

# Airlines

**Most preferred**  
Ryanair | TP € 20

**Least preferred**  
Lufthansa | TP € 8.8

## Indian summer – a cloud with a silver lining for UK carriers?

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Price 07/15/21	Reco.	Curr.	Price	TP
Air France-KLM	Underperform	EUR	3.80	3.80
easyJet	Outperform	GBP	822.60	1200.00
IAG	Neutral	EUR	1.94	2.10
Lufthansa	Underperform	EUR	9.57	8.80
Ryanair	Outperform	EUR	15.71	20.00
Wizz Air	Neutral	GBP	4393.00	4890.00

Next Events		
23/07/2021	Air France-KLM	Earnings Release
28/07/2021	Wizz Air	Q1 Results
30/07/2021	IAG	Earnings Release
05/08/2021	Lufthansa	H1 Results
28/10/2021	Lufthansa	Q3 Results

*Uncertainty around the spread of the Delta variant in Europe points to a risk of renewed targeted restrictions for the countries most affected like the UK. We are adopting a more conservative view on the capacity situation at IAG and easyJet (target prices lowered). Ryanair is now our Top Pick in the sector.*

### Gradual return of capacity but the Delta variant limits upside

Despite the resurgence of the epidemic in some areas, the return of capacity in Europe has gathered momentum in recent weeks (at 16 July, Europe showed 63% of pre-crisis capacity, key drivers being France, Germany, and Spain) and the carriers in our coverage universe are seeing a marked acceleration in bookings, albeit with a very short time horizon. However, the rapid spread of the Delta variant in the UK, Spain and Portugal - though this is not reflected in the number of deaths and hospitalisations - may limit the potential for the capacity situation to largely return to normal by the year's end on intra-European routes (implementation of targeted restrictions) and delay the opening up of the transatlantic routes on the US side.

### Adjustments to our capacity estimates out of the UK

For Q3 2021, we are adopting a more conservative view capacity-wise for carriers with significant exposure to the UK, notably easyJet and IAG. That said, we remain confident that supply growth will accelerate as of Q4 2021, once EU countries catch up in terms of vaccination rates and transatlantic routes are back up and running. We believe that Ryanair will stand out thanks to its extensive network and its proven ability to reallocate its capacity to faster-growing markets. Similarly, Wizz Air will step up the return of its capacity but the smaller contribution from the UK and dilution expected from new routes will take a toll on the stock. Also, this uncertainty on the re-introduction of targeted restrictions will likely require an additional effort in terms of network planning for all the airlines in our universe and will inevitably impact on booking curves and pricing.

### Additional effort on the cost base now needed and easier to put in place for IAG and easyJet

The COVID crisis has been an opportunity for European carriers to focus on their cost structure and to generate structural savings, as at easyJet and British Airways with the introduction of variable contracts (pilots and cabin crew) and at Air France-KLM and Lufthansa with substantial fleet simplification efforts. But the return of inflation (airport fees, navigation costs, fuel, etc.) risks wiping out the bulk of these savings. We think that the delay in the recovery of capacity in the UK may be a trigger for IAG and easyJet to undertake more restructuring, notably for the fleet and network (delayed return to Gatwick airport for British Airways?), with potentially positive repercussions pricing-wise in the medium term.

### Sufficient liquidity but deleveraging is a priority

We think the groups in our coverage universe should end 2021 with levels of liquidity representing between 20% and 47% of 2019 sales vs a normative level that we deem to be satisfactory at 15% of sales. This is still a comfortable level to manage the next few months, but the shift to the right in the normalisation of capacity makes debt reduction a priority. For Air France-KLM and Lufthansa, the risk of dilution remains high.

### Positive bias for LCC - Ryanair is now our Top Pick

We still prefer low-cost carriers to the majors, but our Top Pick is now Ryanair as it continues to benefit from its extensive network, the flexibility of its business model, its level of liquidity and its lower debt burden. We have adjusted our capacity growth profile in the short term for IAG (target price € 2.1 vs € 2.5) et easyJet (target price 1 200p vs 1 250p), but we remain confident in their catch-up potential as early as Q4 and we think that they will benefit from greater pricing power in the medium term thanks to lower competitive pressures in the UK.

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## Main changes

	Currency	Market Cap (m)	Rating		TP		EPS		PE (x)	
			Revised	Former	Revised	Former	2021e	2022e	2021e	2022e
EasyJet	p	3 266	Outperform	Outperform	1200.0	1250.0	-200.04	59.97	ns	13.7
IAG	€	3 941	Neutral	Neutral	2.1	2.5	-0.52	0.16	ns	11.8
Ryanair	€	17 586	Outperform	Outperform	20.0	20.0	0.11	1.58	142.3	9.9
Wizz Air	p	4 414	Neutral	Neutral	4890.0	4890.0	-2.02	2.49	ns	20.7



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# TANGIBLE IMPROVEMENT IN CAPACITY IN EUROPE BUT CAUTION ON THE NORMALISATION PATH

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*Despite the resurgence in the epidemic in some areas, the return of capacity has accelerated in recent weeks (as vaccination campaigns have ramped up and the bulk of the restrictions have been lifted), thanks to France, Germany and Spain. At the same time, the carriers in our coverage universe have all seen a sharp uptick in bookings but with a still very short time horizon, which limits any scope in terms of yield management.*

*However, the rapid spread of the Delta variant in the UK, Spain and Portugal - though this is not reflected in the number of deaths and hospitalisations - may see the re-introduction of targeted restrictions, thus curbing the potential for the capacity situation to largely return to normal by the year's end on intra-European routes and delay the opening up of transatlantic routes on the US side to the autumn.*

## Renewed optimism on Europe for summer season...

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### Visible capacity expansion in July

Capacity has continued to expand in recent weeks despite the resurgence in the epidemic in some areas. Worldwide seat capacity in the third week of July is up 1.5% on that of the previous week and now stands at 67.1% of the 2019 level, according to OAG. The acceleration is especially visible in some European markets which were showing a significant lag such as France, Spain or Germany, albeit with a leisure focus. The trend in the UK has moved in line with the government's comments, with a recent catch-up in supply, although it is still around one-third of the level for the same period in 2019.



### Top 20 scheduled capacities in the second week in July

Country	8 July 2019	20 Jan 2020	28 June 2021	5 July 2021	% Chg. WoW	% chg. vs 20 Jan 2020	% chg. vs w/c 8 July 2019
USA	23 546 343	20 749 829	18 865 201	19 389 546	2.8%	-6.6%	-17.7%
China	16 819 813	16 882 726	15 940 213	17 324 943	8.7%	2.6%	3.0%
Russian Federation	2 749 034	2 158 058	2 793 064	2 781 979	-0.4%	28.9%	1.2%
Spain	3 681 391	2 226 308	2 132 571	2 336 274	9.6%	4.9%	-36.5%
India	3 982 922	4 255 510	2 169 518	2 255 799	4.0%	-47.0%	-43.4%
Turkey	2 617 542	1 924 284	1 951 154	2 078 706	6.5%	8.0%	-20.6%
Japan	4 179 855	4 121 355	1 741 678	1 789 768	2.8%	-56.6%	-57.2%
Indonesia	2 970 995	3 144 407	1 755 473	1 740 561	-0.8%	-44.6%	-41.4%
Italy	2 723 868	1 775 401	1 556 866	1 697 879	9.1%	-4.4%	-37.7%
Mexico	1 929 916	1 920 941	1 642 745	1 682 178	2.4%	-12.4%	-12.8%
Brazil	2 609 213	2 842 645	1 537 061	1 679 653	9.3%	-40.9%	-35.6%
France	2 624 328	1 842 023	1 424 371	1 593 191	11.9%	-13.5%	-39.3%
Germany	3 415 325	2 519 489	1 402 499	1 519 500	8.3%	-39.7%	-55.5%
Australia	2 162 927	2 058 708	1 355 670	1 095 635	-19.2%	-46.8%	-49.3%
United Kingdom	3 885 401	2 712 915	1 020 711	1 048 700	2.7%	-61.3%	-73.0%
Republic of Korea	1 816 448	1 823 750	975 874	972 418	-0.4%	-46.7%	-46.5%
Greece	1 149 862	319 763	846 681	929 938	9.8%	190.8%	-19.1%
Saudi Arabia	1 277 647	1 344 926	800 317	804 484	0.5%	-40.2%	-37.0%
Canada	2 271 989	1 884 093	686 899	749 251	9.1%	-60.2%	-67.0%
United Arab Emirates	1 495 488	1 476 244	663 640	712 632	7.4%	-51.7%	-52.3%

Table 1 - Sources: ODDO BHF Securities, OAG

### Europe shows the equivalent of 60% of pre-crisis capacity, thanks to France, Germany and Spain

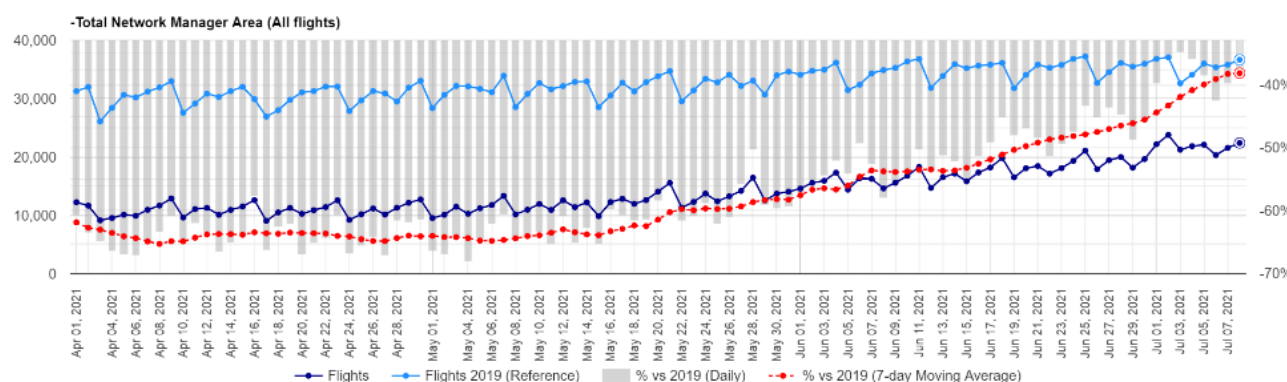


Chart 2 - Sources: ODDO BHF Securities, Eurocontrol

## Vaccination roll-out and entry into force of COVID passes to underpin recovery

The key to the upturn clearly lies with borders opening up again, which in turn largely hinges on the harmonisation of vaccination rates. We continue to apply very differentiated analysis for the medium- and long-haul segments. At the **intra-European level, we are more confident** thanks to the recent acceleration in the pace of vaccination, with the transition from 45% to 55% of the European Union population having received at least one dose in less than a month. The continuation of this trend should help secure the **reconstruction of networks beyond the winter season**. The coming onstream of the European **COVID pass** early July should help facilitate the end of the summer season but there is still considerable confusion in Europe regarding exemptions, the quality and timing of the tests and the timing after the second dose... In contrast, for the **intercontinental segment, caution is still the watchword** as sharply contrasting vaccination rates make a volume return highly sensitive to any shift in the epidemic. As an illustration, with the rapid development of the Delta variant, Australia – with only one-quarter of the population having received one dose – was forced to stop its reopening phase with a decline in capacity of 6.1% in June compared to May.



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### An acceleration in bookings but with a short time horizon

Recent comments from carriers all point to a rapid **acceleration in bookings but with a still short time horizon**. Mid-June, Lufthansa indicated that it had seen bookings double from the level in March and April boosted by leisure demand both for European destinations around the Mediterranean but also for long haul. Air France-KLM, meanwhile, signalled an acceleration in load factors in its bookings (44.2% for long-haul flights in July and August and 36.3% for short- and medium-haul flights). Ryanair reported the same flows (Germany, Benelux and Scandinavia to Portugal, Spain, Greece and Italy) but only 50% of the seats offered for July had been booked at 1 July and 30% for August vs 70% normally. This trend has been accompanied **by pressure on prices** which could **dip in the run up to 19 July**, when Britons will regain greater freedom.

**...but the spread of the Delta variant, particularly in the UK, is delaying the return to pre-crisis levels ...**

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### Rapid spread of the Delta variant but little impact at this stage on hospitalisations and deaths...

The data available at 16 July shows an acceleration in Delta variant infection rates, especially in the UK (with 500 cases per million exceeded), Spain and Portugal. In contrast to the infection peaks in previous waves, this increase is not yet reflected in levels of hospital admission and deaths which **suggests that vaccination is having an impact on serious forms of the disease**.

In the UK, a comparison of the data related to new infections and to hospital admissions shows that the gap of around 15 days, seen in the peak at the start of the year, is tending to lengthen and the admissions curve is flattening out, which is clearly reassuring.

On this basis, **the situation looks unlikely to spiral out of control**, which would account for the UK government's more relaxed attitude with the decision to lift all restrictions from 19 July, including the most controversial rule on mask wearing in enclosed spaces. This approach seems to be in contrast to the caution shown in the lockdown easing roadmap and speaks to the degree of confidence displayed by the government. But caution is still in order.

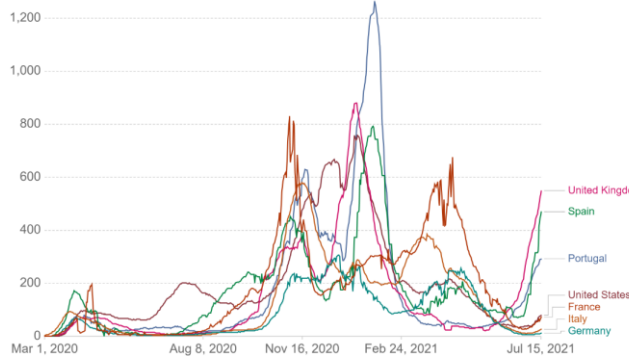


### Delta variant on the rise in UK, Spain and Portugal...

### ...but hospitalisation levels still largely stable ...

#### Daily new confirmed COVID-19 cases per million people

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

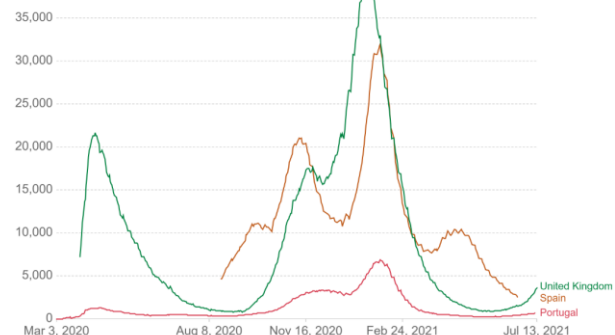


Source: Johns Hopkins University CSSE COVID-19 Data

Our World in Data

#### Number of COVID-19 patients in hospital

Our World in Data



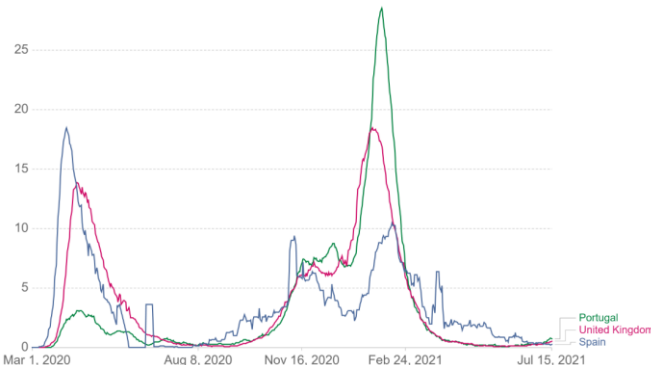
Source: European CDC for EU countries, government sources for other countries - Last updated 15 July, 14:00 (London time)  
OurWorldInData.org/coronavirus - CC BY

Chart 3 - Sources: ODDO BHF Securities, Our World in Data

### ... and the number of deaths is stable at a low level

#### Daily new confirmed COVID-19 deaths per million people

Shown is the rolling 7-day average. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: Johns Hopkins University CSSE COVID-19 Data

Our World in Data

CC BY

### The correlation between hospital admissions and COVID cases seems to be fading in the UK

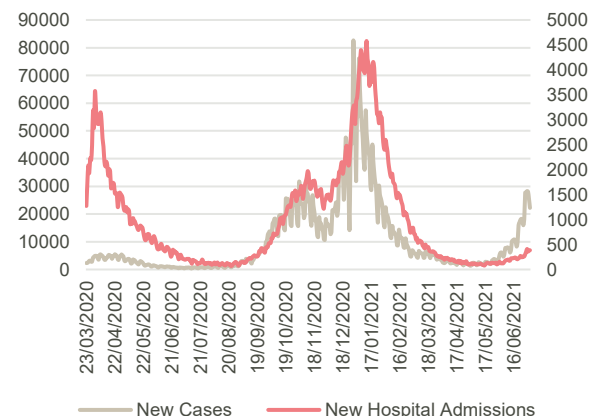


Chart 4 - Sources: ODDO BHF Securities, Our World in Data, Coronavirus.data.gov.uk

Indeed, for our pharmaceutical analysts, it is still too early to draw conclusions on the spread of Delta variant, given the lack of data regarding: i/ the profile of people infected (people that are fully or partially vaccinated or not vaccinated at all, the proportion of teenagers in the new cases, etc.), and ii/ the need for a booster jab (the UK was the among the first countries to vaccinate which may impact on the level of neutralising antibodies in those with an initial dose). Moreover, the scenario of the need for a third dose is gaining ground and Pfizer/BioNTech recently announced their intention to request the authorisation shortly for a third dose of their vaccine against COVID-19, in the US and in Europe notably. According to the companies, the booster strengthens immune system protection, including against variants.

In conclusion, our pharmaceutical analysts believe that the end of this year **will be complicated with the emergence of new forms and plateaus in terms of vaccination (60-70%)** that could be tough to improve on. This implies that the pandemic will continue until the end of the year. Moreover, there will need to be a catch-up in terms of vaccination in emerging countries to be able to enter an epidemic phase in 2022 and 2023 where COVID then becomes a more conventional respiratory condition.



## ...but delays in terms of vaccination raise fears of renewed targeted restrictions

While the lower correlation in the UK between infection rates and the number of hospitalisations is reassuring and sets the stage for a greater easing of restrictions in air transport out of the UK over the next few days (more countries added to the green list and lifting of restrictions on double-vaccinated Britons returning from countries on the amber list), **the gaps in terms of vaccination between the UK and EU are still sizeable** and may prompt the latter to **tighten restrictions on UK travellers over concerns the virus could spread more quickly**.

To put things in context, the UK is currently the **most vaccinated country** in Europe with the equivalent of **52% of the population fully vaccinated** and an additional 16% having received only one dose. The average for the European Union currently stands at **41% and 14% respectively**. Some countries have already taken action, with: i/ on the one hand, Italy, Spain and Portugal beginning to impose **quarantining for unvaccinated Britons** entering the country, and ii/ on the other, Germany taking a more radical approach, with the **imposition of a 14-day quarantine for Britons** entering the country, whether vaccinated or not. It would even favour a ban on all British travellers entering the **EU** pending better vaccination coverage. More recently, Malta decided to close its borders to unvaccinated people to counter the epidemic, even where they have a PCR test, as recommended under European rules.

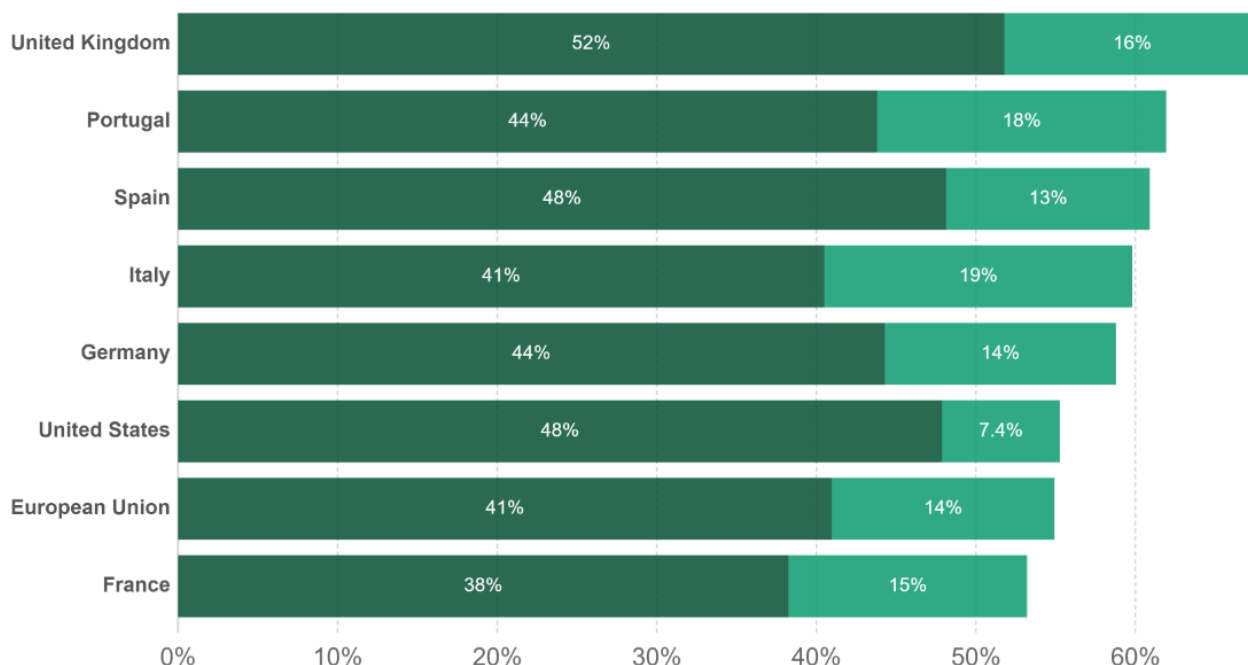
### Vaccination levels in Europe

#### Share of people vaccinated against COVID-19, Jul 14, 2021

Our World  
in Data

This data is only available for countries which report the breakdown of doses administered by first and second doses.

■ Share of people fully vaccinated against COVID-19 ■ Share of people only partly vaccinated against COVID-19



Source: Official data collated by Our World in Data

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Chart 5 – Sources: ODDO BHF Securities, Our World in DATA

If these **restrictions were to become more widespread, they would inevitably impact on booking curves out of the UK**, as travellers would likely prefer to postpone their holiday pending clearer visibility. With the **UK being the primary source market in Europe**, with the equivalent of 30% of passengers carried, a virtual normalisation of traffic levels within Europe would likely be pushed even further to the right (probably sometime in 2022).





The UK is not the only country that could be the target of restrictions, as the two key tourist markets, namely Spain and Portugal, could also be impacted (for the time being, France is recommending its citizens avoid these two destinations), which could further complicate the recovery path for traffic within Europe.

#### The UK is the largest source market within Europe in terms of air transport (thousands in 2018)

	Total transport		National transport		International intra-EU-28 transport		International extra-EU-28 transport	
	Number of passengers	Growth (%) 2017-2018	Number of passengers	Growth (%) 2017-2018	Number of passengers	Growth (%) 2017-2018	Number of passengers	Growth (%) 2017-2018
EU-28*	1 105 937	6.0	181 850	3.6	513 531	4.6	410 555	9.1
United Kingdom	272 190	2.9	23 661	1	167 477	1.4	81 053	6.6
Germany	222 422	4.7	23 626	-0.9	123 158	4.5	75 638	7
Spain	220 611	5.1	40 057	10.8	148 341	3.2	32 213	7.7
France	161 991	5.1	31 035	3.4	72 894	4.8	58 062	6.5
Italy	153 352	6.3	32 183	3.4	90 443	5.5	30 727	11.7
Netherlands	79 644	4.5	3	21.4	50 088	3.6	29 553	6
Greece	54 259	8.1	8 554	2.6	36 699	10.1	9 006	5.9
Portugal	51 018	7	5 170	4.3	36 156	5.9	9 692	13.2
Poland	43 746	16.1	1 905	-13.9	31 401	12	10 440	40.4
Sweden	38 945	1.3	7 640	-2.8	23 710	1	7 595	6.7
Ireland	36 345	6	99	13.6	29 906	4.1	6 341	15.9
Denmark	34 701	4.3	1 947	-0.2	23 475	3.3	9 279	8.2
Belgium	34 506	3.7	9	-10.9	24 717	0.8	9 781	11.9
Austria	31 138	9.9	585	10.1	21 267	8.7	9 286	12.8
Finland	22 174	10.6	2 992	8.4	13 579	8.8	5 603	16.3
Romania	19 317	7.7	1 420	3.7	15 191	5.9	2 706	21.7
Czechia	17 838	9.8	62	-8.5	12 200	7.2	5 577	16.2
Hungary	15 176	13.7	0	30.6	11 530	8.7	3 646	32.9
Bulgaria	12 138	9.4	315	12.5	9 414	10.6	2 408	4.5
Cyprus	10 927	6.7	0	-	7 424	9	3 503	2.2
Croatia	9 731	10	528	0.4	7 498	9.1	1 705	18.3
Latvia	7 037	15.8	11	67.6	4 984	12.9	2 043	23.2
Malta	6 806	13.3	0	5042.9	6 179	12.4	627	22.7
Lithuania	6 254	19.2	0	1547.8	4 681	17	1 573	26.5
Luxembourg	3 989	12.2	1	-31.1	3 599	12	389	14.8
Estonia	2 996	13.7	28	13.3	2 330	11.2	638	23.6
Slovakia	2 794	16.3	21	-14.5	2 003	11.7	771	31.5
Slovenia	1 811	7.6	0*	-	1 111	10.1	700	3.9

Table 6 - Source: Eurostat, (1) Double counting is excluded in the intra-EU-28 and total EU-28 aggregates by taking into consideration only departure declarations 0 less than 500 passengers carried, (-) not applicable, 0\* real zero no passengers carried

### ... raising the issue of the roadmap for opening transatlantic routes on the US side

The rapid spread of the Delta variant, particularly in the UK, has heightened concerns around the complete reopening of the transatlantic market (although IATA is optimistic it will open up again within a few weeks). While it is highly likely **the UK will include the USA on its green list as early as 19 July and the EU has already lifted most of its restrictions on US travellers**, there is no guarantee of reciprocity. Indeed, with USA carriers less dependent on international traffic and given the solid momentum on their domestic market (90% of pre-crisis capacity restored around 4 July), the lobby pushing for Europe-US links to be restored is currently stronger on the European side in view of the stakes profitability-wise.

As a result, a **more cautious attitude on US side** due to the Delta variant would limit the **potential offered by this network, notably as regards the core summer season**, and would hurt the majors in the short term, particularly IAG (13% market share pre-COVID) which is looking, according to OAG, for capacity to largely return to normal on the transatlantic network as early as August.



### Main carriers' capacity plans on transatlantic network in July and August

#### Long Way

Airlines ramp up transatlantic capacity despite U.S. restrictions on tourists

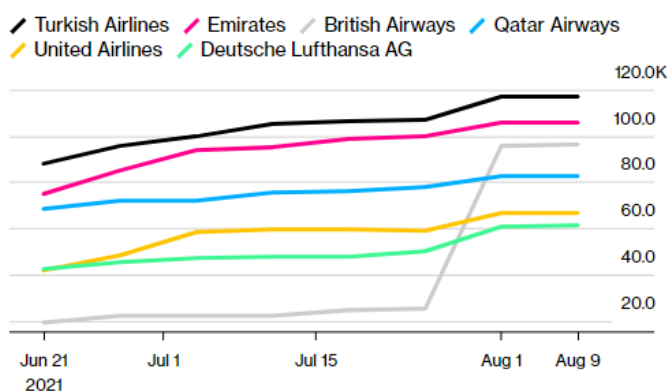


Chart 7 - Sources: ODDO BHF Securities, OAG

### Sales on transatlantic network estimated over period July-August 2019

Airline	Sum of total est. revenue (\$)	Number of seats operated	Revenue per seat (\$)
British Airways	1 013 619 252	1 866 877	543
United Airlines	856 770 258	2 176 009	394
Delta Airlines	809 240 744	2 596 903	312
Lufthansa German Airlines	583 681 833	1 669 120	350
American Airlines	573 402 476	2 167 172	265
Air France	422 918 528	1 216 078	348
Air Canada	393 819 572	1 747 432	225
Norwegian Air Shuttle	290 507 370	769 986	377
Aer Lingus	232 581 370	560 754	415
KLM Royal Dutch Airlines	231 145 639	673 300	343

Table 8 - Sources: ODDO BHF Securities, OAG Traffic & Schedules Analyzer



## WHAT IMPLICATIONS FOR OUR SECTOR HIERARCHY?

We think that there is a strong likelihood of targeted restrictions being reintroduced in Europe (in a bid to curb the spread of the Delta variant). As a result, we are adopting a more conservative view capacity-wise in Q3 for carriers with significant exposure to the UK, notably easyJet (Outperform, target price 1,200p vs 1,250p) and IAG (Neutral, target price € 2.1 vs € 2.5). This deferral of the recovery in supply could be a trigger for further restructuring at the two airlines in our view.

Conversely, we believe that Ryanair (which becomes our Top Pick, target price € 20) should do well thanks to its extensive network and proven ability to swiftly reallocate its capacity to faster-growing markets. Wizz Air (Neutral, target price 4,890p) will step up the return of its capacity but the smaller contribution from the UK and dilution expected from new routes will take a toll on the stock.

Moreover, while liquidity levels remain broadly comfortable for the stocks we cover, deleveraging is increasingly becoming a priority with a strong risk of dilution at Air France-KLM (Underperform, target price € 3.8) and Lufthansa (Underperform, target price € 8.8).

### Our sector hierarchy (ajouter une flèche)

	Target price	Reco.	Comments
<b>Ryanair</b>	€ 20.0	Outperform	We still think that the leeway on costs (hefty negotiating clout with airports and pilots due to its growth profile, underpinned by the arrival of the 737Max as early as 2021) coupled with a comfortable cash position, will allow Ryanair to adjust to shifts in demand more quickly and seize the opportunities expected as competitors scale back capacity. The stock is trading on an attractive FY 2022-23e P/E multiple of 9.9x.
<b>easyJet</b>	1,200p vs 1,250p	Outperform	While visibility remains fairly limited in the short term, we believe that easyJet will be able to seize opportunities on its markets, particularly in the UK. Moreover, we remain confident on the group's ability to catch up on cost savings vs its peers. In addition, we find the current valuation attractive (FY 2022-23 P/E at 7.8x vs 11.8x for the 10-year pre-crisis average).
<b>Wizz Air</b>	4,890p	Neutral	While we remain confident that low-cost carriers are poised to take advantage of the resumption of traffic within Europe, we think that Wizz Air might be penalised by the lag in terms of vaccinations in some CEE markets vs western countries, affecting the shape of the recovery in capacity. We therefore think that the premium currently displayed by the airline vis-a-vis peers is no longer justified.
<b>IAG</b>	€ 2.1 vs € 2.5	Neutral	Whilst uncertainty on the trajectory of the resumption of air traffic persists, notably in the long-haul segment, we think that progress made in terms of restructuring particularly at BA and the strong exposure to the transatlantic network on which discipline on capacity is anticipated limit the airline's risk profile vs peers. In terms of the valuation, we must look to 2024 to find attractive multiples with an EV/EBITDA of 3x.
<b>Air France-KLM</b>	€ 3.8	Underperform	The issue facing Air France-KLM is more one of leverage than liquidity (enough to hold out until the end of FY 2022 in a worst-case scenario). In view of the company's cash generation potential, the level of debt is likely to quickly become untenable and could prevent it from seizing certain opportunities (external growth, fleet expansion, etc.). The risk of dilution from balance sheet repair is still significant. The long-haul network recovery will only be gradual and will certainly require an acceleration in cost saving measures.
<b>Lufthansa</b>	€ 8.8	Underperform	The group's liquidity is comfortable enough to weather the crisis but the ambitious target of reimbursing the stabilisation package by 2023 will require a swift turnaround in asset values and a marked improvement in traffic to secure easy access to the markets. The risk of dilution from balance sheet repair is still significant. Our Underperform rating is motivated by the difficulty of rebuilding an airline network using a hub strategy and the deterioration in the mix (around 30% of pre-crisis sales stemmed from corporate clients).

Table 9 – Source: ODDO BHF Securities



## Greater caution on capacity, in particular for stocks exposed to the UK

While the recent Eurocontrol data show an acceleration in the number of flights operated by the stocks we cover from mid-May, we observe **wide disparities between airlines' capacity strategies**. In the low-cost segment, easyJet and Eurowings are the most cautious (42% and 38% of capacities restored – seven-day average at 11/07), while Wizz Air and Ryanair remain the most aggressive in terms of capacities with the equivalent of 87% and 69% of pre-crisis capacities restored as of the same date.

The major airlines or those exposed to international traffic continue their efforts to rebuild their networks. On one hand, **British Airways and Aer Lingus continue to be penalised by the restrictions on flights from the UK and Ireland** but the easing of the rules for flights departing the UK expected from 19 July will enable an improvement in capacities, and on the other hand, i/ **Air France and KLM** (including Transavia) **are restoring capacities more rapidly** (66% and 70% of 2019 levels, respectively, as of 11/07), which lends credibility to the goal of achieving the threshold of 70% this summer, and ii/ for Lufthansa, Swiss and Austrian, Q3 will be the real turning point with an acceleration in the return of supply (since the start of July, the airlines have strongly increased their offering with flights back to close to 50% of 2019 levels for Lufthansa, 50% for Swiss and 51% for Austrian).

### Growth in the number of flights in Europe (7-day average) since the start of April at LCCs...

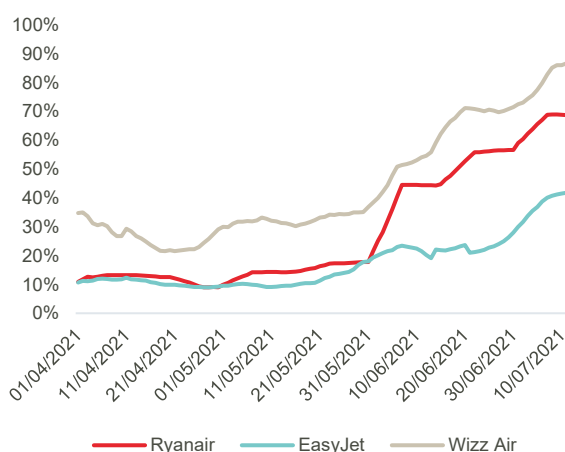
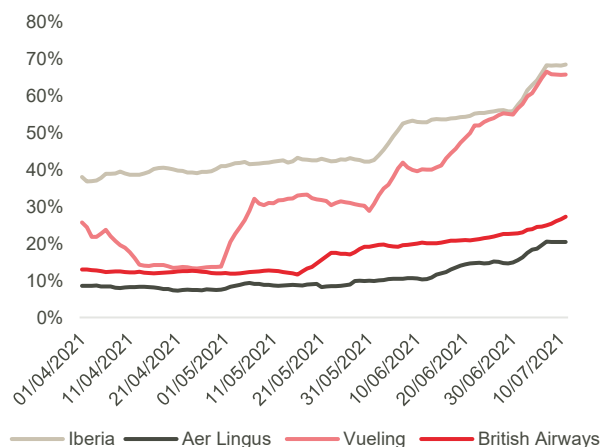


Chart 10 - Sources: ODDO BHF Securities, Eurocontrol

### ...and European majors in particular: IAG



### ...Air France-KLM...

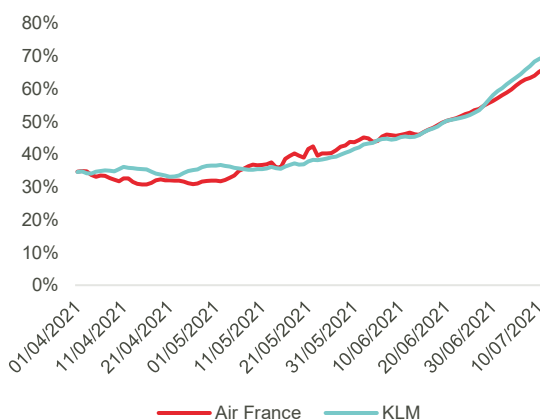
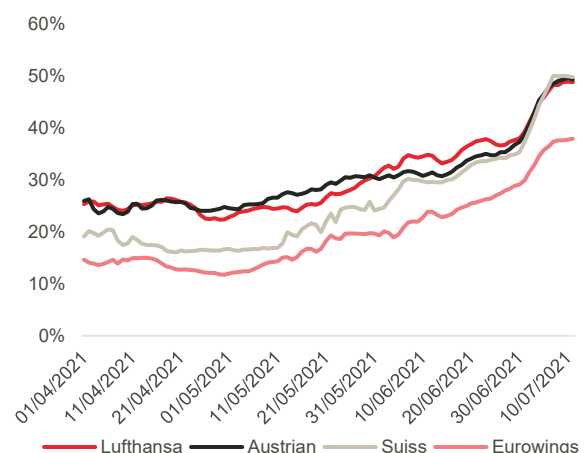


Chart 11 - Sources: ODDO BHF Securities, Eurocontrol

### ...and Lufthansa





For Q3 2021, we adopt a **more conservative view capacity-wise** for carriers with significant exposure to the UK, notably **easyJet and IAG**. We think that there is a strong likelihood of targeted restrictions being reintroduced in Europe (in a bid to curb the spread of the Delta variant). That said, **we remain confident supply growth will accelerate as of Q4 2021 for flights departing the UK**, once EU countries catch up in terms of vaccination rates and Transatlantic routes are back up and running.

In our view, **Ryanair should fare well** thanks to its extensive network and proven ability to swiftly reallocate capacity to faster-growing markets such as Germany and Italy. **Wizz Air will retain a high level of capacity** but will be **penalised by the lower contribution from the UK** (eastern Europe is on average lagging behind on the vaccination front, which could complicate the opening up without restrictions of certain routes) and **the dilution expected from new routes**.

We also think that the uncertainty surrounding the re-introduction of targeted restrictions will require **an additional effort in terms of network planning for all the airlines in our universe** and will inevitably have an impact on **booking curves**, which will **limit upside in terms of pricing**.

#### Estimated trend in capacity at the airlines we cover

Air France-KLM					Lufthansa					IAG				
ASK (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	ASK (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	ASK (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Network airlines					Network airlines					British Airways				
% FY 2019 passenger	48%	50%	52%	54%	% FY 2019 passenger	22%	30%	52%	65%	% FY 2019 passenger	15%	16%	45%	70%
% FY 2019 cargo	78%	83%	83%	88%	% FY 2019 cargo	66%	48%	81%	109%	% FY 2019 cargo	62%	61%	80%	98%
Transavia					Eurowings					Iberia, Vueling and Aer Lingus				
% FY 2019 passenger	17%	49%	77%	128%	% FY 2019 passenger	10%	33%	60%	63%	% FY 2019 passenger	26%	32%	60%	70%
ASK (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e	ASK (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e	ASK (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e
Network airlines					Network airlines					British Airways				
% FY 2019 passenger	46%	51%	72%	87%	% FY 2019 passenger	31%	43%	56%	65%	% FY 2019 passenger	34%	36%	75%	85%
% FY 2019 cargo	69%	83%	96%	98%	% FY 2019 cargo	61%	76%	84%	86%	% FY 2019 cargo	44%	75%	94%	103%
Transavia					Eurowings					Iberia, Vueling and Aer Lingus				
% FY 2019 passenger	41%	69%	100%	115%	% FY 2019 passenger	32%	43%	100%	170%	% FY 2019 passenger	33%	48%	86%	96%
easyJet (FY ends 30 September)					Ryanair (FY ends 31 March)					Wizz Air (FY ends 31 March)				
Seats (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Seats (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	ASK (m)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
% FY 2019	18%	9%	15%	50%	% FY 2019	26%	75%	80%	90%	% FY 2019	41%	85%	85%	90%
Seats (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e	ASK (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e	ASK (m)	FY 2020	FY 2021 e	FY 2022 e	FY 2023 e
% FY 2019	52%	24%	80%	100%	% FY 2019	25%	65%	105%	120%	% FY 2019	37%	75%	115%	150%

Table 12 - Source: ODDO BHF Securities

## Additional pressure on cost structures

For all of the airlines in our coverage, the crisis has provided an opportunity to refocus on the cost base and generate significant savings to slow cash burn. Besides the cyclical measures (short-time working, wage cuts, reduction in marketing expenses, etc.) that will be phased out once traffic is almost back to normal, some airlines have managed to generate more structural savings, such as easyJet and British Airways with the introduction of variable staff contracts, and Air France-KLM and Lufthansa with extensive fleet simplification efforts.

However, the return of inflation, particularly in **airport charges** (Fraport clearly stated that airport charges would increase by 4-5% from 2022, for Aéroports de Paris the increase will probably be around 2.5% in line with 2021 while AENA will unveil its new regulation contract in September), **navigation charges** and **the fuel bill** (YTD Brent is up 45% and CO<sub>2</sub> prices have more than doubled since the level of € 25 at the start of 2020), could **cancel out a large share of the savings already made**. At its H1 earnings release at the end of May, easyJet mentioned a figure of £ 500m in cost savings in the financial year to end-September 2021 (driven by payroll savings, long-term contracts with airports and ground handling,



savings on engineering and maintenance costs), **half of which is sustainable in the coming years**. However, the expected inflation in navigation costs, fleet ownership costs, interest expense and taxation in Switzerland will partly offset the positive effects of these cost savings.

We therefore think that the **delay in the recovery of capacity in the UK** may be a **trigger for IAG and easyJet to undertake further restructuring**, particularly in the **fleet and network** (deferral of the return to Gatwick airport for British Airways?), with **potentially positive repercussions pricing-wise in the medium term**.

#### Breakdown of cost-cutting measures

	Cost-cutting measures	2022 estimated structural gross savings	As % of 2019 sales
Air France-KLM	<ul style="list-style-type: none"> <li>- Labour cost reductions (FTE down 17%, short-time working mechanisms, reduction in performance bonuses, flight variable pay, outsourcing, etc.)</li> <li>- Fleet renewal and simplification (phasing-out of the A380, A340, B737-700 and CRJ vs introduction of the A350 and A220)</li> <li>- French domestic network restructuring</li> <li>- External expenses savings (suppliers and procurement)</li> </ul>	€ 1,300m	4.8%e
Lufthansa	<ul style="list-style-type: none"> <li>- Labour cost reductions (short-time work, reduction of overtime hours, unpaid leave, early retirement, long-term crisis packages, etc.)</li> <li>- Fleet renewal and simplification (retirement of 100 planes o/w A380, A340-600, etc.)</li> <li>- Renegotiation of supplier contracts</li> <li>- Marketing freeze</li> <li>- Shift of aircraft maintenance</li> </ul>	€ 1,300m	3.6% estimated
IAG	<ul style="list-style-type: none"> <li>- Halving capital spending for the next three years</li> <li>- Reducing the fleet and deferring new aircraft (deferred delivery of 68 aircraft due 2020-2022)</li> <li>- Employee cost reductions: Wage support schemes in the UK, Spain and Ireland, productivity deal negotiations</li> <li>- Non-essential discretionary spending remains suspended (e.g. IT excluding cybersecurity, recruitment, training, marketing, T&amp;E, etc.)</li> <li>- More flexible supplier contractual terms (e.g. power-by-the-hour)</li> </ul>	€ 420m	1.6%e
Ryanair	<ul style="list-style-type: none"> <li>- Staff/efficiency: Pilot, cabin crew, engineer pay deals agreed. Pay cuts of 5% to 20% (restored over 4-5 years). Lauda completely restructured – new pay, rosters, productivity</li> <li>- Airport &amp; handling: growth deals as aircraft deliveries drive volume discussions.</li> <li>- Sales &amp; marketing: Labs lowers marketing spend</li> </ul>	Not significant	-
easyJet	<ul style="list-style-type: none"> <li>- Reduce labour costs: furlough arrangements, headcount cut by up to 30%.</li> <li>- Deferring non-essential maintenance costs and initiating the restructuring program</li> <li>- Ground handling: continue to negotiate volume and growth-based deals at key airports</li> <li>- Maintenance: bringing line maintenance in-house and continuing to extend the lowest cost engineering contracts.</li> <li>- Capital expenditure: halved compared to prior expectations (aircraft deliveries deferred)</li> </ul>	£ 250m	3.9%e
Wizz Air	<ul style="list-style-type: none"> <li>- Crew cost reductions &amp; lower headcount</li> <li>- Airport deals (re-)negotiated</li> <li>- Supplier negotiations</li> </ul>	Not significant	-

Table 13 - Sources: companies, ODDO BHF Securities



## Sufficient liquidity but the need to recapitalise is becoming more pressing

Based on a gradual upturn in volumes this summer (despite the disruption caused by the Delta variant), liquidity is not an issue in our view for the stocks in our universe of coverage, which have all benefited from government (albeit to varying degrees) and bank support and investors' renewed appetite for risk (capital increase, vanilla bonds, convertible bonds). Furthermore, aviation financing remains accessible for the most part, with numerous sale & lease back operations, as well as Japanese Operating Leases with Call Option (JOLCO) with very attractive terms.

Ticket reimbursements will continue to be a negative factor in Q2 and Q3 2021, in particular for Lufthansa and Air France-KLM. The pick-up in bookings, which we are starting to see, should result in a net cash inflow in H2 2021.

We think the groups in our coverage universe should end 2021 with **liquidity levels representing between 20% and 47% of 2019 sales** vs a normative level that we deem to be satisfactory at 15% of sales.

Reducing debt is becoming a necessity and the uncertainties surrounding the Delta variant could speed up the timing. In our view, Air France-KLM, Lufthansa and even easyJet do not currently have balance sheets compatible with their cash generation capacity, which makes reducing debt a priority. However, the risk of dilution for shareholders is theoretically higher for Air France-KLM and Lufthansa.

Level of liquidity and debt for our coverage universe

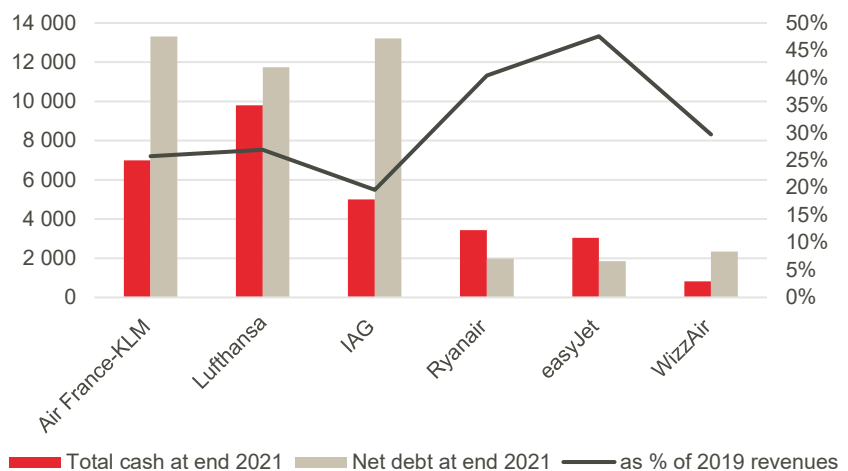


Chart 14 – Source: ODDO BHF Securities

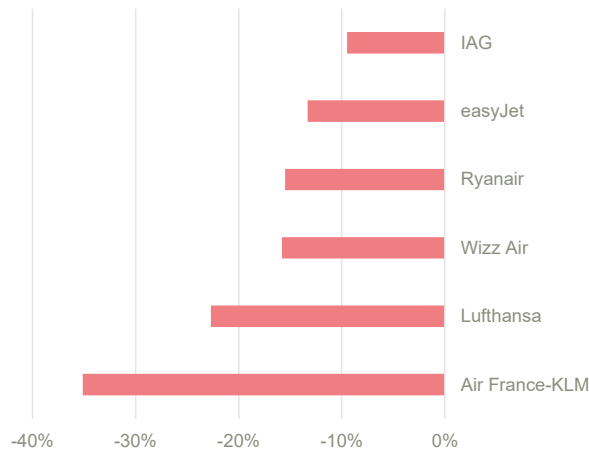
## Still generous valuations

Despite the good performances year to date by airlines exposed to the UK (in line with the progress made in terms of vaccinations partly cancelled out by the spread of the Delta variant), most sector stocks have underperformed the Stoxx 600 with Air France-KLM and Lufthansa at -35% and -23% (the market is expecting capital raising deals) and the other shares at between -10% and -16%.

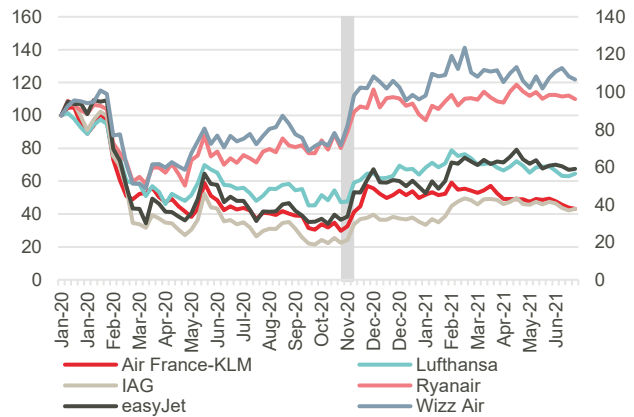




## Relative performances vs Stoxx 600



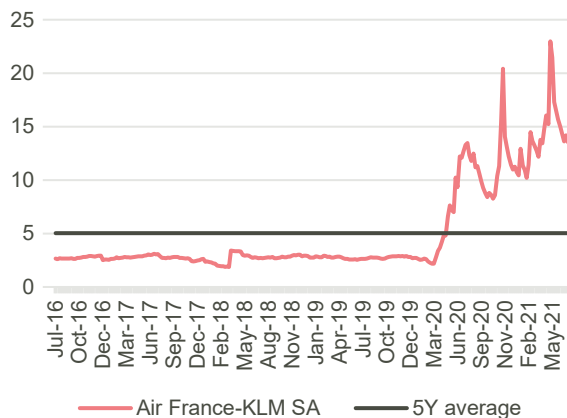
## Performance of the stocks in our coverage (base 100 at 01/01/2020)



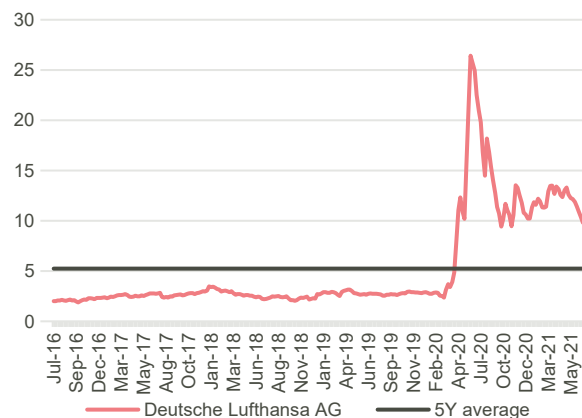
Charts 15 - Sources: FactSet, ODDO BHF Securities (the grey line marks Pfizer's announcement)

At these levels, valuations remain strained for all of the stocks we cover. Air France-KLM, for example, is trading at a premium of close to 169% to its 5-year average in terms of EV/EBITDA NTM whilst at the other end of the spectrum, the least expensive stock, Wizz Air, is trading at a premium of 32%.

## Air France-KLM: 12-month forward EV/EBITDA (x)



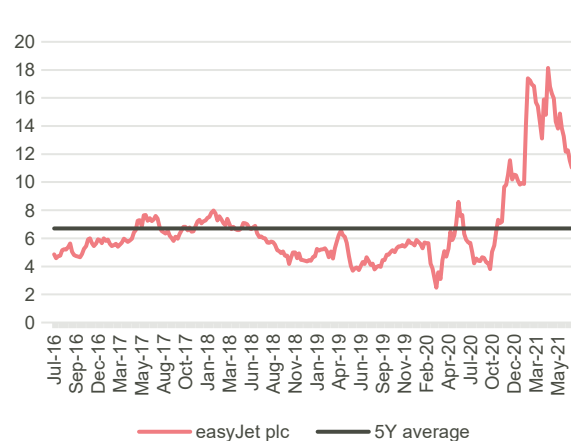
## Lufthansa: 12-month forward EV/EBITDA (x)



## IAG: 12-month forward EV/EBITDA (x)



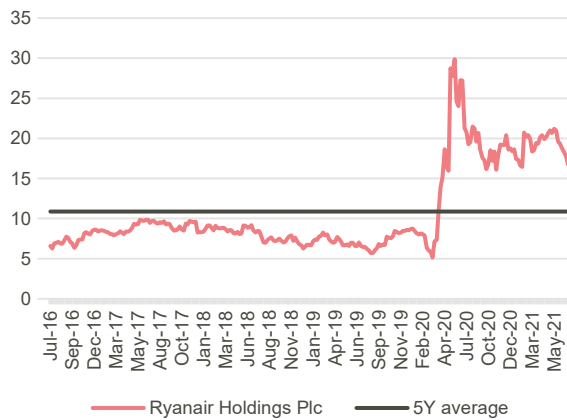
## easyJet: 12-month forward EV/EBITDA (x)



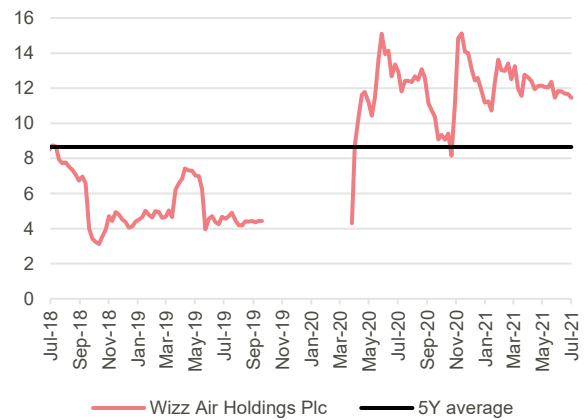




## Ryanair: 12-month forward EV/EBITDA (x)



## Wizz Air: 12-month forward EV/EBITDA (x)



Charts 16 – Sources: FactSet, ODDO BHF Securities



# Air France-KLM

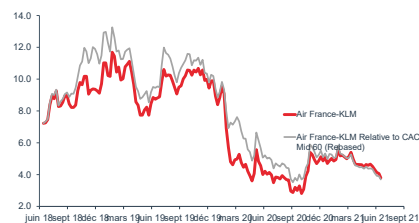
Underperform → | Target 3.80 €

Price (15/07/2021) : 3.80 € | Upside : 0 %

Revision	2021e	2022e
EPS	ns	ns

## A pleasant surprise on cash before the beefing up of shareholders' equity?

Friday 16 July 2021



### Capital

AF FP   AIRF.PA	
Market Cap (€m)	2 441
Enterprise value (€m)	17 811
Extrema 12 months (€)	2.78 - 5.63
Free Float (%)	52.6

Performance (%)	1m	3m	12m
Absolute	-16.5	-22.0	-13.0
Perf. rel. Country Index	-16.0	-25.0	-28.7
Perf. rel. CAC Mid 60	-13.8	-22.7	-30.9

P&L	12/21e	12/22e	12/23e
Sales (€m)	13 466	20 160	23 799
EBITDA (€m)	-256.6	2 463	3 324
Current EBIT (€m)	-2 915.1	-339.0	463
Attr. net profit (€m)	-2 688	-747	-63
Adjusted EPS (€)	-5.06	-1.19	-0.12
Dividend (€)	0.00	0.00	0.30

P/E (x)	ns	ns	ns
P/B (x)	ns	ns	ns
Dividend Yield (%)	0.0	0.0	7.9
FCF yield (%)	ns	ns	ns
EV/Sales (x)	1.32	0.98	0.84
EV/EBITDA (x)	ns	8.0	6.0
EV/Current EBIT (x)	ns	ns	43.0
Gearing (%)	ns	ns	ns
Net Debt/EBITDA (x)	ns	6.2	4.6

### Next Events

30/07/2021	Q2 Results
29/10/2021	Q3 Results

### A pleasant surprise in terms of cash burn?

For Q2 2021, due to be reported on 30 July, we expect earnings to be fairly similar to those of Q1 2021. EBITDA is expected to be in negative terrain to the tune of € 524m (vs -€ 779m in Q2 2020 and -€ 627m in Q1 2021) on the back of sales of € 2.9bn on the basis of capacity equivalent to 50% of the 2019 level thanks to the upturn at Transavia. In recent weeks, Air France-KLM has continued to bring its programme back on track to reach 66% of 2019 levels for Air France and 69% for KLM, which **largely lends weight to the group's comment that it was ready to rise to 70% this summer**. Given that the company thought it could move back into the black at the EBITDA level in Q3 with a capacity in the range of 55% to 65% of the 2019 level, the **FactSet FY 2021 consensus does not seem to be at risk**.

The pleasant surprise of the release could come from cash and especially from WCR. According to its latest indications, the company anticipated cash burn close to that of Q1 (€ 450m per month in terms of operating cash) but the **strength of the catch-up in bookings** (with volumes certainly higher than those of Lufthansa or IAG given the difference in capacity offered) **can probably make up for some of the loss of EBITDA and voucher repayments**. At this stage, we model an adjusted FCF of -€ 512m after -€ 1,344m in Q1.

### Next step, beefing up shareholders' equity.

**Liquidity is no longer an issue** after the € 1bn capital increase and the recent € 0.8bn bond, but the year-end level is highly dependent on the fleet financing strategy. Assuming - in line with the company's comments - that all fleet-related investments are financed, liquidity would amount to **€ 8.57bn at end-December 2021** (vs € 9.82bn at the end of 2020), of which 32% is not yet drawn down. Only one maturity of € 350m falls due in 2022 and the group is working on re-profiling the € 4bn secured loan maturing in May 2023 (initiated with the recent bond issue). **The problem is clearly the level of debt** with a net adjusted debt/EBITDA ratio of 6.2x in 2022e falling to 4.6x in 2023e and 3.9x in 2024 when the hybrid debt is fully restated as debt. Leeway in terms of capex is reduced by the critical weight of this category of savings in the target of reducing unit costs. The deadline for announcing new measures to strengthen shareholders' equity has been set for the 2022 AGM, but a strong summer season could accelerate the movement.

### Underperform recommendation and target price of € 3.8 reiterated

With our recovery scenario and the risk of a highly dilutive capital increase, the current valuation remains difficult to justify. Our target price of € 3.8 is still based on a normative valuation where we assume an EBITDA margin of 16% on our 2024e sales and then apply an EV/EBITDA multiple of 5x (higher multiples in recovery phase vs a 5-year historical average of 4x in 12 months rolling), all discounted at the start of 2022.

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AF FP | AIRF.PA

Air transport | France

Underperform

Upside 0.05%

Price 3.80EUR

TP 3.80EUR

PER SHARE DATA (€)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Adjusted EPS	2.13	3.36	1.00	0.90	-13.09	-5.06	-1.19	-0.12
<b>Reported EPS</b>	<b>2.67</b>	<b>0.45</b>	<b>0.98</b>	<b>0.68</b>	<b>-16.56</b>	<b>-5.03</b>	<b>-1.16</b>	<b>-0.10</b>
Growth in adjusted EPS	ns	58.2%	-70.2%	-9.9%	ns	ns	ns	ns
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
FCF to equity per share	1.28	4.59	2.52	1.46	-13.67	-7.13	-3.22	-0.17
Book value per share	4.34	6.65	4.18	5.34	-12.70	-13.25	-12.20	-12.29
Number of shares market cap (m)	300.22	428.63	428.63	428.63	428.63	642.63	642.63	642.63
Number of diluted shares (m)	353.62	364.43	428.63	428.63	428.63	535.63	642.63	642.63
VALUATION (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
12m highest price (€)	8.62	14.06	14.30	12.73	10.25	5.63		
12m lowest price (€)	4.65	4.82	6.78	7.55	2.78	3.80		
(*) Reference price (€)	6.37	10.20	9.02	9.81	5.01	3.80	3.80	3.80
Capitalization	1 911	4 371	3 868	4 203	2 146	2 441	2 441	2 441
Restated Net debt	3 655	6 359	6 164	6 147	11 049	13 321	15 179	15 415
Minorities (fair value)	12.0	12.0	12.0	15.0	9.0	14.0	20.0	26.0
Financial fixed assets (fair value)	532	675	784	291	243	243	243	243
Provisions	8 740	2 399	2 259	2 671	2 279	2 279	2 279	2 279
<b>Enterprise Value</b>	<b>13 787</b>	<b>12 467</b>	<b>11 519</b>	<b>12 746</b>	<b>15 240</b>	<b>17 811</b>	<b>19 675</b>	<b>19 918</b>
P/E (x)	3.0	3.0	9.0	10.9	ns	ns	ns	ns
P/CF (x)	0.9	1.0	1.1	1.1	ns	ns	2.3	0.9
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.9%
FCF yield	20.2%	45.0%	27.9%	14.9%	ns	ns	ns	ns
P/B incl. GW (x)	1.47	1.53	2.16	1.84	ns	ns	ns	ns
P/B excl. GW (x)	1.77	1.68	2.46	2.03	ns	ns	ns	ns
EV/Sales (x)	0.55	0.48	0.44	0.47	1.37	1.32	0.98	0.84
EV/EBITDA (x)	5.1	2.6	2.7	3.1	ns	ns	8.0	6.0
<b>EV/Current EBIT (x)</b>	<b>13.1</b>	<b>6.5</b>	<b>8.2</b>	<b>11.2</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>43.0</b>
(*) historical average price								
PROFIT AND LOSS (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	24 844	25 864	26 224	27 188	11 088	13 466	20 160	23 799
EBITDA	2 714	4 763	4 293	4 128	-1 689.0	-256.6	2 463	3 324
Depreciations	-1 665.0	-2 840.0	-2 888.0	-2 987.0	-2 859.0	-2 658.5	-2 801.5	-2 860.7
<b>Current EBIT</b>	<b>1 049</b>	<b>1 923</b>	<b>1 405</b>	<b>1 141</b>	<b>-4 548.0</b>	<b>-2 915.1</b>	<b>-339.0</b>	<b>463</b>
Published EBIT	1 116	16.0	1 393	1 010	-6 000.0	-2 895.1	-319.0	483
Net financial income	-293.0	113	-762.0	-664.0	-928.0	-708.0	-667.0	-558.0
Corporate Tax	-294.0	21.0	-224.0	-76.0	-97.0	955	255	18.8
Net income of equity-accounted companies	-7.0	21.0	15.0	23.0	-58.0	-35.0	-9.6	-0.7
Profit/loss of discontinued activities (after tax)	270	-8.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	-2.0	-3.0	5.0	-5.0	-6.0	-6.0
Attributable net profit	792	163	420	290	-7 078.0	-2 688.3	-746.9	-63.0
<b>Adjusted attributable net profit</b>	<b>743</b>	<b>1 217</b>	<b>428</b>	<b>386</b>	<b>-5 597.0</b>	<b>-2 703.0</b>	<b>-761.7</b>	<b>-78.0</b>
BALANCE SHEET (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Goodwill	218	216	217	217	215	215	215	215
Other intangible assets	1 066	1 122	1 194	1 305	1 230	1 230	1 230	1 230
Tangible fixed assets	10 599	16 778	17 475	18 087	17 257	16 507	16 596	17 095
WCR	-6 129.0	-7 105.0	-7 630.0	-7 610.0	-6 304.0	-5 737.5	-5 397.3	-5 914.1
Financial assets	3 915	3 628	3 429	3 528	2 188	2 996	3 686	3 886
Ordinary shareholders equity	1 284	2 408	1 786	2 284	-5 427.0	-7 078.5	-7 823.4	-7 884.4
Minority interests	12.0	12.0	12.0	15.0	9.0	14.0	20.0	26.0
Shareholders equity	1 296	2 420	1 798	2 299	-5 418.0	-7 064.5	-7 803.4	-7 858.4
Non-current provisions	4 718	5 860	6 723	7 081	8 955	8 955	8 955	8 955
<b>Net debt</b>	<b>3 655</b>	<b>6 359</b>	<b>6 164</b>	<b>6 147</b>	<b>11 049</b>	<b>13 321</b>	<b>15 179</b>	<b>15 415</b>
CASH FLOW STATEMENT (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
<b>EBITDA</b>	<b>2 714.0</b>	<b>4 763.0</b>	<b>4 293.0</b>	<b>4 128.0</b>	<b>-1 689.0</b>	<b>-256.6</b>	<b>2 462.5</b>	<b>3 323.7</b>
Change in WCR	57.0	291.0	246.0	135.0	165.0	-566.5	-340.2	516.8
Interests & taxes	-587.0	134.0	-986.0	-740.0	-1 025.0	246.8	-412.3	-539.2
Others	55.0	-1 089.0	235.0	372.0	-1 292.0	-1 426.5	-984.7	-148.6
Operating Cash flow	2 239.0	4 099.0	3 788.0	3 895.0	-3 841.0	-2 002.7	725.3	3 152.7
CAPEX	-1 859.0	-2 438.0	-2 711.0	-3 272.0	-2 000.3	-1 809.0	-2 790.0	-3 260.0
<b>Free cash-flow</b>	<b>380.0</b>	<b>1 661.0</b>	<b>1 077.0</b>	<b>623.0</b>	<b>-5 841.3</b>	<b>-3 811.7</b>	<b>-2 064.7</b>	<b>-107.3</b>
Acquisitions / disposals	346.0	-1.0	-3.0	13.0	356.0	-343.0	0.0	0.0
Dividends	-38.0	-38.0	-38.0	-26.0	-4.0	-4.0	-4.0	-4.0
Net capital increase	0.0	747.0	0.0	0.0	3 000.0	1 035.8	0.0	0.0
Others	37.0	-1 067.0	-1 289.0	-882.0	-400.0	-200.0	-200.0	-200.0
Change in net cash	652.0	-2 704.0	195.0	17.0	-4 902.0	-2 271.5	-1 858.0	-236.7
GROWTH MARGINS PRODUCTIVITY	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales growth	-3.3%	4.1%	1.4%	3.7%	-59.2%	21.4%	49.7%	18.0%
<b>Lfi sales growth</b>	<b>-3.3%</b>	<b>4.1%</b>	-	-	-	-	-	-
Current EBIT growth	34.5%	83.3%	-26.9%	-18.8%	ns	ns	ns	ns
Growth in adjusted EPS	ns	58.2%	-70.2%	-9.9%	ns	ns	ns	ns
Net margin	3.0%	4.7%	1.6%	1.4%	-50.5%	-20.1%	-3.8%	-0.3%
<b>EBITDA margin</b>	<b>10.9%</b>	<b>18.4%</b>	<b>16.4%</b>	<b>15.2%</b>	<b>-15.2%</b>	<b>-1.9%</b>	<b>12.2%</b>	<b>14.0%</b>
<b>Current EBIT margin</b>	<b>4.2%</b>	<b>7.4%</b>	<b>5.4%</b>	<b>4.2%</b>	<b>-41.0%</b>	<b>-21.6%</b>	<b>-1.7%</b>	<b>1.9%</b>
CAPEX / Sales	-7.5%	-9.4%	-10.3%	-12.0%	-18.0%	-13.4%	-13.8%	-13.7%
WCR / Sales	-24.7%	-27.5%	-29.1%	-28.0%	-56.9%	-42.6%	-26.8%	-24.8%
Tax Rate	35.7%	-16.3%	35.5%	22.0%	-1.4%	26.5%	25.8%	25.0%
Normative tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Asset Turnover	5.0	3.1	2.4	2.3	0.9	1.1	1.6	1.9
<b>ROCE post-tax (normative tax rate)</b>	<b>15.8%</b>	<b>17.2%</b>	<b>9.5%</b>	<b>7.4%</b>	<b>-28.0%</b>	<b>-17.8%</b>	<b>-2.0%</b>	<b>2.7%</b>
ROCE post-tax hors GW (normative tax rate)	16.5%	17.7%	9.7%	7.5%	-28.5%	-18.1%	-2.1%	2.8%
ROE	98.5%	65.9%	20.4%	18.9%	ns	43.2%	10.2%	1.0%
DEBT RATIOS	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Gearing	ns	ns	ns	ns	ns	ns	ns	ns
Net Debt / Market Cap	1.91	1.45	1.59	1.46	5.15	5.46	6.22	6.32
<b>Net debt / EBITDA</b>	<b>1.35</b>	<b>1.34</b>	<b>1.44</b>	<b>1.49</b>	<b>ns</b>	<b>ns</b>	<b>6.16</b>	<b>4.64</b>
EBITDA / net financial charges	10.4	8.9	10.1	10.5	-3.5	-0.4	3.7	6.0

Sources: ODDO BHF Securities, SIX



# EasyJet

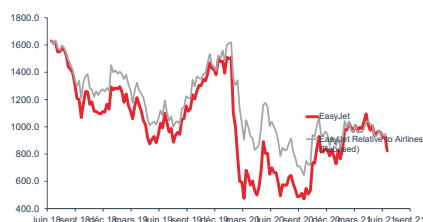
Outperform → | Target 1200p vs 1250p ↘

Price (15/07/2021) : 822.60p | Upside : 46 %

Revision	2021e	2022e
EPS	ns	-9.6%

## Caution on capacity in Q4 but confidence thereafter

Friday 16 July 2021



Capital	
EZJ LN   EZJ.L	
Market Cap (£m)	3 266
Enterprise value (£m)	5 440
Extrema 12 months (p)	470.7 - 1 095
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	-11.8	-16.9	18.9
Perf. rel. Country Index	-11.3	-20.1	-2.5
Perf. rel. Airlines	-4.8	-8.3	-13.7

P&L	09/21e	09/22e	09/23e
Sales (£m)	1 442	5 111	6 709
EBITDA (£m)	-610.0	869	1 217
Current EBIT (£m)	-1 017.2	448	736
Attr. net profit (£m)	-870	278	517
Adjusted EPS (p)	-200.04	59.97	111.61
Dividend (p)	0.00	29.89	55.64

P/E (x)	ns	13.7	7.4
P/B (x)	3.7	2.9	2.2
Dividend Yield (%)	0.0	3.6	6.8
FCF yield (%)	ns	1.3	14.8
EV/Sales (x)	3.77	1.02	0.67
EV/EBITDA (x)	ns	6.0	3.7
EV/Current EBIT (x)	ns	11.6	6.1
Gearing (%)	179	122	52
Net Debt/EBITDA (x)	ns	1.8	0.7

Next Events	
23/11/2021	Earnings Release

### More caution in the short term...

easyJet is due to publish a trading update for its Q3 (April-June) on 20 July. We expect no major surprises on the quarter that has just ended and forecast sales of £ 240m (including capacity at 15% of the pre-crisis level and a 10% increase in revenue per seat excluding forex) with cash burn of around £ 584m (£ 470m in Q2). However, we expect more caution in management's message notably regarding guidance for capacity in Q4, in contrast to the comments of Ryanair and WizzAir.

The first available indicators on the summer season are relatively positive with i/ **Eurocontrol data showing a rapid increase in the number of flights** since the beginning of July (42% of 2019 flights restored at 11 July vs an average of 23% for the month of June) and ii/ the recent announcement by the British government triggering **positive momentum on bookings for flights leaving the UK** (in the hours that followed the announcement concerning the lifting of compulsory quarantine for fully vaccinated British citizens returning from countries on the amber list, the airline posted a 400% increase in bookings for flights and 440% for package holidays vs the previous week) to which easyJet responded by offering an additional 145,000 seats between the UK and Spain, Greece, Portugal, France, Italy, Croatia and Cyprus. That said, the rapid spread of the Delta variant in the UK and the lag in terms of vaccine coverage, could lead to a number of countries in the **EU to apply targeted restrictions**, notably to **British travellers in an attempt to limit the spread of the virus**.

With easyJet strongly exposed to the **UK with the equivalent of 50% of capacity**, the reintroduction of restrictions would clearly have an impact on bookings and limit the potential for an increase in capacity at the heart of the summer season. We now expect 50% of pre-crisis capacity to be restored in Q4 (vs a previous estimate of 80%) of which 40% in July, 50% in August and 60% in September. That said, we remain optimistic on pricing with unit revenues excluding forex up 30% given the reduction in competitive pressure, notably for flights leaving Gatwick. After updating our fuel assumptions, our estimate for pre-tax losses for the year to end-September now stands at -£ 1,042m vs -£ 810m previously.

### ...but we remain positive on the medium term

Beyond Q4, we remain confident on the trajectory for capacity growth at easyJet. Indeed, we think that the catch-up in terms of vaccinations (efficacious against the severe forms) expected over the coming weeks in the EU should lead to an unrestricted re-opening of links between the UK and Europe. On that date, we think that easyJet will regain higher pricing power particularly at Gatwick thanks to more limited competitive pressure (with BA transferring the bulk of its capacity to Heathrow with the chance that it could delay its return) and better optimisation of slots. For the year to end-September 2022, we anticipate the beginning of the normalisation of capacity (80% of pre-crisis levels) and pre-tax profit of £ 347m (£ 204m for the consensus).

### Outperform recommendation reiterated – target price raised to 1,200p

We reiterate our Outperform recommendation but have adjusted our target price from 1,250p to 1,200p based on average DCF and a normative valuation at FY 2023e. We think that easyJet will be in a position to seize the opportunities in the market linked to the entrenchment of the majors and we remain confident regarding the airline's capacity to catch up its lag vs peers in the domain of cost reductions. We also think that the group currently has a comfortable level of liquidity (£ 2.9bn at end-March including £ 600m of the UKEF that is yet to be drawn) pending an acceleration in bookings. Valuation-wise, the P/E multiples for FY 2023e remain attractive at 7.4x (vs a 10-year historical pre-crisis average of 11.8x).

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**EZJ LN | EZJ.L**  
**Air transport | United Kingdom**

**Outperform**  
Upside 45.88%

Price 822.60 p  
TP 1200.00 p

PER SHARE DATA (£)	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
Adjusted EPS	110.08	76.83	123.71	87.91	-155.58	-200.04	59.97	111.61
<b>Reported EPS</b>	<b>110.91</b>	<b>77.41</b>	<b>90.90</b>	<b>89.57</b>	<b>-265.11</b>	<b>-189.99</b>	<b>60.62</b>	<b>112.83</b>
Growth in adjusted EPS	-20.3%	-30.2%	61.0%	-28.9%	ns	ns	ns	86.1%
Net dividend per share	55.04	38.41	58.58	43.90	0.00	0.00	29.89	55.64
FCF to equity per share	14.47	75.00	48.75	10.18	-306.33	-276.43	11.00	121.97
Book value per share	683.76	711.17	827.49	759.54	466.58	224.64	285.26	367.87
Number of shares market cap (m)	394.00	394.00	393.84	393.00	407.00	458.00	458.00	458.00
Number of diluted shares (m)	397.00	397.00	396.90	397.00	412.00	463.00	463.00	463.00
VALUATION (£m)	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
12m highest price (£)	1 762	1 464	1 796	1 501	1 552	1 095		
12m lowest price (£)	874	915	1 052	852	471	714		
(*) Reference price (£)	1 449	1 123	1 544	1 096	945	823	823	823
Capitalization	5 711	4 424	6 079	4 309	3 846	3 768	3 768	3 768
Restated Net debt	-213.0	-357.0	-396.0	326	1 111	1 843	1 593	872
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	119	81.0	186	194	171	171	171	171
Provisions	767	897	1 043	435	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>6 145</b>	<b>4 883</b>	<b>6 540</b>	<b>4 875</b>	<b>4 786</b>	<b>5 440</b>	<b>5 189</b>	<b>4 469</b>
P/E (x)	13.2	14.6	12.5	12.5	ns	ns	13.7	7.4
P/CF (x)	9.3	7.1	7.4	5.6	ns	ns	5.4	3.8
Net Yield	3.8%	3.4%	3.8%	4.0%	0.0%	0.0%	3.6%	6.8%
FCF yield	1.0%	6.7%	3.2%	0.9%	ns	ns	1.3%	14.8%
P/B incl. GW (x)	2.12	1.58	1.87	1.44	2.03	3.66	2.88	2.24
P/B excl. GW (x)	2.45	1.82	2.10	1.64	2.51	5.68	4.00	2.85
EV/Sales (x)	1.32	0.97	1.11	0.76	1.59	3.77	1.02	0.67
EV/EBITDA (x)	9.1	8.2	8.1	5.1	ns	ns	6.0	3.7
<b>EV/Current EBIT (x)</b>	<b>12.0</b>	<b>12.1</b>	<b>11.0</b>	<b>10.5</b>	<b>ns</b>	<b>ns</b>	<b>11.6</b>	<b>6.1</b>
(*) historical average price								
PROFIT AND LOSS (£m)	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
Sales	4 669	5 047	5 898	6 385	3 009	1 442	5 111	6 709
EBITDA	679	599	806	965	-274.0	-610.0	869	1 217
Depreciations	-169.0	-195.0	-214.0	-499.0	-503.0	-407.1	-421.2	-481.7
<b>Current EBIT</b>	<b>510</b>	<b>404</b>	<b>592</b>	<b>466</b>	<b>-777.0</b>	<b>-1 017.2</b>	<b>448</b>	<b>736</b>
Published EBIT	510	404	459	469	-1 215.0	-961.2	448	736
Net financial income	-3.0	-19.0	-14.0	-39.0	-58.0	-85.3	-101.0	-89.6
Corporate Tax	-70.0	-80.0	-87.0	-78.0	194	176	-69.4	-129.2
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	437	305	358	352	-1 079.0	-870.2	278	517
<b>Adjusted attributable net profit</b>	<b>437</b>	<b>305</b>	<b>491</b>	<b>349</b>	<b>-641.0</b>	<b>-926.2</b>	<b>278</b>	<b>517</b>
BALANCE SHEET (£m)	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
Goodwill	365	365	365	365	365	365	365	365
Other intangible assets	152	179	181	196	232	229	216	204
Tangible fixed assets	3 252	3 525	4 140	5 163	5 053	4 815	5 106	5 337
WCR	-944.0	-1 201.0	-1 501.0	-1 723.0	-1 644.0	-1 541.0	-1 792.5	-2 352.7
Financial assets	541	299	528	467	281	281	281	281
Ordinary shareholders equity	2 694	2 802	3 259	2 985	1 899	1 029	1 306	1 685
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	2 694	2 802	3 259	2 985	1 899	1 029	1 306	1 685
Non-current provisions	885	722	850	1 157	1 277	1 277	1 277	1 277
<b>Net debt</b>	<b>-213.0</b>	<b>-357.0</b>	<b>-396.0</b>	<b>326</b>	<b>1 111</b>	<b>1 843</b>	<b>1 593</b>	<b>872</b>
CASH FLOW STATEMENT (££m)	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
<b>EBITDA</b>	<b>679.0</b>	<b>599.0</b>	<b>806.0</b>	<b>965.0</b>	<b>-274.0</b>	<b>-610.0</b>	<b>869.3</b>	<b>1 217.3</b>
Change in WCR	-7.0	257.0	300.0	222.0	-79.0	-103.0	251.5	560.2
Interests & taxes	-118.0	-99.0	-101.0	-117.0	-46.0	91.0	-170.5	-218.8
Others	52.0	124.5	118.0	-76.0	-188.8	56.0	0.0	0.0
Operating Cash flow	606.0	881.5	1 123.0	994.0	-587.8	-566.0	950.4	1 558.6
CAPEX	-549.0	-586.0	-931.0	-954.0	-659.0	-700.0	-900.0	-1 000.0
<b>Free cash-flow</b>	<b>57.0</b>	<b>295.5</b>	<b>192.0</b>	<b>40.0</b>	<b>-1 246.8</b>	<b>-1 266.0</b>	<b>50.4</b>	<b>558.6</b>
Acquisitions / disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-219.0	-218.5	-162.0	-233.0	-174.2	0.0	0.0	-138.4
Net capital increase	-22.0	-10.0	-17.0	-16.0	402.0	-3.0	0.0	0.0
Others	-47.0	-255.0	365.0	-46.0	457.0	574.0	200.0	300.0
Change in net cash	-228.0	144.0	39.0	-722.0	-785.0	-732.0	250.4	720.2
GROWTH MARGINS PRODUCTIVITY	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
Sales growth	-0.4%	8.1%	16.9%	8.3%	-52.9%	-52.1%	ns	31.3%
<b>Lfi sales growth</b>	<b>-0.4%</b>	<b>8.1%</b>	<b>16.9%</b>	<b>8.3%</b>	<b>-52.9%</b>	<b>-52.1%</b>	<b>ns</b>	<b>31.3%</b>
Current EBIT growth	-25.9%	-20.8%	46.5%	-21.3%	ns	ns	ns	64.2%
Growth in adjusted EPS	-20.3%	-30.2%	61.0%	-28.9%	ns	ns	ns	86.1%
Net margin	9.4%	6.0%	8.3%	5.5%	-21.3%	-64.2%	5.4%	7.7%
<b>EBITDA margin</b>	<b>14.5%</b>	<b>11.9%</b>	<b>13.7%</b>	<b>15.1%</b>	<b>-9.1%</b>	<b>-42.3%</b>	<b>17.0%</b>	<b>18.1%</b>
<b>Current EBIT margin</b>	<b>10.9%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>7.3%</b>	<b>-25.8%</b>	<b>-70.5%</b>	<b>8.8%</b>	<b>11.0%</b>
CAPEX / Sales	-11.8%	-11.6%	-15.8%	-14.9%	-21.9%	-48.5%	-17.6%	-14.9%
WCR / Sales	-20.2%	-23.8%	-25.4%	-27.0%	-54.6%	ns	-35.1%	-35.1%
Tax Rate	13.8%	20.8%	19.6%	18.1%	15.2%	16.8%	20.0%	20.0%
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Asset Turnover	1.8	1.8	1.9	1.8	0.8	0.4	1.3	1.8
<b>ROCE post-tax (normative tax rate)</b>	<b>15.6%</b>	<b>11.4%</b>	<b>15.6%</b>	<b>10.4%</b>	<b>-15.5%</b>	<b>-20.7%</b>	<b>9.2%</b>	<b>15.8%</b>
ROCE post-tax hors GW (normative tax rate)	18.1%	13.0%	17.8%	11.5%	-17.1%	-22.8%	10.2%	17.5%
ROE	17.7%	11.1%	16.2%	11.2%	-26.2%	-63.3%	23.8%	34.6%
DEBT RATIOS	09/16	09/17	09/18	09/19	09/20	09/21e	09/22e	09/23e
Gearing	-8%	-13%	-12%	11%	59%	ns	ns	52%
Net Debt / Market Cap	-0.04	-0.08	-0.07	0.08	0.29	0.49	0.42	0.23
<b>Net debt / EBITDA</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>0.34</b>	<b>ns</b>	<b>ns</b>	<b>1.83</b>	<b>0.72</b>
EBITDA / net financial charges	226.3	31.5	57.6	24.7	-4.7	-7.2	8.6	13.6

Sources: ODDO BHF Securities, SIX



# IAG

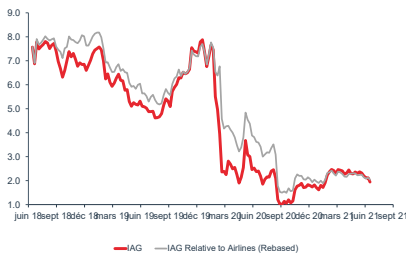
Neutral → | Target 2.10 € vs 2.50 € ↘

Price (15/07/2021) : 1.94 € | Upside : 8 %

Revision	2021e	2022e
EPS	ns	-24.9%

## Awaiting the US opening of transatlantic routes

Friday 16 July 2021



Capital				
IAG SM   IAG.MC				
Market Cap (€m)	3 941			
Enterprise value (€m)	24 731			
Extrema 12 months (€)	1.00	-	2.53	
Free Float (%)	51.2			
Performance (%)	1m	3m	12m	
Absolute	-14.6	-18.7	-23.4	
Perf. rel. Country Index	-14.1	-21.9	-37.2	
Perf. rel. Airlines	-7.9	-10.4	-44.5	
P&L	12/21e	12/22e	12/23e	
Sales (€m)	8 962	18 668	22 417	
EBITDA (€m)	-775.9	3 612	5 479	
Current EBIT (€m)	-2 593.4	1 652	3 350	
Attr. net profit (€m)	-2 592	827	2 179	
Adjusted EPS (€)	-0.52	0.16	0.43	
Dividend (€)	0.00	0.00	0.00	
P/E (x)	ns	11.8	4.5	
P/B (x)	ns	ns	5.6	
Dividend Yield (%)	0.0	0.0	0.0	
FCF yield (%)	ns	5.0	9.6	
EV/Sales (x)	2.76	1.30	1.02	
EV/EBITDA (x)	ns	6.7	4.2	
EV/Current EBIT (x)	ns	14.7	6.9	
Gearing (%)	ns	ns	ns	
Net Debt/EBITDA (x)	ns	3.5	2.2	

Next Events	
30/07/2021	Earnings Release
29/10/2021	Earnings Release

### A diverging capacity recovery trajectory between subsidiaries

IAG is due to report its Q2 2021 results on 30 July. We expect earnings to be broadly in line with Q1 2021. The operating loss is expected to be € 1,166m (vs -€ 1,365m in Q2 2020 and -€ 1,135m in Q1 2021) for sales of € 1.35bn based on capacity equivalent to 25% of 2019 levels (vs 50%e for Air France-KLM and 30%e for Lufthansa). In recent weeks, IAG has continued to bring back into service a number of flights equivalent to 46% of the 2019 level over the first 10 days of July, but with a **significant discrepancy** between the various airlines, with i/ British Airways and Aer Lingus (27% and 21% of flights respectively) still penalised by the **more limited opening of the UK market**, the spread of the **delta variant** and a **lacklustre transatlantic market**, while on the other hand, ii/ Iberia and Vueling are **restoring capacity more quickly** (69% and 67% of pre-crisis flight levels respectively), capitalising on the positive momentum in the leisure segment. This observation has led us to adopt a **more cautious view of Q3** and we are modelling capacity equivalent to 52% of the 2019 level (of which 45% and 40% for BA and Aer Lingus) compared with 65% previously.

### Pushing back the re-opening of transatlantic routes will weigh on profitability in the short term

While there is a strong likelihood that the UK will soon include the US on its green list, reciprocity is not guaranteed given the rise of the delta variant in the UK, which will push back the full opening of the transatlantic market (on which BA and Aer Lingus are largely dependent) until at least September. At the time of its Q2 2021 results, Delta expressed frustration at the intransigence of US politicians on opening the US to European airlines (current vaccination level deemed insufficient) and believes that this situation could **continue until the autumn**. Operating such a network one-way only remains very complicated from a profitability point of view and removes the prospect of a virtual normalisation of capacity in August for British Airways as suggested by the OAG data at the beginning of July.

That said, we believe that the trend in Q4 will be better (70% of pre-crisis capacity) and once US-UK routes are restored, IAG could benefit from greater pricing power than its peers thanks to solid demand outbound from London, less competitive pressure (Norwegian, Virgin) and a larger premium leisure share and consequently less sensitivity to corporate customers (13% of IAG's pre-crisis sales vs 50% of the Lufthansa group's network business and 30% of Air France-KLM's sales).

### Caution on 2021 but a dynamic recovery as of 2022

For 2021, we have therefore lowered our capacity expectations and we are now forecasting 42% of 2019 capacity (vs 47% previously). After updating our fuel assumptions and adopting a more cautious stance on pricing, our EBIT before exceptional items stands at -€ 2.59bn (FactSet consensus: -€ 1.86bn) and FCF consumption of € 3.5bn. For 2022, we maintain our optimism and model EBIT of € 1.65bn (11% ahead of the consensus) and FCF generation of € 486m.

### Neutral rating reiterated - target price adjusted to € 2.1

We reiterate our Neutral recommendation but we are adjusting our target price from € 2.5 to € 2.1 (derived from a DCF and an updated normative valuation to 2023). IAG is still the best placed stock among the majors (progress in terms of restructuring, particularly at BA, and its significant exposure to the transatlantic network). The re-opening of the US-UK routes will be the next catalyst to return to a higher level of profitability with potential market share gains. In terms of valuation, we must look to 2024 to see attractive multiples with an estimated EV/EBITDA of 3x.

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**IAG SM | ICAG.MC**  
**Air transport | Spain**

**Neutral**

Upside 8.16%

Price 1.94EUR

TP 2.10EUR

PER SHARE DATA (€)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Adjusted EPS	0.90	1.02	1.15	1.16	-1.23	-0.52	0.16	0.43
<b>Reported EPS</b>	<b>0.98</b>	<b>1.07</b>	<b>1.20</b>	<b>1.20</b>	<b>-1.23</b>	<b>-0.52</b>	<b>0.17</b>	<b>0.44</b>
Growth in adjusted EPS	26.4%	13.7%	12.0%	0.8%	ns	ns	ns	ns
Net dividend per share	0.24	0.27	0.62	0.31	0.00	0.00	0.00	0.00
FCF to equity per share	0.66	1.12	0.83	0.73	-1.16	-0.70	0.10	0.19
Book value per share	2.64	3.17	3.05	3.44	0.37	-0.26	-0.09	0.35
Number of shares market cap (m)	2 030.00	2 088.49	2 021.62	1 984.07	3 528.05	4 971.48	4 971.48	4 971.48
Number of diluted shares (m)	2 211.00	2 179.35	2 113.08	2 065.78	3 528.05	5 012.68	5 012.68	5 012.68
VALUATION (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
12m highest price (€)	8.34	7.54	8.29	7.65	7.88	2.53		
12m lowest price (€)	4.03	5.25	6.31	4.53	1.00	1.57		
(*) Reference price (€)	5.78	6.62	7.31	5.94	3.01	1.94	1.94	1.94
Capitalization	11 741	13 824	14 782	11 787	10 630	9 652	9 652	9 652
Restated Net debt	2 087	655	6 430	7 571	9 762	13 215	12 729	11 801
Minorities (fair value)	308	307	6.0	6.0	6.0	6.0	6.0	6.0
Financial fixed assets (fair value)	64.0	109	111	113	58.0	58.0	58.0	58.0
Provisions	5 284	5 120	-163.0	1 041	1 916	1 916	1 916	1 553
<b>Enterprise Value</b>	<b>19 356</b>	<b>19 796</b>	<b>20 944</b>	<b>20 292</b>	<b>22 256</b>	<b>24 731</b>	<b>24 245</b>	<b>22 954</b>
P/E (x)	6.4	6.5	6.4	5.1	ns	ns	11.8	4.5
P/CF (x)	4.6	4.8	3.7	2.9	ns	ns	4.3	2.6
Net Yield	4.1%	4.1%	8.5%	5.2%	0.0%	0.0%	0.0%	0.0%
FCF yield	11.4%	16.8%	11.3%	12.3%	ns	ns	5.0%	9.6%
P/B incl. GW (x)	2.19	2.09	2.40	1.73	8.11	ns	ns	5.60
P/B excl. GW (x)	2.19	2.09	2.40	1.73	8.11	ns	ns	5.60
EV/Sales (x)	0.86	0.87	0.86	0.80	2.83	2.76	1.30	1.02
EV/EBITDA (x)	5.1	4.8	3.8	3.8	ns	ns	6.7	4.2
<b>EV/Current EBIT (x)</b>	<b>7.6</b>	<b>6.7</b>	<b>6.0</b>	<b>6.2</b>	<b>ns</b>	<b>ns</b>	<b>14.7</b>	<b>6.9</b>
(*) historical average price								
PROFIT AND LOSS (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	22 567	22 880	24 258	25 506	7 868	8 962	18 668	22 417
EBITDA	3 822	4 134	5 481	5 396	-2 266.0	-775.9	3 612.5	5 479.3
Depreciations	-1 287.0	-1 184.0	-1 996.0	-2 111.0	-2 099.0	-1 817.5	-1 960.2	-2 129.6
<b>Current EBIT</b>	<b>2 535</b>	<b>2 950</b>	<b>3 485</b>	<b>3 285</b>	<b>-4 365.0</b>	<b>-2 593.4</b>	<b>1 652</b>	<b>3 350</b>
Published EBIT	2 535	2 950	3 485	3 285	-4 365.0	-2 593.4	1 652	3 350
Net financial income	-128.0	-181.0	-521.0	-338.0	-384.0	-597.2	-618.5	-625.6
Corporate Tax	-423.0	-538.0	-542.0	-560.0	424	598	-206.7	-544.8
Net income of equity-accounted companies	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	1 990	2 231	2 422	2 387	-4 325.0	-2 592.2	827	2 179
<b>Adjusted attributable net profit</b>	<b>1 990</b>	<b>2 231</b>	<b>2 422</b>	<b>2 387</b>	<b>-4 325.0</b>	<b>-2 592.2</b>	<b>827</b>	<b>2 179</b>
BALANCE SHEET (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	3 037	3 018	3 198	3 442	3 208	3 208	3 208	3 208
Tangible fixed assets	12 227	11 846	16 922	19 168	17 531	17 244	17 203	17 874
WCR	-4 561.0	-5 432.0	-5 310.0	-5 702.0	-5 714.0	-5 088.2	-5 228.5	-5 172.8
Financial assets	2 583	2 356	1 512	1 300	337	860	1 381	1 906
Ordinary shareholders equity	5 356	6 626	6 164	6 823	1 310	-1 282.2	-455.3	1 724
Minority interests	308	307	6.0	6.0	6.0	6.0	6.0	6.0
Shareholders equity	5 664	6 933	6 170	6 829	1 316	-1 276.2	-449.3	1 730
Non-current provisions	5 535	4 200	3 722	3 808	4 284	4 284	4 284	4 284
<b>Net debt</b>	<b>2 087</b>	<b>655</b>	<b>6 430</b>	<b>7 571</b>	<b>9 762</b>	<b>13 215</b>	<b>12 729</b>	<b>11 801</b>
CASH FLOW STATEMENT (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
<b>EBITDA</b>	<b>3 822.0</b>	<b>4 134.0</b>	<b>5 481.0</b>	<b>5 396.0</b>	<b>-2 266.0</b>	<b>-775.9</b>	<b>3 612.5</b>	<b>5 479.3</b>
Change in WCR	83.0	647.0	-64.0	-70.0	1 227.0	-625.8	140.3	-55.7
Interests & taxes	-466.0	-330.0	-785.0	-558.0	-481.0	-37.8	-825.3	-1 170.4
Others	-794.0	-938.0	-729.0	-766.0	-1 776.0	-522.6	-521.6	-524.7
Operating Cash flow	2 645.0	3 513.0	3 903.0	4 002.0	-3 296.0	-1 962.1	2 406.0	3 728.5
CAPEX	-1 301.0	-1 184.0	-2 228.0	-2 554.0	-806.0	-1 530.0	-1 920.0	-2 800.0
<b>Free cash-flow</b>	<b>1 344.0</b>	<b>2 329.0</b>	<b>1 675.0</b>	<b>1 448.0</b>	<b>-4 102.0</b>	<b>-3 492.1</b>	<b>486.0</b>	<b>928.5</b>
Acquisitions / disposals	-450.0	-415.0	0.0	0.0	2 366.0	0.0	0.0	0.0
Dividends	-462.0	-533.0	-577.0	-1 308.0	-53.0	0.0	0.0	0.0
Net capital increase	-25.0	-500.0	-500.0	0.0	2 674.0	0.0	0.0	0.0
Others	446.0	682.0	-20.0	-1 420.0	-2 850.0	0.0	0.0	0.0
Change in net cash	687.0	1 432.0	-5 775.0	-1 141.0	-2 191.0	-3 492.1	486.0	928.5
GROWTH MARGINS PRODUCTIVITY	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales growth	-1.3%	1.4%	6.0%	5.1%	-69.2%	13.9%	ns	20.1%
<b>Lfi sales growth</b>	<b>-1.3%</b>	<b>1.4%</b>	<b>6.0%</b>	<b>5.1%</b>	<b>-69.2%</b>	<b>13.9%</b>	<b>ns</b>	<b>20.1%</b>
Current EBIT growth	8.6%	16.4%	18.1%	-5.7%	ns	ns	ns	ns
Growth in adjusted EPS	26.4%	13.7%	12.0%	0.8%	ns	ns	ns	ns
Net margin	8.8%	9.8%	10.0%	9.4%	-55.0%	-28.9%	4.4%	9.7%
<b>EBITDA margin</b>	<b>16.9%</b>	<b>18.1%</b>	<b>22.6%</b>	<b>21.2%</b>	<b>-28.8%</b>	<b>-8.7%</b>	<b>19.4%</b>	<b>24.4%</b>
<b>Current EBIT margin</b>	<b>11.2%</b>	<b>12.9%</b>	<b>14.4%</b>	<b>12.9%</b>	<b>-55.5%</b>	<b>-28.9%</b>	<b>8.9%</b>	<b>14.9%</b>
CAPEX / Sales	-13.5%	-6.5%	-11.6%	-13.6%	-24.6%	-19.0%	-12.9%	-15.6%
WCR / Sales	-20.2%	-23.7%	-21.9%	-22.4%	-72.6%	-56.8%	-28.0%	-23.1%
Tax Rate	17.6%	19.4%	18.3%	19.0%	8.9%	18.8%	20.0%	20.0%
Normative tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Asset Turnover	2.0	2.3	2.0	1.6	0.5	0.6	1.2	1.4
<b>ROCE post-tax (normative tax rate)</b>	<b>17.0%</b>	<b>22.0%</b>	<b>21.6%</b>	<b>15.5%</b>	<b>-20.5%</b>	<b>-12.8%</b>	<b>8.1%</b>	<b>16.2%</b>
ROCE post-tax hors GW (normative tax rate)	17.0%	22.0%	21.6%	15.5%	-20.5%	-12.8%	8.1%	16.2%
ROE	37.6%	37.2%	37.9%	36.8%	ns	ns	-95.2%	ns
DEBT RATIOS	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Gearing	37%	9%	ns	ns	ns	ns	ns	ns
Net Debt / Market Cap	0.18	0.05	0.43	0.64	0.92	1.37	1.32	1.22
<b>Net debt / EBITDA</b>	<b>0.55</b>	<b>0.16</b>	<b>1.17</b>	<b>1.40</b>	<b>ns</b>	<b>ns</b>	<b>3.52</b>	<b>2.15</b>
EBITDA / net financial charges	14.1	29.1	10.2	15.0	-5.9	-1.2	5.8	8.8

Sources: ODDO BHF Securities, SIX



# Lufthansa

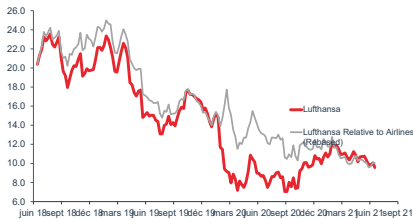
Underperform → | Target 8.80 €

Price (15/07/2021) : 9.56 € | Upside : -8 %

Revision	2021e	2022e
EPS	ns	ns

## Work in progress

Friday 16 July 2021



Capital			
LHA GR   LHAG.DE			
Market Cap (€m)			5 717
Enterprise value (€m)			22 321
Extrema 12 months (€)	7.05	-	12.79
Free Float (%)			100.0
Performance (%)	1m	3m	12m
Absolute	-7.5	-10.3	2.7
Perf. rel. Country Index	-8.6	-14.5	-25.4
Perf. rel. Airlines	-0.2	-1.1	-25.5
P&L	12/21e	12/22e	12/23e
Sales (€m)	19 039	25 288	30 397
EBITDA (€m)	390	3 140	4 229
Current EBIT (€m)	-2 046.5	560	1 524
Attr. net profit (€m)	-1 985	-33	703
Adjusted EPS (€)	-3.32	-0.06	1.18
Dividend (€)	0.00	0.00	0.23
P/E (x)	ns	ns	8.1
P/B (x)	ns	ns	ns
Dividend Yield (%)	0.0	0.0	2.5
FCF yield (%)	ns	5.5	14.4
EV/Sales (x)	1.17	0.87	0.69
EV/EBITDA (x)	57.2	7.0	5.0
EV/Current EBIT (x)	ns	39.1	13.8
Gearing (%)	ns	ns	ns
Net Debt/EBITDA (x)	ns	3.6	2.5

### Next Events

05/08/2021	H1 Results
28/10/2021	Q3 Results

## Q2 2021 preview - a slight improvement in prospect

Lufthansa is due to publish Q2 2021 earnings on 5 August. We forecast a **slight sequential improvement in earnings**, notably thanks to an albeit gradual return of capacity (around 30% of the 2019 level vs 21% in Q1). We forecast adjusted EBIT of -€ 797m (vs -€ 1,143m in Q1 2021 and -€ 1,493m in Q2 2020) for sales of € 3.2bn, sequential growth of 26%. The cargo activity remains the most lucrative (adjusted EBIT estimated at € 266m) but we also anticipate a notable recovery at the network activity. If the Delta variant has no impact on the current trend, **Q3 should be a real turning point** with an acceleration in the return of supply (since the beginning of July, the group has made a significant increase to its offering with flights returning to close to 60% of the 2019 level for Lufthansa, 45% for Eurowings and even 65% for Swiss, according to Eurocontrol). At the meeting that follows the earnings release, we will also be paying close attention to the progress of negotiations with the different unions. In terms of cash, Lufthansa had already provided some information on 14 June, indicating that **operating cash flow could return to positive territory as of Q2**, buoyed by an improvement in operational performance but above all thanks to a **WCR effect** stemming from a marked acceleration in bookings. We forecast **adjusted FCF of -€ 112m** (vs -€ 947m in Q1 2021 and -€ 1,130m in Q2 2020) after factoring in minimum net capex (-€ 100m).

## Comfortable liquidity...pending deleverage

The **liquidity position remains largely comfortable at an estimated € 10,583m**, more or less unchanged vs end-March and largely above the target of € 6-8bn recently set by the group, 51% of which is still undrawn. Conversely, more than 500 aircraft are still unencumbered, which provides an option if needed. Conversely, **at close to € 11bn, the level of debt** (excluding pension liabilities of € 7.8bn at end-March) is **unsustainable**. In mid-June, Lufthansa indicated that it had mandated banks to prepare for the launch of a capital increase, with the press having reported a range of € 3-3.5bn on a number of occasions. The German state via WFS has signalled its intention to participate in an operation that is financially neutral, i.e. by reinvesting the proceeds of the sale of subscription rights and/or capital gains on the shares acquired at € 2.56 in June 2020. We understand that the goal would notably be to reimburse the € 1bn Silent Participation II and the state aid of € 1,041m. A capital increase of € 3.5bn, i.e. 60% of current market capitalisation, would enable the group to reduce its 2023e adjusted net debt (pension liabilities after tax)/EBITDA ratio of 3.9x to 3x. We think that this level will be enough to enable Lufthansa to prepare its divestment programme with greater confidence (LSG International, AirPlus, opening up of Lufthansa Technik's capital) in order to return to ratio levels similar to those of 2019.

## Underperform recommendation and target price of € 8.8 reiterated

We are sticking with our Underperform recommendation and target price of € 8.8, based on a normative valuation where we retain an EBITDA margin of 14% for 2023e sales and then apply an EV/EBITDA multiple of 5x (vs a historic five-year average of 4.3x at a 12-month rolling multiple). The preparation of a strongly dilutive operation and still limited visibility on international operations with the spread of the new variant in a highly heterogeneous vaccination environment prevents us from adopting a more aggressive tone. Moreover, we remain cautious on the difficulties involved in getting the network back on its feet because, firstly, Lufthansa will need to concentrate on its hubs in order to accelerate the amortisation of its infrastructure, which could leave the way open for LCCs at smaller airports. Lastly, another source of concern is emerging with the return of a degree of inflationary pressure.

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**LHA GR | LHAG.DE**  
**Air transport | Germany**

**Underperform**

Price 9.56EUR

Upside -8.00%

TP 8.80EUR

PER SHARE DATA (€)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Adjusted EPS	2.90	4.46	4.35	2.54	-11.25	-3.32	-0.06	1.18
Reported EPS	3.79	4.99	4.58	2.54	-11.25	-3.32	-0.06	1.18
Growth in adjusted EPS	14.1%	53.6%	-2.4%	-41.7%	ns	ns	ns	ns
Net dividend per share	0.50	0.80	0.80	0.00	0.00	0.00	0.00	0.23
FCF to equity per share	1.85	4.15	1.02	0.70	-5.51	-3.39	0.53	1.38
Book value per share	15.06	19.21	20.02	21.22	2.25	-1.05	-1.11	-0.17
Number of shares market cap (m)	468.80	468.80	472.60	478.19	597.74	597.74	597.74	597.74
Number of diluted shares (m)	468.80	468.80	472.60	478.10	597.74	597.74	597.74	597.74
VALUATION (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
12m highest price (€)	15.29	31.12	30.90	23.51	16.68	12.79		
12m lowest price (€)	9.30	11.31	17.31	12.85	7.05	9.44		
(*) Reference price (€)	12.24	19.68	23.53	17.69	9.78	9.57		
Capitalization	5 738	9 224	11 119	8 460	5 844	5 717	5 717	5 717
Restated Net debt	2 569	2 878	3 480	6 293	9 788	11 742	11 342	10 430
Minorities (fair value)	89.0	103	110	109	40.0	27.9	27.7	32.0
Financial fixed assets (fair value)	1 559	1 481	2 018	2 514	3 596	4 698	4 698	4 698
Provisions	8 364	5 116	5 865	6 659	9 531	9 531	9 531	9 531
<b>Enterprise Value</b>	<b>15 200</b>	<b>15 841</b>	<b>18 557</b>	<b>19 007</b>	<b>21 607</b>	<b>22 321</b>	<b>21 920</b>	<b>21 012</b>
P/E (x)	4.2	4.4	5.4	7.0	ns	ns	ns	8.1
P/CF (x)	1.7	1.8	3.0	2.5	ns	ns	2.4	1.8
Net Yield	4.1%	4.1%	3.4%	0.0%	0.0%	0.0%	0.0%	2.5%
FCF yield	15.1%	21.1%	4.3%	4.0%	ns	ns	5.5%	14.4%
P/B incl. GW (x)	0.81	1.02	1.18	0.83	4.34	ns	ns	ns
P/B excl. GW (x)	0.99	1.20	1.37	0.96	27.60	ns	ns	ns
EV/Sales (x)	0.48	0.45	0.52	0.52	1.59	1.17	0.87	0.69
EV/EBITDA (x)	4.8	3.4	3.7	4.0	ns	57.2	7.0	5.0
EV/Current EBIT (x)	8.7	5.4	6.5	9.4	ns	ns	39.1	13.8
(*) historical average price								
PROFIT AND LOSS (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	31 660	35 579	35 542	36 424	13 589	19 039	25 288	30 397
EBITDA	3 155	4 656	5 017	4 718	-2 890.0	390	3 140	4 229
Depreciations	-1 403.0	-1 697.0	-2 181.0	-2 692.0	-2 561.0	-2 437.0	-2 579.4	-2 705.3
<b>Current EBIT</b>	<b>1 752</b>	<b>2 959</b>	<b>2 836</b>	<b>2 026</b>	<b>-5 451.0</b>	<b>-2 046.5</b>	<b>560</b>	<b>1 524</b>
Published EBIT	2 190	3 139	2 800	1 689	-7 089.0	-1 996.5	505	1 439
Net financial income	-27.0	-139.0	-189.0	4.0	-1 277.0	-600.6	-623.1	-609.3
Corporate Tax	-445.0	-784.0	-588.0	-615.0	1 865	650	29.7	-207.1
Net income of equity-accounted companies	85	157	174	168	-264.0	-50.0	55	85
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-27.0	-34.0	-33.0	-32.0	41.0	12.1	0.2	-4.3
Attributable net profit	1 776	2 339	2 164	1 214	-6 724.0	-1 985.5	-32.9	703
<b>Adjusted attributable net profit</b>	<b>1 361</b>	<b>2 090</b>	<b>2 057</b>	<b>1 214</b>	<b>-6 724.0</b>	<b>-1 985.5</b>	<b>-32.9</b>	<b>703</b>
BALANCE SHEET (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Goodwill	1 265	1 343	1 381	1 395	1 169	1 169	1 169	1 169
Other intangible assets	472	492	512	547	469	469	469	469
Tangible fixed assets	18 601	19 277	21 780	25 332	21 739	20 406	20 230	20 261
WCR	-3 440.0	-4 394.0	-5 048.0	-4 614.0	-2 516.0	-1 091.7	-1 319.7	-1 697.7
Financial assets	2 753	1 976	1 755	1 832	1 234	1 110	1 080	1 077
Ordinary shareholders equity	7 060	9 006	9 463	10 147	1 347	-627.4	-661.1	-103.7
Minority interests	89.0	103	110	109	40.0	27.9	27.9	32.0
Shareholders equity	7 149	9 109	9 573	10 256	1 387	-599.5	-633.4	-71.8
Non-current provisions	9 933	6 707	7 327	7 943	10 920	10 920	10 920	10 920
<b>Net debt</b>	<b>2 569</b>	<b>2 878</b>	<b>3 480</b>	<b>6 293</b>	<b>9 788</b>	<b>11 742</b>	<b>11 342</b>	<b>10 430</b>
CASH FLOW STATEMENT (€m)	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
<b>EBITDA</b>	<b>3 155.0</b>	<b>4 656.0</b>	<b>5 017.0</b>	<b>4 718.0</b>	<b>-2 890.0</b>	<b>390.4</b>	<b>3 139.7</b>	<b>4 229.1</b>
Change in WCR	-140.0	259.0	410.0	490.0	-683.0	-738.6	303.8	317.1
Interests & taxes	-104.0	-477.0	-688.0	-1 117.0	-76.0	-175.7	-219.9	-451.2
Others	285.0	838.0	-648.0	-169.0	1 164.0	-400.0	-505.0	-535.0
Operating Cash flow	3 196.0	5 276.0	4 091.0	3 922.0	-2 485.0	-923.8	2 718.5	3 559.9
CAPEX	-2 330.0	-3 332.0	-3 611.0	-3 585.0	-807.0	-1 104.2	-2 403.5	-2 735.7
<b>Free cash-flow</b>	<b>866.0</b>	<b>1 944.0</b>	<b>480.0</b>	<b>337.0</b>	<b>-3 292.0</b>	<b>-2 028.0</b>	<b>315.0</b>	<b>824.2</b>
Acquisitions / disposals	-771.0	-1 748.0	484.0	-595.0	-1 658.0	0.0	0.0	0.0
Dividends	-233.0	-232.0	-349.0	-414.0	-21.0	0.0	0.0	0.0
Net capital increase	0.0	0.0	0.0	0.0	306.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	768.0	-309.0	-602.0	-2 813.0	-3 495.0	-1 953.9	400.2	912.0
GROWTH MARGINS PRODUCTIVITY	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales growth	-1.2%	12.4%	-0.1%	2.5%	-62.7%	40.1%	32.8%	20.2%
<b>Lfi sales growth</b>	<b>-1.2%</b>	<b>12.4%</b>	<b>-0.1%</b>	<b>2.5%</b>	<b>-62.7%</b>	<b>40.1%</b>	<b>32.8%</b>	<b>20.2%</b>
Current EBIT growth	-3.6%	68.9%	-4.2%	-28.6%	ns	ns	ns	ns
Growth in adjusted EPS	14.1%	53.6%	-2.4%	-41.7%	ns	ns	ns	ns
Net margin	4.3%	5.9%	5.8%	3.3%	-49.5%	-10.4%	-0.1%	2.3%
<b>EBITDA margin</b>	<b>10.0%</b>	<b>13.1%</b>	<b>14.1%</b>	<b>13.0%</b>	<b>-21.3%</b>	<b>2.1%</b>	<b>12.4%</b>	<b>13.9%</b>
<b>Current EBIT margin</b>	<b>5.5%</b>	<b>8.3%</b>	<b>8.0%</b>	<b>5.6%</b>	<b>-40.1%</b>	<b>-10.7%</b>	<b>2.2%</b>	<b>5.0%</b>
CAPEX / Sales	-7.4%	-9.4%	-10.2%	-9.8%	-5.9%	-5.8%	-9.5%	-9.0%
WCR / Sales	-10.9%	-12.4%	-14.2%	-12.7%	-18.5%	-5.7%	-5.2%	-5.6%
Tax Rate	19.0%	23.5%	22.3%	34.6%	28.5%	25.0%	25.2%	25.0%
Normative tax rate	26.0%	26.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Asset Turnover	2.0	2.1	2.0	1.8	0.6	0.9	1.2	1.5
<b>ROCE post-tax (normative tax rate)</b>	<b>8.2%</b>	<b>13.0%</b>	<b>12.0%</b>	<b>7.4%</b>	<b>-18.8%</b>	<b>-7.3%</b>	<b>2.0%</b>	<b>5.6%</b>
ROCE post-tax hors GW (normative tax rate)	8.9%	14.1%	13.0%	7.9%	-20.0%	-7.8%	2.1%	5.9%
ROE	21.2%	26.0%	22.3%	12.4%	ns	ns	5.1%	ns
DEBT RATIOS	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Gearing	36%	32%	36%	61%	ns	ns	ns	ns
Net Debt / Market Cap	0.45	0.31	0.31	0.74	1.67	2.05	1.98	1.82
<b>Net debt / EBITDA</b>	<b>0.81</b>	<b>0.62</b>	<b>0.69</b>	<b>1.33</b>	<b>ns</b>	<b>ns</b>	<b>3.61</b>	<b>2.47</b>
EBITDA / net financial charges	14.5	23.9	26.5	-1 179.5	-2.3	0.7	5.0	6.9

Sources: ODDO BHF Securities, SIX



# Ryanair

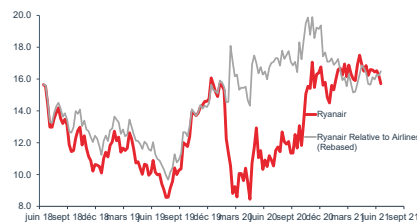
Outperform → | Target 20.0 €

Price (15/07/2021) : 15.71 € | Upside : 27 %

Revision	2022e	2023e
EPS	1.1%	-7.9%

Confidence on the summer season and beyond. Our Top Pick in the sector

Friday 16 July 2021



Capital	
RYA ID   RYA.I	
Market Cap (€m)	17 586
Enterprise value (€m)	20 130
Extrema 12 months (€)	10.50 - 17.50
Free Float (%)	96.0

Performance (%)	1m	3m	12m
Absolute	-2.9	-1.1	32.8
Perf. rel. Country Index	-2.3	-4.9	8.8
Perf. rel. Airlines	4.8	9.1	-3.7

P&L	03/22e	03/23e	03/24e
Sales (€m)	4 804	9 602	11 706
EBITDA (€m)	813	2 836	3 614
Current EBIT (€m)	188	2 068	2 736
Attr. net profit (€m)	124	1 780	2 373
Adjusted EPS (€)	0.11	1.58	2.11
Dividend (€)	0.00	0.44	0.44

P/E (x)	142.3	9.9	7.5
P/B (x)	3.7	2.9	2.2
Dividend Yield (%)	0.0	2.8	2.8
FCF yield (%)	1.7	4.5	9.6
EV/Sales (x)	4.19	2.06	1.59
EV/EBITDA (x)	24.8	7.0	5.2
EV/Current EBIT (x)	107.0	9.6	6.8
Gearing (%)	41	28	6
Net Debt/EBITDA (x)	2.4	0.6	0.1

Next Events	
26/07/2021	Q1 Results

## Favourable momentum initiated in July...

For the quarter to end-June 2021 (publication on 26 July), we **forecast a net loss of € 304m** vs -€ 185m in Q1 2020 factoring in: i/ revenues of € 338m including 8.1m passengers (for 25.6% of pre-crisis seats restored and a load factor of 73%) and a reduction in unit revenues per passenger of 83% y-o-y to € 41.8 (penalised by a demanding comparison base) and ii/ operational charges of € 672m of which € 172m in fuel charges.

As of July, we think that the acceleration in the return of capacity that has been visible over the past ten days (with an average of 70% of pre-crisis flights operated vs 50% in June according to Eurocontrol) will continue over the coming weeks to **achieve 75% for the three summer months** despite uncertainty on the spread of the Delta variant in Europe and particularly in the UK (at the CAPA conference organised last week, Eddie Wilson, CEO of Ryanair DAC, said that he is reasonably confident in the airline achieving 75-80% of pre-crisis capacity over the summer).

Indeed, our confidence today is linked to i/ **Ryanair's lesser dependence on the UK market** (the equivalent of 20% of pre-crisis capacity), ii/ the **flexibility of its business model** which enables the group to focus its capacity on other more dynamic markets like Germany and Italy, iii/ the continuation of the **strategy aimed at stimulating demand via attractive prices** (on 7 July the airline launched a 24-hour 'Buy One Get One Free' promotion on more than 1,100 routes across the network for a flight in July) which should enable it to **capture market share fairly rapidly** and iv/ **favourable momentum on bookings**. At end-June, Ryanair indicated a rapid increase in bookings (notably from Germany, Benelux and Scandinavia to Portugal, Spain, Greece and Italy) but only 50% of the seats offered for July had been booked and 30% for August vs 70% under normal circumstances. We think that the positive newsflow linked to the lifting of restrictions from the UK notably for the fully-vaccinated population should help to underpin this trend over the coming weeks.

## ...which helps to secure full-year guidance

Whilst we fear the reintroduction of targeted restrictions in Europe (notably on non-vaccinated travellers to/from countries that have been severely affected by the epidemic), we think that full-year guidance for Ryanair in terms of traffic (at the low end of the range for 80-120 pax) is not at risk. We therefore think that Ryanair will be in a position to restore **some 65% of its capacity for FY 2022, of which 75% in Q2, 80% in Q3 and 90% in Q4**, and we anticipate 81m passengers transported with a load factor of 80% (71% for FY 2021). This improvement in the load factor will be to the detriment of yields which we now expect to be down 8% y-o-y, partially offset by favourable momentum on ancillary revenues per passenger up 11%. All told, we forecast net profit of € 124m for the year to end-March 2022 vs guidance and a consensus expectation of breakeven.

## Outperform and target price of € 20 reiterated - Ryanair now our Top Pick

We maintain our Outperform recommendation, with a target price of € 20. We still think the group's leeway on costs and comfortable level of liquidity (€ 3.15bn at end-March 2021 underpinned by a bond issue of € 1.2bn on 18 May) are real advantages for Ryanair. Moreover, the group should benefit from the acceleration in the delivery of 737Max, as of the winter season 2021, which should support its strategy for the rapid deployment of capacity aimed at capturing market share at a lower cost (the group has already announced its intention to recruit more than 2,000 pilots over the next three years). The stock is still trading at an attractive 2022-23e P/E of 10x.

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RYA ID | RYA.I

Air transport | Ireland

Outperform

Upside 27.35%

Price 15.71EUR

TP 20.00EUR

PER SHARE DATA (€)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Adjusted EPS	1.05	1.20	0.77	0.89	-0.73	0.11	1.58	2.11
Reported EPS	1.05	1.22	0.77	0.58	-0.91	0.11	1.58	2.11
Growth in adjusted EPS	13.6%	15.1%	-35.7%	15.5%	ns	ns	ns	33.3%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.44	0.44
FCF to equity per share	0.38	0.64	0.41	0.67	-2.03	0.27	0.71	1.51
Book value per share	3.54	3.74	4.56	4.46	4.18	4.24	5.37	7.04
Number of shares market cap (m)	1 249.70	1 193.50	1 143.60	1 113.80	1 110.40	1 126.20	1 126.20	1 126.20
Number of diluted shares (m)	1 257.50	1 204.00	1 154.60	1 119.80	1 110.40	1 126.20	1 126.20	1 126.20
VALUATION (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
12m highest price (€)	14.89	19.39	16.79	14.63	17.06	17.50		
12m lowest price (€)	10.46	13.94	10.16	8.50	8.32	14.00		
(*) Reference price (€)	13.19	16.96	13.26	11.77	12.92	15.71	15.71	15.71
Capitalization	16 487	20 247	15 163	13 105	14 346	17 687	17 687	17 687
Restated Net debt	244	283	450	403	2 277	1 974	1 671	468
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	-180.5	-789.3	-78.9	805	127	127	127	127
Provisions	628	1 142	794	1 610	596	596	596	596
<b>Enterprise Value</b>	<b>17 540</b>	<b>22 461</b>	<b>16 485</b>	<b>14 313</b>	<b>17 092</b>	<b>20 130</b>	<b>19 827</b>	<b>18 624</b>
P/E (x)	12.6	14.1	17.1	13.1	ns	142	9.9	7.5
P/CF (x)	9.2	10.0	12.5	12.4	ns	23.6	6.9	5.4
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	2.8%
FCF yield	2.9%	3.8%	3.1%	5.7%	ns	1.7%	4.5%	9.6%
P/B incl. GW (x)	3.73	4.53	2.91	2.64	3.09	3.71	2.92	2.23
P/B excl. GW (x)	3.73	4.53	2.91	2.64	3.09	3.71	2.92	2.23
EV/Sales (x)	2.64	3.14	2.14	1.68	10.45	4.19	2.06	1.59
EV/EBITDA (x)	8.6	10.1	9.9	7.6	ns	24.8	7.0	5.2
EV/Current EBIT (x)	11.4	13.5	16.2	12.7	ns	107	9.6	6.8
(*) historical average price								
PROFIT AND LOSS (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Sales	6 648	7 151	7 697	8 495	1 636	4 804	9 602	11 706
EBITDA	2 032	2 228	1 657	1 876	-268.4	813	2 836	3 614
Depreciations	-497.5	-561.0	-640.5	-748.7	-571.0	-624.5	-768.2	-877.9
<b>Current EBIT</b>	<b>1 534</b>	<b>1 667</b>	<b>1 017</b>	<b>1 127</b>	<b>-839.4</b>	<b>188</b>	<b>2 068</b>	<b>2 736</b>
Published EBIT	1 534	1 667	1 007	720	-1 066.7	188	2 068	2 736
Net financial income	-63.7	-56.0	-58.9	-49.9	-42.0	-46.8	-44.8	-38.9
Corporate Tax	-154.4	-161.1	-63.1	-21.6	94	-16.9	-242.8	-323.6
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	1 316	1 450	885	649	-1 015.1	124	1 780	2 373
<b>Adjusted attributable net profit</b>	<b>1 316</b>	<b>1 450</b>	<b>895</b>	<b>1 002</b>	<b>-815.4</b>	<b>124</b>	<b>1 780</b>	<b>2 373</b>
BALANCE SHEET (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	46.8	46.8	146	146	146	146	146	146
Tangible fixed assets	7 214	8 123	9 030	9 675	8 549	9 267	10 753	12 050
WCR	-2 274.7	-2 491.0	-3 297.1	-3 564.9	-1 457.0	-2 353.0	-2 861.7	-3 488.6
Financial assets	309	215	579	725	231	231	231	231
Ordinary shareholders equity	4 423	4 469	5 215	4 968	4 647	4 771	6 051	7 925
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	4 423	4 469	5 215	4 968	4 647	4 771	6 051	7 925
Non-current provisions	628	1 142	794	1 610	596	596	596	596
<b>Net debt</b>	<b>244</b>	<b>283</b>	<b>450</b>	<b>403</b>	<b>2 277</b>	<b>1 974</b>	<b>1 671</b>	<b>468</b>
CASH FLOW STATEMENT (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
<b>EBITDA</b>	<b>2 031.5</b>	<b>2 228.3</b>	<b>1 657.3</b>	<b>1 876.1</b>	<b>-268.4</b>	<b>812.6</b>	<b>2 836.3</b>	<b>3 613.7</b>
Change in WCR	128.4	216.3	806.1	267.8	-2 107.9	896.0	508.8	626.9
Interests & taxes	-217.4	-219.2	-118.5	-73.1	39.8	-63.8	-287.6	-362.6
Others	-15.3	7.8	-327.4	-743.7	-111.5	0.0	0.0	0.0
Operating Cash flow	1 927.2	2 233.2	2 017.5	1 327.1	-2 448.0	1 644.8	3 057.4	3 878.0
CAPEX	-1 449.8	-1 470.6	-1 546.7	-578.8	195.0	-1 342.2	-2 254.4	-2 174.9
<b>Free cash-flow</b>	<b>477.4</b>	<b>762.6</b>	<b>470.8</b>	<b>748.3</b>	<b>-2 253.0</b>	<b>302.5</b>	<b>803.1</b>	<b>1 703.1</b>
Acquisitions / disposals	0.0	0.0	-101.5	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	-500.0	-500.0
Net capital increase	-1 017.9	-829.1	-531.6	-561.4	421.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	84.3	-104.1	0.0	0.0	0.0
Change in net cash	-555.7	-38.7	-166.6	46.3	-1 873.3	302.5	303.1	1 203.1
GROWTH MARGINS PRODUCTIVITY	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Sales growth	1.7%	7.6%	7.6%	10.4%	-80.7%	ns	99.9%	21.9%
<b>Lfi sales growth</b>	<b>1.7%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>10.4%</b>	<b>-80.7%</b>	<b>ns</b>	<b>99.9%</b>	<b>21.9%</b>
Current EBIT growth	5.1%	8.7%	-39.0%	10.9%	ns	ns	ns	32.3%
Growth in adjusted EPS	13.6%	15.1%	-35.7%	15.5%	ns	ns	ns	33.3%
Net margin	19.8%	20.3%	11.6%	11.8%	-49.8%	2.6%	18.5%	20.3%
<b>EBITDA margin</b>	<b>30.6%</b>	<b>31.2%</b>	<b>21.5%</b>	<b>22.1%</b>	<b>-16.4%</b>	<b>16.9%</b>	<b>29.5%</b>	<b>30.9%</b>
<b>Current EBIT margin</b>	<b>23.1%</b>	<b>23.3%</b>	<b>13.2%</b>	<b>13.3%</b>	<b>-51.3%</b>	<b>3.9%</b>	<b>21.5%</b>	<b>23.4%</b>
CAPEX / Sales	-21.8%	-20.6%	-20.1%	-6.8%	11.9%	-27.9%	-23.5%	-18.6%
WCR / Sales	-34.2%	-34.8%	-42.8%	-42.0%	-89.1%	-49.0%	-29.8%	-29.8%
Tax Rate	10.5%	10.0%	6.7%	3.2%	8.4%	12.0%	12.0%	12.0%
Normative tax rate	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Asset Turnover	1.5	1.3	1.3	1.4	0.2	0.7	1.3	1.4
<b>ROCE post-tax (normative tax rate)</b>	<b>29.5%</b>	<b>27.5%</b>	<b>15.5%</b>	<b>16.3%</b>	<b>-10.9%</b>	<b>2.3%</b>	<b>24.1%</b>	<b>28.7%</b>
ROCE post-tax hors GW (normative tax rate)	29.5%	27.5%	15.5%	16.3%	-10.9%	2.3%	24.1%	28.7%
ROE	32.8%	32.6%	18.5%	19.7%	-17.0%	2.6%	32.9%	34.0%
DEBT RATIOS	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Gearing	6%	6%	9%	8%	49%	41%	28%	6%
Net Debt / Market Cap	0.01	0.01	0.03	0.03	0.16	0.11	0.09	0.03
<b>Net debt / EBITDA</b>	<b>0.12</b>	<b>0.13</b>	<b>0.27</b>	<b>0.21</b>	<b>ns</b>	<b>2.43</b>	<b>0.59</b>	<b>0.13</b>
EBITDA / net financial charges	32.2	38.4	29.9	36.4	-5.0	17.3	63.2	92.8

Sources: ODDO BHF Securities, SIX



EPS lowered -€ 2.02 vs -€ 1.88 (03/2022)

Air transport | Hungary

# Wizz Air

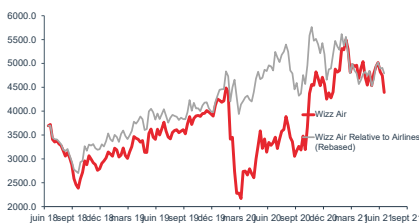
Neutral → | Target 4890p

Price (15/07/2021) : 4393.00p | Upside : 11 %

Revision	2022e	2023e
EPS	ns	-8.8%

## A (costly) acceleration in capacities

Friday 16 July 2021



### Capital

#### WIZZ LN | WIZZ.L

Market Cap (€m)	3 760
Enterprise value (€m)	7 647
Extrema 12 months (€)	3 034 - 5 565
Free Float (%)	76.0

Performance (%)	1m	3m	12m
Absolute	-6.9	-10.5	27.6
Perf. rel. Country Index	-6.4	-13.9	4.6
Perf. rel. Airlines	0.4	-1.2	-7.4

P&L	03/22e	03/23e	03/24e
Sales (€m)	1 686	3 283	4 396
EBITDA (€m)	118	931	1 501
Current EBIT (€m)	-185.1	442	872
Attr. net profit (€m)	-258	317	708
Adjusted EPS (€)	-2.02	2.49	6.87
Dividend (€)	0.00	0.00	0.00

P/E (x)	ns	20.7	7.5
P/B (x)	8.4	5.6	3.2
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	7.2	11.9
EV/Sales (x)	4.53	2.21	1.51
EV/EBITDA (x)	64.6	7.8	4.4
EV/Current EBIT (x)	ns	16.4	7.6
Gearing (%)	ns	208	80
Net Debt/EBITDA (x)	ns	2.1	0.9

### Next Events

28/07/2021	Earnings Release
28/07/2021	Q1 Results
04/11/2021	Q2 Results

## A more aggressive return of capacity than at peers...

In the quarter to the end of June 2021 (earnings release 28 July), we expect an adjusted net loss of -€ 115m vs -€ 108m in Q1 2020 factoring in: i/ sales of € 218m thanks to the restoration of 41% of pre-crisis ASK (for a load factor of 63.8% vs 73% at Ryanair) and a fall in unit revenue of 32% y-o-y (undermined by a high base of comparison and pricing pressure) and ii/ operating costs of € 331m including € 105m in fuel costs.

As of July, we think that the acceleration in the return of capacity already visible in the first 10 days (with an average of 85% of pre-crisis flights operated versus 63% in June according to Eurocontrol) is likely to be maintained over the three summer months (vs 75% for Ryanair) and despite the uncertainties created by the spread of the Delta variant in Europe and particularly the UK. The management is even more optimistic (in an interview given a few days ago to a Hungarian newspaper, Wizz Air's CEO mentioned a return to 100% of pre-crisis capacities by the end of July vs 90% at present) but we prefer to be more cautious given the spread of the virus in Europe and our expectation that targeted restrictions will be reintroduced for unvaccinated travellers departing/returning to the countries worst affected.

## ...with pressure expected on load factors and pricing

While we remain confident regarding the acceleration in the booking curve at Wizz Air in the last few weeks thanks to good momentum in the leisure segment, we remain **cautious on the load factor** (given the aggressive approach in capacities) and **pricing trends** with i/ passenger yields set to hinge on competitive pressure and also the degree of maturity of the routes operated and ii/ a performance in ancillary revenues/pax (+29.6%) in FY 2021 that cannot be transposed to FY 2022.

For the financial year to end-March 2022, we maintain a cautious stance and expect an attributable net result (before exceptionals) of -€ 258m after updating our fuel cost assumptions. Our scenarios for capacities (75% of 2019 levels with a load factor of 76%) and pricing (unit revenue up 11% but down 18% versus the pre-crisis level) factor in greater competitive pressure on Wizz Air's markets.

## Neutral rating and 4,890p target price confirmed

We reiterate our Neutral rating and target price of 4,890p based on the average of a DCF and a valuation by historical multiples. We think that the premium currently displayed by the airline vis-a-vis peers (March 2023e P/E of 17.6x vs 10x for Ryanair and 10.5x for easyJet) is no longer justified given the increase in competitive pressure, particularly from low-cost carriers such as Ryanair. Wizz Air retains a comfortable level of liquidity at € 1.6bn (at the end of March 2021).

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## WIZZ LN | WIZZ.L

### Air transport | Hungary

## Neutral

Upside 11.31%

Price 4393.00 p

TP 4890.00 p

PER SHARE DATA (€)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Adjusted EPS	1.94	2.17	0.97	2.71	-5.26	-2.02	2.49	6.87
Reported EPS	3.96	4.00	1.69	3.76	-6.73	-2.50	3.08	6.87
Growth in adjusted EPS	27.3%	11.8%	-55.3%	ns	ns	ns	ns	ns
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	2.25	2.99	8.05	2.87	-4.68	-6.27	3.69	6.13
Book value per share	16.64	18.07	16.58	16.53	10.56	6.10	9.19	16.05
Number of shares market cap (m)	57.25	68.74	72.75	74.69	85.55	103.00	103.00	103.00
Number of diluted shares (m)	126.77	126.85	127.13	127.26	127.30	127.45	127.45	103.00
VALUATION (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
12m highest price (€)	27.43	41.48	43.13	48.06	53.91	64.96		
12m lowest price (€)	16.33	18.13	26.62	30.52	21.57	45.81		
(*) Reference price (€)	20.62	32.51	35.56	41.18	42.17	51.57	51.57	51.57
Capitalization	1 180	2 235	2 587	3 076	3 607	5 312	5 312	5 312
Restated Net debt	-741.0	-947.4	523	729	1 690	2 336	1 956	1 324
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	-4.0	-4.0	-4.0
Financial fixed assets (fair value)	-1 436.3	-1 690.4	31.5	18.2	5.1	5.1	5.1	5.1
Provisions	194	223	18.8	308	9.0	9.0	9.0	9.0
Enterprise Value	2 069	3 201	3 097	4 094	5 301	7 647	7 267	6 636
P/E (x)	10.6	15.0	36.7	15.2	ns	ns	20.7	7.5
P/CF (x)	3.3	4.6	3.6	4.6	ns	186	6.6	4.0
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	10.9%	9.2%	22.6%	7.0%	ns	ns	7.2%	11.9%
P/B incl. GW (x)	1.24	1.80	2.15	2.49	3.99	8.45	5.61	3.21
P/B excl. GW (x)	1.24	1.80	2.15	2.49	3.99	8.45	5.61	3.21
EV/Sales (x)	1.32	1.65	1.34	1.48	7.17	4.53	2.21	1.51
EV/EBITDA (x)	6.8	8.3	4.5	5.7	ns	64.6	7.8	4.4
EV/Current EBIT (x)	8.4	10.9	8.7	12.1	ns	ns	16.4	7.6
(*) historical average price								
PROFIT AND LOSS (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Sales	1 571	1 939	2 319	2 761	739	1 686	3 283	4 396
EBITDA	304	384	693	720	-182.8	118	931	1 501
Depreciations	-57.6	-90.7	-334.5	-381.4	-345.3	-303.5	-489.1	-628.6
Current EBIT	247	293	358	338	-528.1	-185.1	442	872
Published EBIT	247	293	358	338	-528.1	-185.1	442	872
Net financial income	-9.8	-5.7	-229.0	-44.1	-38.4	-92.2	-96.8	-94.9
Corporate Tax	-9.8	-11.0	-2.2	-13.1	-9.5	19.4	-27.6	-70.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	-1.3	-3.7	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	227	275	123	281	-576.0	-257.9	317	708
Adjusted attributable net profit	246	275	123	345	-669.6	-257.9	317	708
BALANCE SHEET (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	10.3	17.6	20.5	27.2	30.4	30.4	30.4	30.4
Tangible fixed assets	506	685	2 067	2 553	2 878	3 165	3 332	3 583
WCR	-349.7	-425.3	-496.2	-469.7	-371.1	-286.9	-516.7	-691.4
Financial assets	239	241	216	221	162	162	162	162
Ordinary shareholders equity	953	1 242	1 206	1 235	904	629	946	1 654
Minority interests	0.0	0.0	0.0	0.0	-4.0	-4.0	-4.0	-4.0
Shareholders equity	953	1 242	1 206	1 235	900	625	942	1 650
Non-current provisions	194	223	78.3	368	110	110	110	110
Net debt	-741.0	-947.4	523	729	1 690	2 336	1 956	1 324
CASH FLOW STATEMENT (€m)	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
EBITDA	304.2	383.7	692.5	719.7	-182.8	118.4	931.0	1 501.0
Change in WCR	-46.2	-75.6	-68.5	-24.1	-102.5	-84.3	229.7	174.8
Interests & taxes	-11.2	-12.8	-104.8	-56.0	-64.1	-92.2	-124.4	-164.9
Others	61.9	119.7	132.8	4.9	-29.3	2.4	0.0	0.0
Operating Cash flow	308.7	415.0	652.0	644.5	-378.7	-55.7	1 036.4	1 510.9
CAPEX	-179.9	-209.8	-66.2	-430.1	-21.9	-590.2	-656.6	-879.1
Free cash-flow	128.8	205.2	585.8	214.4	-400.6	-645.9	379.8	631.7
Acquisitions / disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	1.2	1.0	0.0	1.5	0.6	0.6	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	129.0	206.4	-1 470.4	-205.9	-960.9	-645.9	379.8	
GROWTH MARGINS PRODUCTIVITY	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Sales growth	9.9%	23.4%	19.6%	19.1%	-73.2%	ns	94.7%	33.9%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	4.8%	18.8%	22.2%	-5.5%	ns	ns	ns	97.4%
Growth in adjusted EPS	27.3%	11.8%	-55.3%	ns	ns	ns	ns	ns
Net margin	15.6%	14.2%	5.3%	12.5%	-90.6%	-15.3%	9.7%	16.1%
EBITDA margin	19.4%	19.8%	29.9%	26.1%	-24.7%	7.0%	28.4%	34.1%
Current EBIT margin	15.7%	15.1%	15.4%	12.3%	-71.5%	-11.0%	13.5%	19.8%
CAPEX / Sales	-11.4%	-10.8%	-8.4%	-19.5%	-10.9%	-35.0%	-20.0%	-20.0%
WCR / Sales	-22.3%	-21.9%	-21.4%	-17.0%	-50.2%	-17.0%	-15.7%	-15.7%
Tax Rate	4.1%	3.8%	1.7%	4.5%	-1.7%	7.0%	8.0%	9.0%
Normative tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Turnover	14.1	8.8	2.5	1.5	0.3	0.6	1.1	1.5
ROCE post-tax (normative tax rate)	ns	ns	38.3%	18.3%	-22.7%	-6.8%	15.4%	30.3%
ROCE post-tax hors GW (normative tax rate)	ns	ns	38.3%	18.3%	-22.7%	-6.8%	15.4%	30.3%
ROE	30.0%	25.1%	10.1%	28.3%	-62.6%	-33.7%	40.3%	54.4%
DEBT RATIOS	03/17	03/18	03/19	03/20	03/21	03/22e	03/23e	03/24e
Gearing	-78%	-76%	43%	59%	ns	ns	ns	80%
Net Debt / Market Cap	-0.63	-0.42	0.20	0.24	0.47	0.44	0.37	0.25
Net debt / EBITDA	ns	ns	0.76	1.01	ns	ns	2.10	0.88
EBITDA / net financial charges	24.5	174.4	3.1	16.3	-2.7	1.3	9.6	15.8

Sources: ODDO BHF Securities, SIX





#### • Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

#### • Sensitivity of the result of the analysis/ risk classification:

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

#### • Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Outperform: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Underperform: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

#### • The prices of the financial instruments used and mentioned in this document are the closing prices.

#### • All publications by ODDO BHF concerning the companies covered and mentioned in this document are available on the research site: [www.securities.oddo-bhf.com](http://www.securities.oddo-bhf.com)

#### Recommendation split

		Outperform	Neutral	Underperform
Our whole coverage	(543)	55%	34%	11%
Liquidity providers coverage	(94)	61%	35%	4%
Research service coverage	(42)	62%	33%	5%
Investment banking services	(30)	80%	17%	3%

#### Risk of conflict of interest:

##### Investment banking and/or Distribution

Has ODDO BHF SCA or its affiliates managed or co-managed in the last 12 months a public offering of securities for the subject company/ies?	No
Has ODDO BHF SCA or its affiliates received compensation for investment banking services from the subject company/ies in the last 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months?	Air France-KLM

##### Research contract between ODDO group & the issuer

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##### Liquidity provider agreement and market-making

At the date of the distribution of this report, does ODDO BHF SCA or its affiliates act as a market maker or has ODDO BHF SCA or its affiliates signed a liquidity provider agreement with the subject company/ies?	No
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##### Significant equity stake

Does ODDO BHF SCA or its subsidiary ABN AMRO – ODDO BHF B.V. own 1% or more of any class of common equity securities of the subject company/ies?	No
One or more affiliates of ODDO BHF SCA, other than ABN AMRO – ODDO BHF B.V., from time to time may own 1% or more of a class of common equity securities of the subject company/ies.	
Does ODDO BHF SCA or its subsidiary ABN AMRO – ODDO BHF B.V., own a net long or short position of 0.5% or more of any class of common equity securities of the subject company/ies?	No
Does the subject company beneficially own 5% or more of any class of common equity of ODDO BHF SCA or its subsidiary ABN AMRO – ODDO BHF B.V.?	No

##### Disclosure to Company

Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?	No
Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution?	No

##### Additional material conflicts

Is ODDO BHF SCA or its affiliates aware of any additional material conflict of interest?	No
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##### Personal conflicts of interest



Have those responsible for the drafting of the present document acquired securities from the issuer concerned by the present financial analysis?

No

Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive?

No

Statement of conflict of interests of all companies mentioned in this document may be consulted on ODDO BHF: [www.securities.oddobhf.com](http://www.securities.oddobhf.com)

#### Recommendation history over the last 12 months for the company analysed in this report

Company	Date	Reco	Price	
Air France-KLM	28/04/2021	-	4.73	Yan Derocles
	13/04/2021	-	5.05	Yan Derocles
	28/01/2021	-	5.02	Yan Derocles
IAG	17/11/2020	Neutral	1.72	Olfa Taamallah
Wizz Air	11/05/2021	Neutral	55.03	Olfa Taamallah
	12/11/2020	-	47.61	Fatma Ayachi

#### Target price history over the last 12 months for the company analysed in this report

Company	Date	Price Target	Price	Analyst
Air France-KLM	10/05/2021	3.80 EUR	4.63	Yan Derocles
	28/04/2021	4.40 EUR	4.73	Yan Derocles
	28/01/2021	4.50 EUR	5.02	Yan Derocles
	18/11/2020	4.70 EUR	4.43	Yan Derocles
	03/11/2020	3.80 EUR	3.13	Yan Derocles
	24/09/2020	4.00 EUR	3.02	Yan Derocles
	03/08/2020	4.20 EUR	3.37	Yan Derocles
	13/07/2021	14.03 GBP	877.80	Olfa Taamallah
EasyJet	21/05/2021	14.56 GBP	974.60	Olfa Taamallah
	23/03/2021	14.27 GBP	910.40	Olfa Taamallah
	28/01/2021	10.61 GBP	746.60	Olfa Taamallah
	18/11/2020	10.74 GBP	756.20	Olfa Taamallah
	05/08/2020	8.20 GBP	587.20	Olfa Taamallah
IAG	01/03/2021	2.50 EUR	2.38	Olfa Taamallah
	28/01/2021	2.00 EUR	1.65	Olfa Taamallah
	17/11/2020	1.90 EUR	1.72	Olfa Taamallah
	28/10/2020	1.15 EUR	1.03	Olfa Taamallah
Lufthansa	03/05/2021	8.80 EUR	11.02	Yan Derocles
	28/01/2021	8.00 EUR	10.91	Yan Derocles
	06/11/2020	7.50 EUR	7.44	Yan Derocles
Ryanair	08/04/2021	20.00 EUR	16.52	Olfa Taamallah
	02/02/2021	18.00 EUR	15.06	Olfa Taamallah
	04/12/2020	19.00 EUR	17.06	Olfa Taamallah
	03/11/2020	15.00 EUR	12.79	Olfa Taamallah
Wizz Air	03/06/2021	4890.00 GBP	4686.00	Olfa Taamallah
	11/05/2021	5100.00 GBP	4733.00	Olfa Taamallah
	28/01/2021	5550.00 GBP	4402.00	Olfa Taamallah
	12/11/2020	5485.11 GBP	4274.00	Fatma Ayachi



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