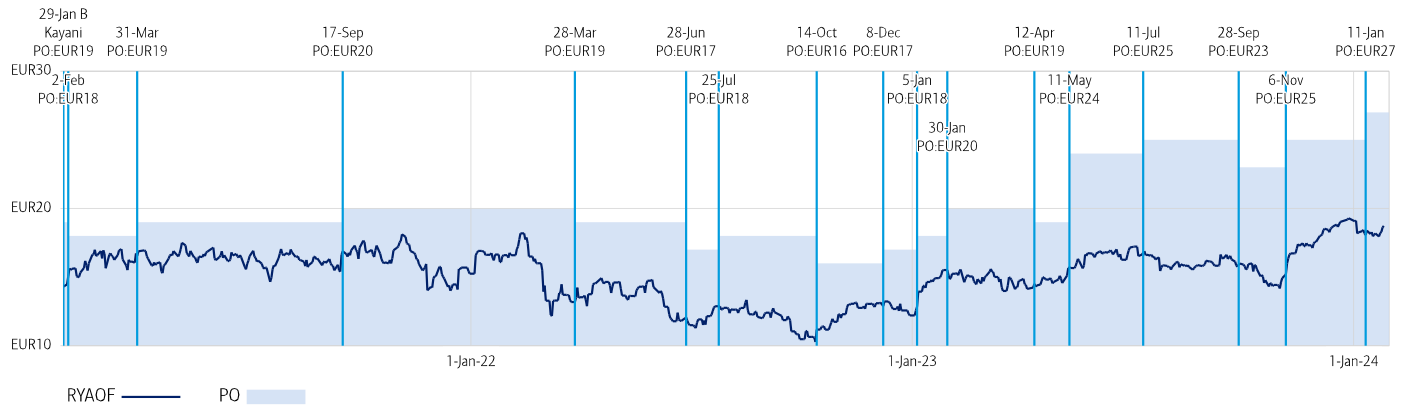
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Disclosures

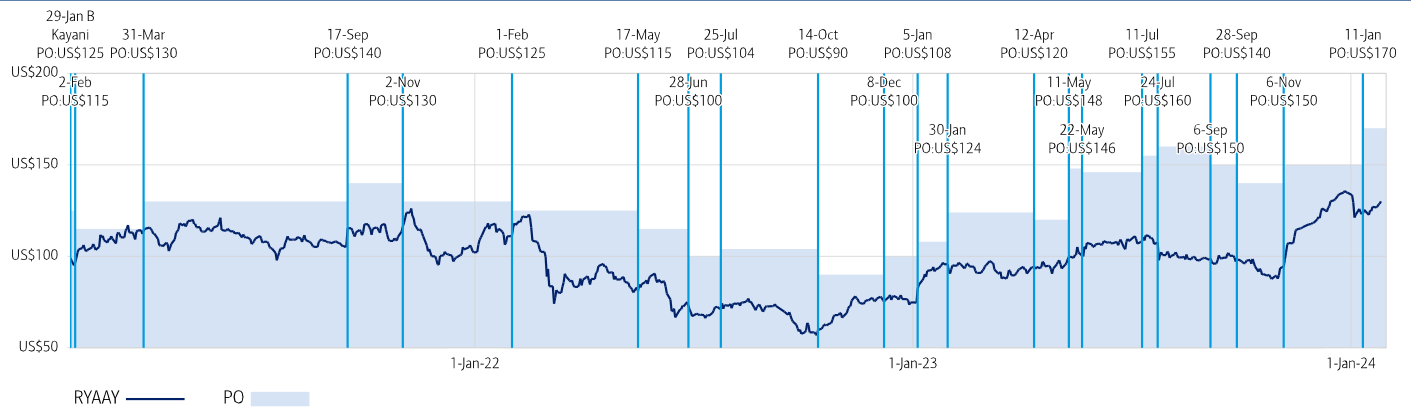
Important Disclosures

Ryanair (RYAOF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Ryanair (RYAAY) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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