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easyJet, IAG and Ryanair targets hiked as Credit Suisse takes more positive view on sector prospects

A trio of London-listed airlines, easyJet PLC (LON:EZJ), British Airways owner International Consolidated Group (LON:IAG) and Ryanair Holdings PLC (LON:RYA) have had their target prices hiked by Credit Suisse (CS) after analyst re-evaluated their view on the European airline sector.

For easyJet, which CS upped to 1,546p from 1,431p and retained their 'outperform' rating, the bank expected the orange and white carrier to deliver revenue per seat growth "at the upper end of the low-mid-single-digit growth guidance it provided for [the first half of 2020]", adding that the company's efforts to cut costs had "borne fruit".

READ: easyJet set to return to the FTSE 100 while Hiscox faces demotion While its latest full-year had seen pre-tax profit levels per seat of around £4.07, CS said they expected this to recover back to 2013-15 levels of between £7-9.

Meanwhile, CS also retained their 'outperform' rating for IAG and increased their target to 727p from 665p, citing "increasing confidence in cost control and [2020 financial year] earnings".

Analysts added that IAG's slower capacity growth "should bolster market confidence in cash flow", adding that they expected the company to raise its dividend payout for 2019 to a ratio of around 35-40% compared to 25% now.

Finally, Ryanair was hiked to €12.24 from €11.32 and maintained at 'underperform', with the bank saying that while "improving short-term pricing prospects" had helped drive up their earnings estimates for the Irish carrier, it may need to pump the brakes slightly on its expansion plans to meet profitability targets.

"We remain encouraged by the prospect of RYA not growing capacity in summer 2020, but remain concerned about the potential to achieve €10 per [passenger] net income if the number of aircraft grows to 585 and 200m [passengers] by FY24."

"RYA needs to boost revenue per [passenger] by 5% over the three years to [2024]. We think the key to RYA doing this will be capacity growth, and think it would be considerably more likely if it were to abandon its 200m [passenger] target", CS said.

In early trading on Friday, easyJet shares were 0.2% higher at 1,358.5p, while IAG fell 0.9% to 557.6p and Ryanair was flat at €14.

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Price: 1257

Market Cap: £4.99 billion

1 Year Share Price Graph



Share Information

Code: EZJ

Listing: LSE

52 week High Low
1570 840

Sector: Leisure, gaming and gambling

Website: www.easyjet.com

Company Synopsis:

EasyJet is engaged in the provision of a low-cost airline service on short-haul and medium-haul point-to-point routes principally within Europe.

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