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Ryanair

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Ryanair slumps to quarterly loss after cutting fares in competitive short-haul market

Ryanair Holdings PLC (LON:RYA) slumped to a loss in the third quarter after cutting fares to attract customers in a competitive market.

The budget airline made a net loss of €19.6mln for the three months to December 31, compared to a net profit of €105.6mln a year ago. The loss excludes a €46.6mln exceptional charge for Laudamotion, the Austrian airline Ryanair took control of last August.

Passenger numbers rose by 8% to 30.4 million but this was offset by a 6% decrease in fares due to excess capacity in Europe's short-haul sector over the winter period.

The load factor - the proportion of available seats filled by passengers - was unchanged at 96%.

Ancillary revenues jump
Revenue increased 9% to €1.41bn, driven by a 26% increase in ancillary revenue and the growth in passenger numbers. Ancillary revenue was boosted by an increase in customers booking priority boarding and reserved seating along with the decision to start charging passengers for carry on baggage in November.

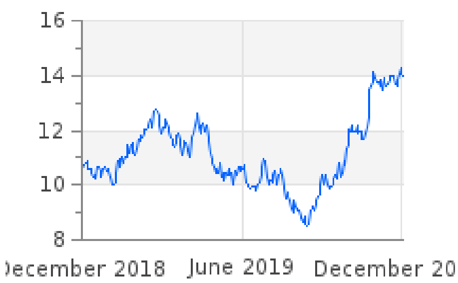
"While a €20mln loss in Q3 was disappointing, we take comfort that this was entirely due to weaker than expected air fares so our customers are enjoying record low prices, which is good for current and future traffic growth," said chief executive Michael O'Leary.

Ryanair takes steps to offset lower fares and higher oil prices
Ryanair said higher oil prices and lower fares have led to a series of airline failures in the past four months including Primera in the UK and Spain, Small Planet and Azur in Germany, Sky Works in Switzerland, VLM in Belgium, Cobalt in Cyprus and Cello in the UK.

Price: 14

Market Cap: €15.5 billion

1 Year Share Price Graph



Share Information

Code:		RYA
Listing:		LSE
52 week	**High**	**Low**
	14.34	**8.392**
Sector:		**Leisure, gaming and gambling**
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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Flybe in the UK, Wow in Iceland and Germania in Germany are also seeking buyers to stay afloat.

READ: Flybe rejects major shareholder's demands to sack chairman
In a bid to mitigate lower fares and higher fuel prices, Ryanair has closed unprofitable bases in Bremen and Eindhoven as well as cut aircraft numbers in Niederrhein and Hahn.

"We expect more closures and airline failures in 2019 due to over capacity in the European market, which is causing continued fare weakness," Ryanair said.

To save costs, the company has invested in more fuel efficient aircraft. It has also extended fuel hedges so that it is 90% hedged for the 2020 financial year at US$71 per barrel and 13% hedged for the first half of 2021 at US$63 per barrel.

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Risk of no-deal Brexit 'worryingly high'
Ryanair warned that it thinks the prospect of a no-deal Brexit is "worryingly high". The Ireland-based carrier has made contingency plans for the event the UK falls out of the European Union without a deal.

"While we hope that common sense will prevail, and lead to either a delay in Brexit, or agreement on the 21-month transition deal currently on the table, we have taken all necessary steps to protect Ryanair's business in a no-deal environment," it said.

"We have now obtained a UK Air Operator Certificate to protect our three domestic UK routes, and we will place restrictions on the voting rights and share sales of non-EU shareholders for a period of time (in the event of a hard Brexit) to ensure that Ryanair remains at all times an EU owned and EU controlled airline, even if the UK exits the EU without a deal."

The group said it has a strong balance sheet to cope with any potential financial shocks. It has €2.2bn of gross cash and owns 93% of its fleet.

In the first nine months of the 2019 financial year, Ryanair generated nearly €560mln net cash from operations, spent €1.2bn on capital expenditure, returned €560mln to shareholders via share buybacks, and repaid over €230mln debt.

As a result, net debt increased to €1.5bn at quarter-end from €282.9mln at the end of March.

Full year guidance unchanged
Ryanair left its guidance for the 2019 fiscal year unchanged from the downwardly revised forecast it provided in a January trading update for profit of €1.0bn to €1.1bn, down from €1.45bn in 2017.

It expects a 7% drop in winter fares, an 8% rise in passenger numbers, stronger ancillary revenues, and slightly better than expected second half unit costs.

READ: Ryanair descends after profit warning as lower winter fares offset rise in traffic
In a separate statement, Ryanair said it carried 10.3 million passengers January, up 11% on a year ago. The numbers include 10mln passengers for Ryanair and 300,000 for Laudamotion.

In morning trading, shares fell 4.4% to €10.90 each.

Ryanair still long-term winner in European airline industry, says Liberum
Liberum maintained a 'buy' rating with a target price of €14.50.

"In our view, Ryanair remains the long-term winner in the European airline industry, based on its leading market position, extensive network, low unit costs and strong balance sheet," Liberum said.

"We see tougher market conditions in the short term as positive for the stronger airlines in the long term, since this clears out weaker competitors and aids consolidation in the market.

"We would view short-term share price weakness as a buying opportunity."

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