

Ryanair

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Ryanair slashes profit guidance on strike impact and higher oil prices

Ryanair PLC (LON:RYA) has lowered its full year profit guidance by 12% after it was hit by strikes by its pilots and cabin crew, lower third-quarter fares and higher oil prices, sending its shares into a tailspin.

The low-cost carrier said on Monday that it was cutting its profit guidance to a range of €1.10bn - €1.20bn from the previous range of €1.25bn - €1.35bn.

READ: Ryanair forced to cancel another 250 flights as staff walk out again Ryanair said the two-day, five-country co-ordinated strikes in Germany, Holland, Belgium, Spain and Portugal in September had knocked second quarter fares by some 3%. This led the Irish airline to warn that forward bookings, especially for the October school half-term holiday and Christmas period, were lower due to passengers' fears of further strikes.

"While we successfully managed five strikes by 25% of our Irish pilots this summer, two recent coordinated strikes by cabin crew and pilots across five EU countries has affected passenger numbers (through flight cancellations), close in bookings and yields (as we re-accommodate disrupted passengers), and forward air fares into Q3," Ryanair CEO Michael O'Leary said in a statement.

"While we regret these disruptions, we have on both strike days operated over 90% of our schedule. However, customer confidence, forward bookings and Q3 fares has been affected, most notably over the Oct school mid-terms and Christmas, in those five countries where unnecessary strikes have been repeated," he added.

In response to its troubles, the Irish carrier said it would close its bases at Eindhoven (four aircraft), Bremen (two aircraft) and cuts aircraft numbers at Niederrhein to three from five planes over the winter.

Ryanair, which cut its full-year traffic forecast to 138mIn from 139mIn, said it could not rule out further disruptions in the third quarter, which may require full-year guidance to be lowered further, and that it may need to cut its winter capacity further on less profitable routes.

In a note to clients, analysts at AJ Bell said that the strikes had made individuals less confident about using the Irish carrier in the future in case their flights are also delayed or cancelled.

Oil price turbulence

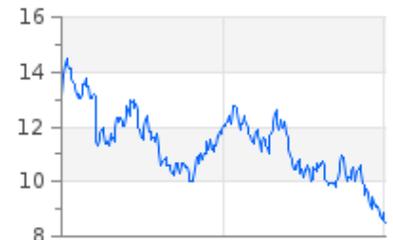
Europe's largest low-cost airline, which has around 10% of its fuel requirements unhedged - exposing it to higher costs - said it expects its fuel bill to be some €460mIn higher than last year, while it was also hit by higher care and re-accommodation costs due to the strikes.

The airline sector is feeling the effects of the highest oil price for some four years with jet fuel prices hovering around the US\$90 a barrel mark, more than 25% higher than at this point last year.

Price: EUR8.498

Market Cap EUR9516140000M

1 Year Share Price Graph



August 2018 February 2019 August 2019

Share Information

Code: RYA

Listing: LSE

52 week **High** **Low**
 €14.55 €8.39

Sector: Travel, Leisure & Hospitality [T3]

Website: www.ryanair.co.uk

Company Synopsis:

Ryanair operates a scheduled passenger airline serving routes between Ireland, the United Kingdom, Continental Europe and Morocco.

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"Costs are going up, prices are coming down .. the stock market clearly thinks Ryanair's problems are negative for other parts of the airline sector, given how easyJet's share price fell by nearly 6% on Monday morning and British Airways' owner International Consolidated Airlines down by 2%," AJ Bell analysts wrote.

Ryanair shares were 8.9% down at €11.94 in early afternoon trade. Shares in low-cost rival easyJet slumped on Ryanair's announcement, despite it forecasting full-year profit at the upper end of its previous guidance last week. In early afternoon trade, easyJet shares had pared earlier losses and were 3.1% down at 1,273p, while shares in British Airways owner IAG has also recovered early losses and were trading 1.3% lower at 651.6p.

Despite the impact of rising costs, analysts at CMC Markets believe most of Ryanair's problems are self-inflicted.

"This time last year the Ryanair pilot roster fiasco prompted mass cancellation of flights, and left customers disgruntled. Since then, poor relations with staff have also brought about mass flight cancellations," CMC analysts said in a note.

"Clients like cheap airfares, but they value flight certainty more, and the company is running the risk of doing long-term damage to the brand," they added.

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