

Ryanair

2024: Low-cost leader of the European skies

Reiterate Rating: BUY | PO: 27.00 EUR | Price: 18.08 EUR

Raise PO to €27 on lower fuel costs; 46% TSR

We reiterate our Buy rating on Ryanair. The airline continues to show best-in-class operational performance and is a cost leader, allowing profitable growth from share gains, along with a strong balance sheet. Our FY25E EPS increases 7% due to our lower cost estimates, namely fuel. Our PO rises to €27 (from €25; ADR to \$170) on our higher earnings. Ryanair shares trade at 9x FY25E, well below their historical 13x average, which we think is unjustified given market share gains and 24% earnings growth.

Increasing FY25E net income estimate on lower costs

Our FY25E net income increases 7% on lower fuel costs and slightly better yields, as industry supply should remain tight in the near term, in our view, supporting fares. We lower FY25E capacity to 200m passengers on delayed Boeing deliveries, as per management comments. Our FY24E net income decreases to €1.9bn (from €1.95bn), as we lower our 2H fare estimates and update for reported F3Q passengers (41.3m). We now forecast F3Q24 fare growth of 13% y-y (from 17% before), as the removal of Ryanair flights from several OTAs (Online Travel Agents) in December will lead to softer fares in December and January to support load factors.

Capacity constraints benefit fares

Ryanair has flagged that it sees delays to Boeing's scheduled delivery and expects to be 5-10 aircraft short for the peak summer season. However, intra-EU capacity should remain constrained until 2026 due to consolidation, GTF engine issues and aircraft delivery delays – supporting fares. In addition, the airline should benefit from consumers downtrading as flag carriers hike prices.

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

We continue to expect a maiden dividend of €400m (2% yield), in line with the new policy (25% payout), with two payments of €200m in Feb 2024 and Sep 2024. With a net cash position of €2bn at end-FY24 on our estimates and increasing FCF, we 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	1.66	2.05	2.35
EPS Change (YoY)	76.7%	641.2%	43.6%	24.0%	14.6%
Dividend / Share	0	0	0.35	0.51	0.59
ADR EPS (Adjusted Diluted - US\$)	(1.24)	6.00	9.08	11.2	12.9
ADR Dividend / Share (US\$)	0	0	1.92	2.81	3.22
Valuation (Mar)					
P/E	NM	15.7x	10.9x	8.81x	7.69x
Dividend Yield	0%	0%	1.94%	2.84%	3.25%
EV / EBITDA*	47.0x	7.55x	5.60x	4.72x	4.33x
Free Cash Flow Yield*	4.81%	10.3%	7.53%	12.7%	15.4%

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

11 January 2024

Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	25.00	27.00
2024E EPS	1.71	1.66
2025E EPS	1.91	2.05
2026E EPS	2.12	2.35

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Stock Data

Price (Common / ADR)	18.08 EUR / 123.00USD
Price Objective	27.00 EUR / 170.00USD
Date Established	11-Jan-2024 / 11-Jan-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	13.64 EUR-19.45 EUR
Market Value (mn)	19,774 EUR
Shares Outstanding (mn)	1,094.0 / 218.8
Average Daily Value (mn)	28.98 USD
Free Float	96.0%
BofA Ticker / Exchange	RYAOF / LSE
BofA Ticker / Exchange	RYAAY / NAS
Bloomberg / Reuters	RYA ID / RYA.I
ROE (2024E)	28.3%
Net Dbt to Eqty (Mar-2023A)	-9.9%
ESGMeter™	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".

[Travel & Leisure: Year Ahead 2024: Back to America](#)

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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: 11 January 2024 12:30AM EST

iQprofileSM Ryanair

Key Income Statement Data (Mar)	2022A	2023A	2024E	2025E	2026E
(EUR Millions)					
Sales	4,801	10,775	13,445	14,670	16,392
EBITDA Adjusted	380	2,366	3,187	3,786	4,124
Depreciation & Amortization	(719)	(923)	(1,128)	(1,145)	(1,165)
EBIT Adjusted	(340)	1,443	2,059	2,641	2,959
Net Interest & Other Income	(90.2)	(0.10)	84.2	121	207
Tax Expense / Benefit	189	(129)	(249)	(414)	(475)
Net Income (Adjusted)	(241)	1,314	1,894	2,348	2,691
Average Fully Diluted Shares Outstanding	1,131	1,140	1,144	1,144	1,144

Key Cash Flow Statement Data					
Net Income (Reported)	(355)	1,428	1,894	2,348	2,691
Depreciation & Amortization	719	923	1,128	1,145	1,165
Change in Working Capital	1,640	1,500	1,080	428	616
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(64.0)	39.5	250	(0.23)	(0.32)
Cash Flow from Operations	1,941	3,891	4,353	3,921	4,472
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	691	0	0
Cash Flow from Investing	(1,414)	(1,901)	(2,109)	(1,300)	(1,300)
Share Issue / (Repurchase)	46.8	31.7	3.10	0	0
Cost of Dividends Paid	0	0	(401)	(401)	(587)
Increase (decrease) debt	(349)	(961)	(1,315)	(60.3)	(850)
Other CFF	(234)	(125)	201	(43.2)	(43.2)
Cash Flow from Financing	(537)	(1,054)	(1,512)	(504)	(1,480)
Total Cash Flow (CFO + CFI + CFF)	(10.4)	936	732	2,117	1,691
FX and other changes to cash	486	113	(687)	0	0
Change in Cash	476	1,049	45.2	2,117	1,691
Change in Net Debt	(825)	(2,010)	(1,360)	(2,177)	(2,541)
Net Debt	1,452	(559)	(1,919)	(4,096)	(6,638)

Key Balance Sheet Data					
Property, Plant & Equipment	9,095	9,909	10,944	11,136	11,311
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	146	146	188	195	198
Other Non-Current Assets	433	439	504	504	504
Trade Receivables	43.5	59.7	82.6	90.1	101
Cash & Equivalents	3,626	4,675	4,720	6,837	8,528
Other Current Assets	1,806	1,177	1,080	1,123	1,184
Total Assets	15,150	16,406	17,519	19,885	21,826
Long-Term Debt	3,796	3,016	2,724	2,664	1,814
Other Non-Current Liabilities	410	325	677	677	677
Short-Term Debt	1,281	1,100	76.8	76.8	76.8
Other Current Liabilities	4,117	6,322	6,297	6,776	7,463
Total Liabilities	9,605	10,763	9,775	10,194	10,031
Total Equity	5,545	5,643	7,744	9,691	11,795
Total Equity & Liabilities	15,150	16,406	17,519	19,885	21,826

Business Performance*					
Return On Capital Employed	-1.76%	12.3%	17.7%	19.3%	19.6%
Return On Equity	-4.73%	23.5%	28.3%	26.9%	25.0%
Operating Margin	-7.07%	13.4%	15.3%	18.0%	18.1%
Free Cash Flow (MM)	983	2,109	1,553	2,621	3,172

Quality of Earnings*					
Cash Realization Ratio	NM	2.96x	2.30x	1.67x	1.66x
Asset Replacement Ratio	1.64x	2.07x	2.48x	1.14x	1.12x
Tax Rate	44.0%	8.92%	11.6%	15.0%	15.0%
Net Debt/Equity	26.2%	-9.90%	-24.8%	-42.3%	-56.3%
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	2.7x

Quarterly Earnings Estimates

	2023	2024
Q1	0.16A	0.58A
Q2	0.95A	1.32A
Q3	0.18A	0.02E
Q4	-0.13A	-0.27E

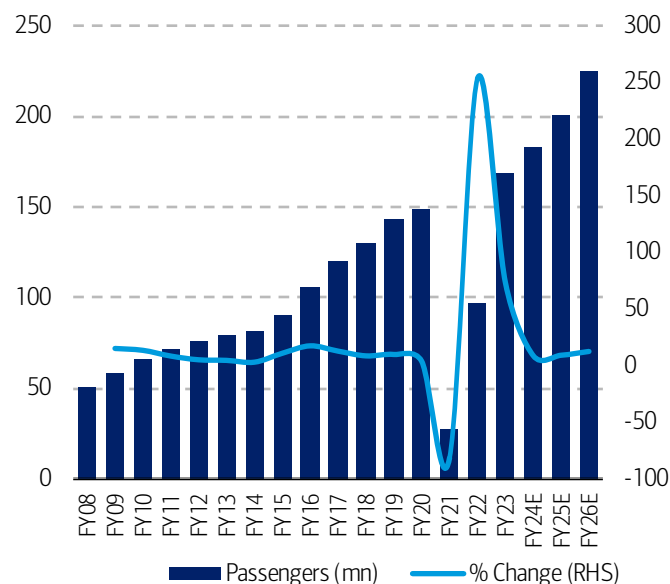
Key Changes

(US\$)	Previous	Current
Price Obj.	150.00	170.00
2024E EPS	9.36	9.08
2025E EPS	10.47	11.25
2026E EPS	11.65	12.90

Changes to estimates

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

Ryanair targets to fly 200m passengers in FY25E

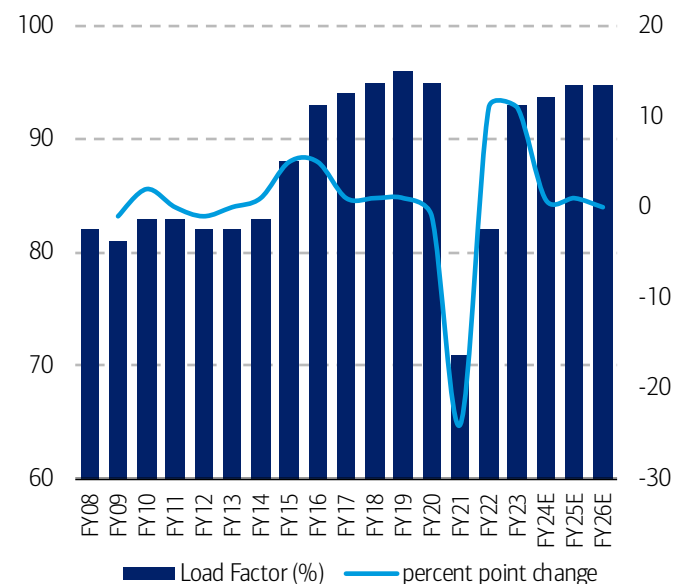


Source: BofA Global Research estimates, Company Reports

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

We forecast loads to recover to 95% in FY25E

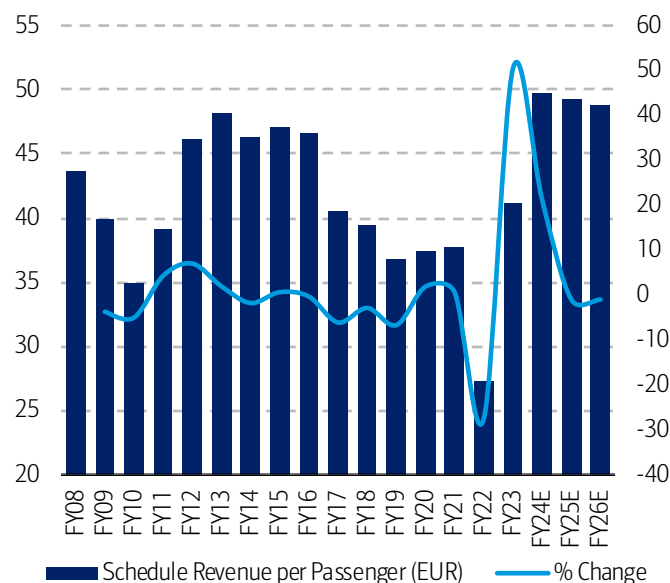


Source: BofA Global Research estimates, Company Reports

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Exhibit 3: Passenger fares (€)

We forecast fares to decrease -1% in FY25E

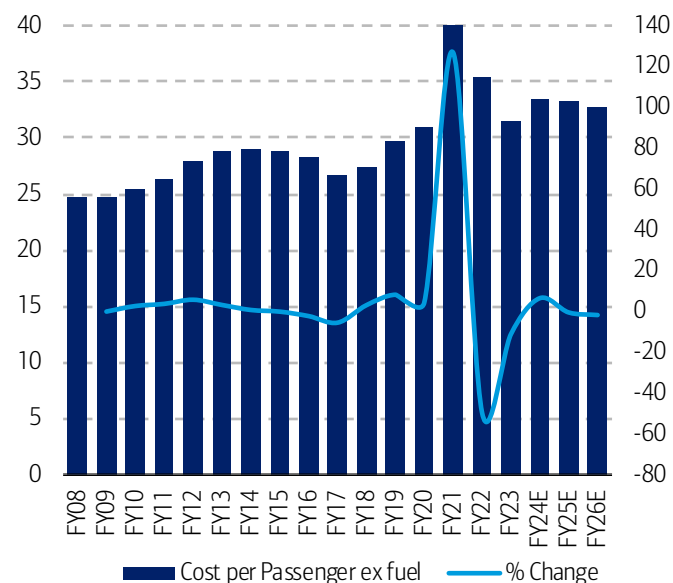


Source: BofA Global Research estimates, company report

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Exhibit 4: Cost per passenger ex fuel (€)

We forecast FY25E unit costs ex fuel to remain largely flat

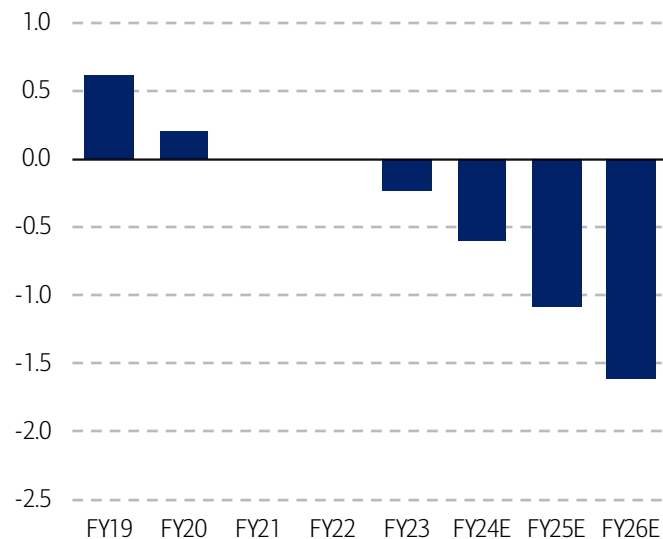


Source: BofA Global Research estimates, Company Reports

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Exhibit 5: Net Debt to EBITDA

Ryanair has a net cash position of €2bn in FY24E on our estimates

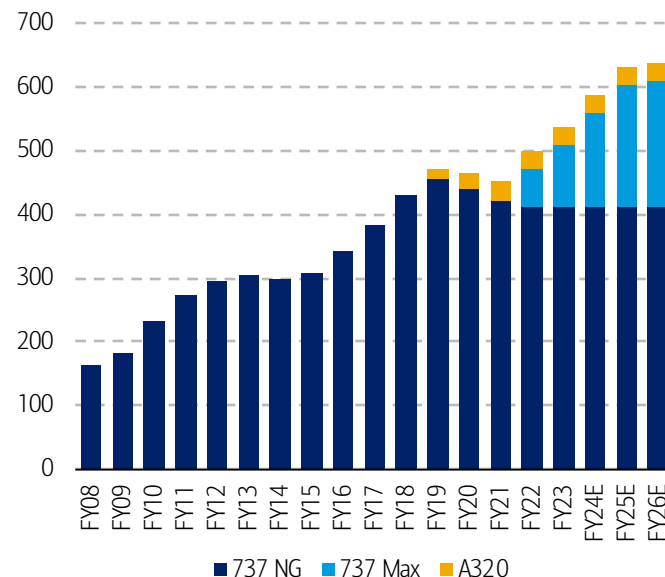


Source: BofA Global Research estimates, Company Reports

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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 raise our FY25E net income estimate by 7% to €2.35bn

(€m)	New			Old			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	13,445	14,670	16,392	13,463	14,788	16,341	0%	-1%	0%
EBITDA	3,187	3,786	4,124	3,252	3,591	3,820	-2%	5%	8%
% margin	24%	26%	25%	24%	24%	23%			
EBIT	2,059	2,641	2,959	2,124	2,446	2,655	-3%	8%	11%
% margin	15%	18%	18%	16%	17%	16%			
Net income	1,894	2,348	2,691	1,953	2,184	2,431	-3%	7%	11%
% margin	14%	16%	16%	15%	15%	15%			
EPS (€)	1.66	2.05	2.35	1.71	1.91	2.12	-3%	7%	11%

Source: BofA Global Research estimates

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Exhibit 8: BofA estimates vs consensus

We are 3% below consensus on FY25E net income

	BofA Est			Consensus			% Difference		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	13,445	14,670	16,392	13,356	14,760	16,176	1%	-1%	1%
EBITDA	3,187	3,786	4,124	3,211	3,841	4,190	-1%	-1%	-2%
% margin	23.7	25.8	25.2	24.0	26.0	25.9			
EBIT	2,059	2,641	2,959	2,118	2,666	2,897	-3%	-1%	2%
% margin	15.3	18.0	18.1	15.9	18.1	17.9			
Clean Net Income	1,894	2,348	2,691	1,927	2,419	2,637	-2%	-3%	2%
% margin	14.1	16.0	16.4	14.4	16.4	16.3			

Exhibit 8: BofA estimates vs consensus

We are 3% below consensus on FY25E net income

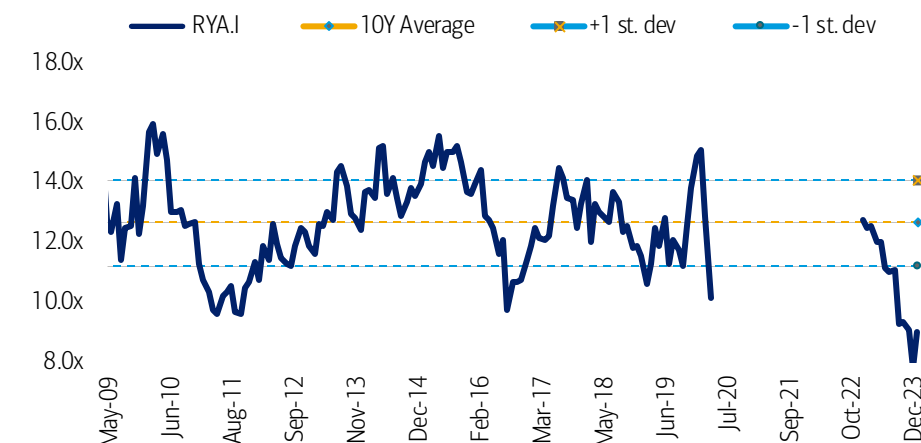
	BofA Est				Consensus				% Difference		
Reported EPS (€)	1.66	2.05	2.35		1.70	2.10	2.33		-3%	-2%	1%

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	18.45	18.45	18.45
Total Shares Outstanding	1,133	1,113	1,137	1,139	1,139	1,139
Market Cap	12,875	10,253	16,916	21,012	21,012	21,012
Plus: Net debt	1,037	403	-559	-1,919	-4,096	-6,638
Less: Associates	0	0	169	200	200	200
Enterprise Value	13,912	10,656	16,188	18,892	16,715	14,174
Revenue	7,697	8,495	10,775	13,445	14,670	16,392
EV/Revenue	1.8	1.3	1.5	1.4	1.1	0.9
EBITDA	1,657	1,876	2,366	3,187	3,786	4,124
EV/EBITDA	8.4	5.7	6.8	5.9	4.4	3.4
EBIT	1,017	1,127	1,443	2,059	2,641	2,959
EV/EBIT	13.7	9.5	11.2	9.2	6.3	4.8
EPS	0.77	0.89	1.25	1.66	2.05	2.35
P/E	14.8	10.3	11.9	11.1	9.0	7.8
Dividend per share (in cents)	0.00	0.00	0.00	0.35	0.51	0.59
Dividend yield	0.0	0.0	0.0	1.9	2.8	3.2
FCF	471	681	2,062	1,509	2,578	3,128
FCF yield	3.7	6.6	12.2	7.2	12.3	14.9
BV/share	4.2	4.5	4.9	5.9	7.7	9.4
P/BV	2.7	2.0	3.0	3.1	2.4	2.0

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
Invested Capital	6,797	7,003	6,692	6,272	6,548	6,214
EV/ IC	2.0	1.5	2.4	3.0	2.6	2.3
ROIC Pre-Tax	15.8%	16.2%	21.0%	32.8%	40.3%	47.6%
ROIC Post-Tax	13.8%	16.2%	18.4%	28.7%	35.3%	41.7%
ROIC/WACC	1.7	2.0	2.2	3.5	4.3	5.0
ROE	18.3%	12.8%	23.5%	28.3%	26.9%	25.0%
ROE / CoE	2.1	1.5	2.7	3.2	3.1	2.9

Source: BofA Global Research estimates, company report

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Price objective basis & risk

Ryanair (RYAOF / RYAA Y)

We base our EUR27 (US\$170) 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	NXPGE	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 valuations. 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.

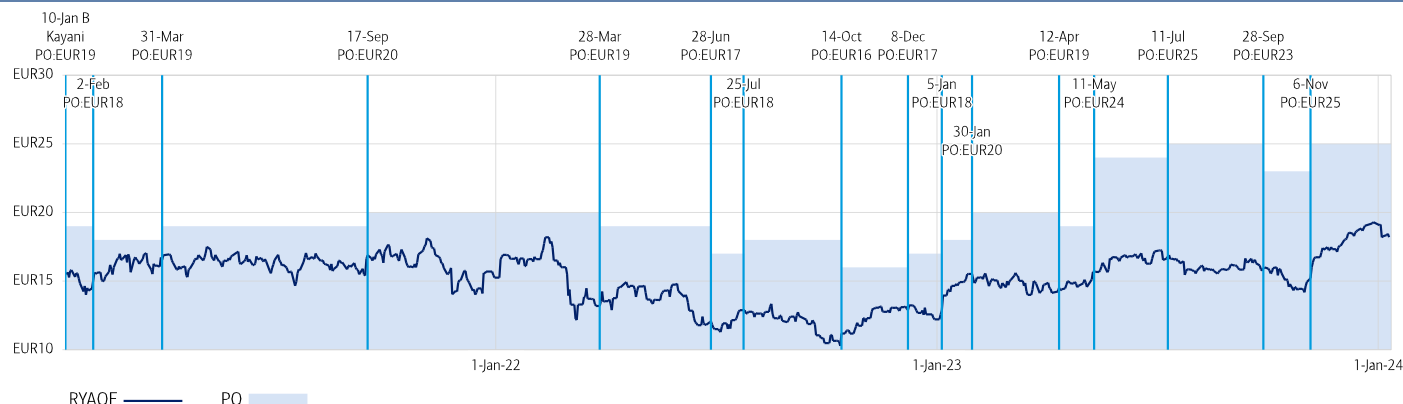
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Disclosures

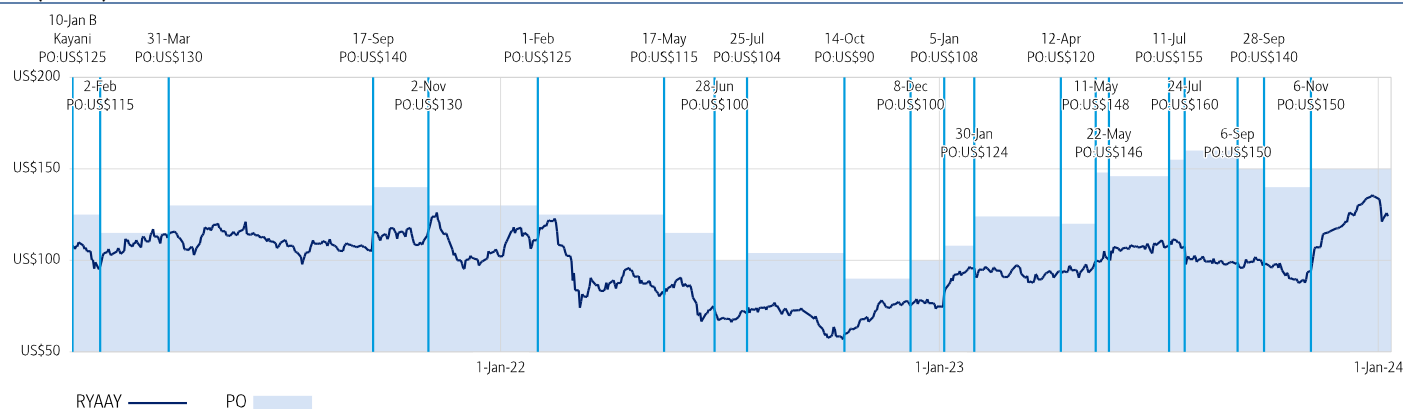
Important Disclosures

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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