Ryanair Holdings (RY4C ID)

Industry-leading cash generator - new €800m buyback; FY2016 guidance maintained at upper end of €1175-1225m range

DAVY VIEW

Ryanair continues to deliver very strong profits with net income of €102.7m in Q3 and full year net income guidance maintained at the upper end of the €1,175-1225m range. While yields are slightly weaker in Q3 (-1% versus previous guidance of flat yields) and Q4 (-6% guided versus -4% previously), this reflects traffic growth of 26% in Q4 and ex-fuel costs are down 2% for the year. Cash generation continues to be spectacular, allowing for a new €800m buyback programme to be announced.

Conference call at 11.00 GMT. Telephone: UK +44 203 1394830; Ireland 01 696 8154; Pin code 69298638#

Q3 net income of €102.7m, +110% on last year
Ryanair reported Q3 net income of €102.7m (Davy €107.9m, consensus €109m) – more than double last year’s profit. This was driven by unit costs down 5% (ex-fuel 1%), traffic growth up 20% and yields down 1% (versus flat previously guided).

FY2016 guidance unchanged; fuel hedging extended
As expected, Ryanair has maintained FY2016 guidance towards the upper end of the €1,175-1225m range (Davy: €1,221m). Traffic guidance has been raised again to 106m (from 105m) with Q4 traffic growth of 26% (previously 22%). Based on limited visibility for Q4 yields, average fares could fall 6% (previously -4%). Ryanair indicates that yields in Q4 could be impacted by weaker sterling and a new municipal tax of €2.50 in Italy (c.20% of Ryanair’s network). Full year unit costs will fall c.6% (ex-fuel -2%). Ancillaries continue to track behind passenger volumes as before. Fuel hedging has been extended to FY2018 – 50% hedged for H1 FY2018 at c.$52 per barrel and 65% of the FY2018 €/$ opex requirements at $1.11. This will provide another fuel tailwind of c.€300m in FY2018.

Industry-leading cost story and cash generation again illustrated
Ryanair continues to demonstrate an industry-leading cost position – ex-fuel costs have fallen 2% over the two years since the introduction of the Always Getting Better (AGB) programme. Costs should be further locked in with the five-year pay and conditions deals with pilots and cabin crews, low-cost aircraft deliveries and right across each line item in the cost base. Net cash was €350m at the end of December despite €726m in capex, shareholder distributions of €687m and debt repayments of €281m during the current financial year. Despite the announcement of the share buyback programme of €800m for a nine-month period and likely aircraft funding in cash, we expect Ryanair to continue to have a significant net cash balance sheet. We are likely to broadly maintain our forecasts at current levels and retain our €16.50 price target.

For further detail, see our research report issued this morning.
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Price performance (% change)

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<th>Stock</th>
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<th>2011</th>
<th>2012</th>
<th>2013</th>
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<td>RYANAIR HOLDINGS</td>
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Source: Datastream

WARNING: Past performance is not a reliable guide to future performance

Investment ratings
Ryanair Holdings rating: Outperform Issued: 07/12/09 Previous: Neutral Issued: 02/11/09

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