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Ryanair

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The stormy skies of the airline sector have a big silver lining for Ryanair and easyJet

Shares in budget carrier Ryanair were flying notably lower on Monday afternoon after the airline reported a 29% slump in full-year profits blaming lower ticket prices and higher fuel costs as a result of climbing oil prices.

The group also forecast "broadly flat" profits for its current year, with investors quick to bail out as the share price descended by 3.1% to €10.5. As something of a read-across shares in no-frills rival easyJet PLC (LON:EZJ) slipped 2.9% to 995p while British Airways owner International Consolidated Airlines Group (LON:IAG) was also down 1.5% at 501.6p.

READ: Ryanair nosedives as it predicts flat profits for 2020
Ryanair's issues point to a number of storm clouds that have been brewing for the airline industry over the last year.

Fierce price competition and fare cuts have had the effect of getting more bums on seats, but while this may be good news for customers it has increased operating costs for the airlines, with carriers like Ryanair trying to rely on optional extras like hold baggage and food and drink sales to offset the decline.

Meanwhile, crude oil prices, which reached a four-year high in October last year before falling back in January, have been putting carriers under pressure as aircraft fuel costs have risen as a result.

A wave of staff and pilot strikes across Europe have also burnt a hole in Ryanair's pocket as pay rises for some of its employees and pilots are now taking a larger chunk out of its earnings.

And, as always, there is the looming shadow of Brexit, with easyJet citing the UK's ongoing departure process as a factor in weaker summer bookings in a trading update in April, adding that the uncertainty had made it "more cautious" about the outlook for the second half of its current financial year.

READ: Airline stocks see red after cautious outlook from easyJet fuels Brexit concerns
Apart from dampening consumer demand, Brexit is also more of a concern for the pan-European carriers than other industries as they could potentially be barred from flying across the continent under rules that stipulate that airlines operating within the EU must be at least 50% owned by investors located inside the bloc.

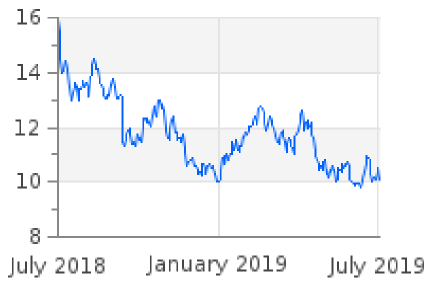
A silver lining
However, despite the picture looking increasingly grim, the bigger players could find themselves in a much stronger position if they can weather the short-term storm.

Russ Mould, investment director at AJ Bell, said that while Ryanair was currently in a bit of a tailspin, its peers were facing "exactly the same pressures" and many operators had balance sheets that were much less secure.

Price: EUR10.07545

Market Cap: EUR11322.84M

1 Year Share Price Graph



Share Information

Code:		RYA
Listing:		LSE
52 week	**High**	**Low**
	€16.22	**€9.61**
Sector:		**Travel, Leisure & Hospitality**
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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"Over time this could help relieve some of the competitive pressure and may even present opportunities for acquisitions", he added.

The sentiment was echoed by Laith Khalaf, senior analyst at Hargreaves Lansdown, who said that Ryanair's pain would apply "in spades" to weaker players in the market and that the cocktail of difficulties could ultimately leave the stronger airlines with the upper hand as junior competitors are squeezed out.

The strains on the industry have already claimed a number of smaller European carriers over the last year including Flybmi, Wow Air, Primera, Flybe, VLM, Cobalt, Germania, Sky Works and Azur among others.

Bigger player are also feeling the pinch, with travel agent Thomas Cook Group PLC (LON:TCG) saying in April that it considering the sale of its airline arm as part of a strategic review of the business.

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