



Ryanair Holdings Plc (RYA)

HOLD: € 20.00 (+7.24%)

Equity Research Division

19th November 2024

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Market Cap	€20,288mn
Basic Shares O/S	1,099mn
52-Wk High	€21.80
52-Wk Low	€13.41
Fiscal Year End	31 Mar. 2024

€ million	FY21	FY22	FY23	FY24
Gross profit	(638)	72	2,117	2,818
EBITDA	(268)	380	2,366	3,120
EBIT	(839)	(340)	1,443	2,061
Net Income	(1,015)	(241)	1,314	1,917

Key Executives

Michael O'Leary	Group CEO
Neil Sorahan	Group CFO
Juliusz Komorek	Group CLO, Secretary

Investment Thesis

Ryanair is a leader in the industry of low-cost carriers, offering ultra-low tariff flights for a wide range of route options, primarily within Europe. Ryanair's financials are also very strong when compared with its peers, showing higher profitability margins and a well-sustainable level of debt.

While the market trend for future years is favorable mostly due to the growing demand for travel, Ryanair could face some challenges in growing its market share due to its limited aircraft supply base and already high load factor.

Given the current positioning of the company within the airline sector, its strong financial position and competitive advantage, at the current valuation we assess the risk-reward profile as reasonably balanced. Accordingly, we recommend a HOLD rating for Ryanair.

Valuation

We are valuing Ryanair using a 50/50 blend of intrinsic value (DCF) and relative valuation, arriving at a target price of €20.00, a 7.24% increase from its last close price.

Key Risks

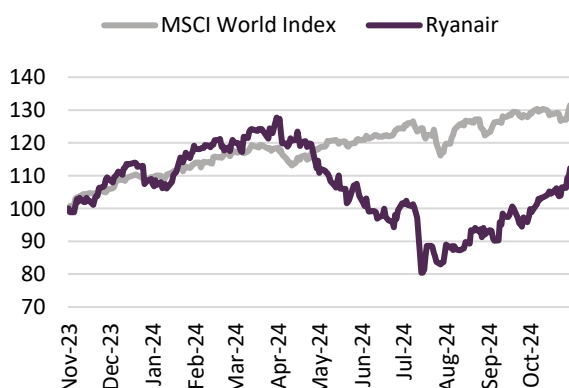
Downside risks: Ryanair's risks include route concentration risk, legal and regulatory risks and the risk of strong dependence on a single aircraft supplier, all of which could lead to lower-than-expected revenues or margins.

Upside risks: Ryanair might benefit from the opportunity to consolidate the market in Europe, the increase in demand for low-cost travel and the acceleration in growth of Eastern Europe which can lead to an increase in the expected growth rate of Ryanair

Basic Information

Last Closing Price	€18.65
Target Price	€20.00
+/- Potential	+7.24%
Bloomberg Ticker	RYA:ID
GICS Sector	Industrials
GICS Sub-Industry	Passenger Airlines

1Y Cumulative Returns (re-based to 100)

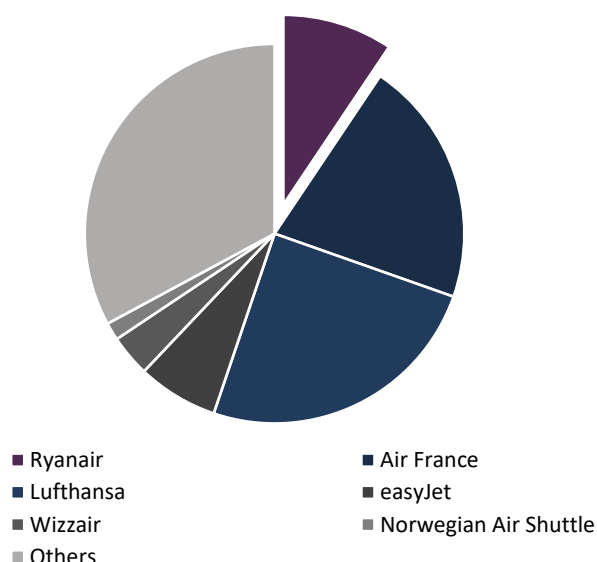


Company Overview

Founded on June 5th, 1996, Ryanair Holdings Plc is one of the leading low-fare airline companies in the European continent. The company operates a low-fare, scheduled-passenger airline serving short-haul, point-to-point routes mainly within Europe, but also in Morocco and Israel. Ryanair flies to and from 235 airports and has 95 base airports in 37 countries. The company's services portfolio is composed of low-cost airline fares, as well as the in-flight sale of ancillary items, such as perfumes and food & beverages. The segments through which Ryanair operates are Ryanair DAC, Malta Air, Buzz and Lauda. The company employs roughly 27,000 professionals and owns 590 aircraft (primarily the model Boeing 737). Ryanair is headquartered in Swords, Ireland.

Figure 1.1: Revenue Share in Europe Air Passenger Service Providers

Revenue breakdown by company



Source: Minerva Investment Management Society

Product Offering

Ryanair's operations are structured into two primary categories:

Flight Services: Ryanair's primary offer is budget-friendly flights across a network of over 200 destinations. Known for consistently offering some of the lowest airfares in the market, Ryanair uses a no-frills, high-efficiency model to keep ticket prices affordable and attract cost-conscious travelers.

Ancillary Services: Ryanair provides various supplementary services and extra activities that enhance its primary air travel offerings. These consist of optional services not directly related to flights, such as Priority Boarding and Reserved Seating, along with online functionalities like SMS flight confirmations and Dynamic Currency Conversion. Aboard, Ryanair offers food, drinks, duty-free goods, and other merchandise. Through its website and mobile app, Ryanair also provides car rentals in partnership with RentalCars, travel insurance, and accommodation services, earning commissions from these

sales. Additional services promoted on Ryanair's digital platforms include airport parking, fast-track security, airport transfers, local attractions, and activities. Moreover, Ryanair provides digital gift vouchers that can be used for different services.

Recent Developments

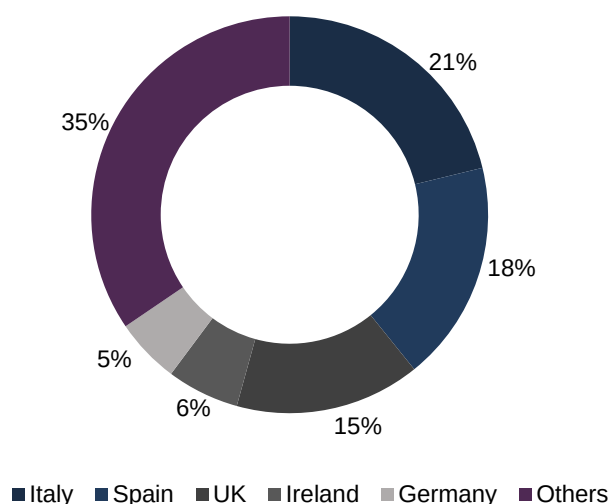
Ryanair, alongside all airline companies, suffered during the initial phase of the COVID-19 pandemic but soon recovered. This difficult situation was reflected in the steep fall of the stock price, which went from €15.76 on February 12th, 2020, to a low of €8.45 on May 15th of the same year. Ryanair was able to recover from the slump on December 3rd, 2020, and closed the year at €16.26. During the pandemic, Ryanair faced complex regulatory issues related to the initially heterogeneous response by the government to COVID and then from the harsh lockdowns of the continent. In FY21, air traffic in the European Union and Ryanair's revenue fell by 81%. Furthermore, the company's load factor, which historically was above 90%, fell to 71%.

In May 2023, Ryanair won a series of court rulings allowing the flow of government subsidies to pandemic-hit airlines, which helped the company cope with the losses of the previous years.

Ever since the end of the pandemic, Ryanair has been able to retain its European market share and constantly improve its revenues and margins.

Figure 1.2: Ryanair generates most of its revenue in Europe

Revenue breakdown by Geography (FY2022)



Source: Company Filings

Industry Outlook

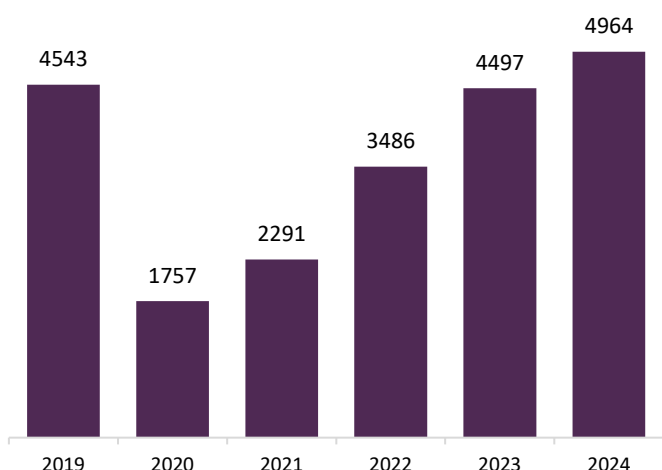
Airline Industry

After the pandemic, the airline industry, particularly in emerging markets, has experienced notable shifts, driven by "revenge travel" and the expansion of Low-Cost Carrier (LCC) businesses, significantly altering purchasing behaviors and

market share dynamics. With travelers excited to resume flying, demand for air travel has remained consistently high worldwide. Nevertheless, airlines encounter significant obstacles like elevated debt levels, limited supply, and geopolitical risks. Despite these challenges, the International Air Transport Association (IATA) predicts that airlines worldwide will achieve net profits of \$30.5 billion by 2024, fueled by the continuous increase in consumer demand.

Figure 2.1: Passengers boarded surpass the pre-covid levels in 2024

Scheduled Passengers Boarded (data in millions)



Source: Minerva Investment Management Society

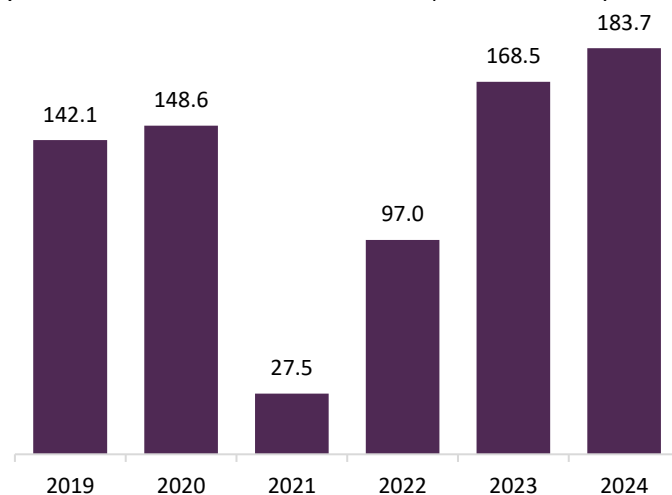
Consumer preferences have shifted notably from Full-Service Carriers (FSCs) to Low-Cost Carriers (LCCs), changing the traditional link between the airline industry and GDP. Historically, economic growth typically boosted air travel demand and profitability, while downturns posed major challenges. But the pandemic has disrupted this correlation, as air traffic patterns increasingly diverge from broader economic cycles. The LCC model, which focuses on offering low fares and basic amenities, has been effective, particularly in the U.S. and Europe, with companies such as Southwest and Ryanair dominating budget travel. In Europe, the airline sector has undergone consolidation, mirroring the trend seen in North America in the last twenty years, with a small number of major companies dominating the market. The Asia-Pacific region is expanding because of increasing domestic consumption and substantial investments in infrastructure, especially in key markets such as China and India. European airlines are experiencing recovery despite obstacles like rising fuel costs and delivery delays. The Middle East is developing into a crucial center for aviation, driven by ambitious expansion strategies of Gulf airlines, backed by governmental efforts. At the same time, demand continues to be robust in North America, but profitability is being affected by delays in aircraft deliveries and increasing costs. Infrastructure issues plague Africa's airline industry, while economic instability is a concern in Latin America. Nevertheless, both areas have significant possibilities for expansion.

Today, the airline industry faces a complex mix of challenges and opportunities. Costly fleet upgrades and backlogs in aircraft deliveries from companies like Boeing and Airbus are impacting the supply chain. The pandemic worsened funding problems, leading to a 23% surge in airline debt, with increased interest rates complicating repayment. Still, there is strong investor interest, particularly in aviation investments that focus on infrastructure. Environmental issues are urgent as well, with Sustainable Aviation Fuel (SAF) becoming more essential to reach emissions goals, despite facing financial barriers due to its expensive nature. SAF currently accounts for less than 0.5% of the total aviation fuel usage. Technological advancements such as AI, Big Data, and biometric solutions are transforming the passenger experience and operational efficiency, highlighting the importance of strategic investments in these areas for long-term competitiveness. Nevertheless, the sector also encounters instability due to geopolitical tensions and changing fuel prices, particularly with the ongoing conflicts in Ukraine and the Middle East affecting profits and strategic planning.

Consumer demand and technological progress are driving the airline sector towards continued expansion in the future. The obstacles of geopolitical risks, environmental responsibilities, and operational constraints can also be seen as opportunities for innovation and adaptation. By 2024, the emphasis is predicted to move towards tackling supply chain interruptions, endorsing eco-friendly methods, and exploiting robust consumer desire in both established and emerging markets.

Figure 2.2: The revenue was strongly affected by the pandemic

Ryanair Revenues booked in FY19 - FY24 (data in millions)



Source: Minerva Investment Management Society

Porter's 5 Forces

Threat of Entrants: Low to Moderate. The airline industry has high barriers to entry due to considerable regulatory and initial investment requirements and brand loyalty. While brand loyalty is not as relevant in the low-cost fare segment, it remains significant due to "flag carriers" in many European countries, which are state-owned or have governments as major shareholders. Although Europe is composed of 44 countries, the regulatory framework of the airline industry is somewhat eased by the presence of the European Union

Aviation Safety Agency (EASA), which carries out certification, regulation, standardization, as well as investigation and monitoring for its 31 member countries. Albeit moderately easy for new companies to enter specific routes, expanding widely across numerous routes would require substantial investments. **Overall, Ryanair retains an established reputation within the European airline market, making it challenging for new potential competitors to expand their reach and take market share from Ryanair.**

Bargaining Power of Suppliers: High. Ryanair's main suppliers include aircraft manufacturers (primarily Boeing), fuel providers, as well as perfume and food & beverage suppliers. The latter two do not hold considerable power over Ryanair, which could easily switch suppliers and forge alliances with particular companies. Ryanair is especially susceptible to aircraft manufacturers, particularly Boeing. The aircraft manufacturing industry is highly consolidated, as Boeing holds a 26.32% stake in the \$128B market (top 5 players own 86.11%). To decrease logistical issues, Ryanair chose to have a fleet composed of planes mostly manufactured by Boeing (all but 27 Airbus A320s of Lauda). Given the presence of a single airplane supplier and the highly consolidated industry, as well as the company's open commitment to have as few types of planes as possible, all from the same manufacturer, Boeing holds considerable pricing power over Ryanair. Furthermore, it is reasonable to assume that, given Boeing's recent strikes in its historical Washington facilities, as well as other issues, including the astronaut gaffe, Ryanair's order of 150 Boeing 737 Max 110s, and an option to order 150 more may be delayed even more and that Boeing could raise its future prices to cope with the increased costs related to rising union wages and other negative externalities. **Due to Ryanair's reliance on Boeing, we see the problems with deliveries as a headwind for growth.**

Bargaining Power of Buyers: High. Air travel, especially for the typical customers of Ryanair, is considered a commodity. These travellers primarily want to reach their destination and choose the cheapest and most convenient means. At its inception, Ryanair, due to its focus on the customers' desire for cheaper tickets and convenient routes, was particularly disruptive in the European market, but the cost is that the company does not offer any relevant value-add apart from affordability. When choosing which ticket to purchase, most of Ryanair's usual customers, all else being equal, would, in most cases, choose the cheapest option. The potential loss of customers to competitors offering similar low-cost options leads Ryanair to constantly seek to decrease its costs and can apply strong pressure on its margins. **The high bargaining power of price-sensitive customers exerts strong pressure on Ryanair's margins and operational costs.**

Rivalry among Existing Competitors: High. The highline industry in Europe is highly competitive. Ryanair currently holds a 9.43% share in the €143B European Air Passenger Industry, while the top 5 players hold a combined 77.12% share. The industry is highly consolidated, with many companies being

state-funded and the main area of competition is precisely Ryanair's focus on low-cost fares. This means that Ryanair needs to effectively optimize its costs and have a high passenger load factor (PLF). **Intense competition within the industry can lead to price wars, which result in route expansions and further decreases in fares costs, which ultimately decrease the company's income.**

Threat of Substitutes: Moderate to High. The main interest of travellers is to reach their destination as quickly and as affordably as possible. There may often be a trade-off between the two, resulting in favouring one over the other. A third dimension that is making an impact on the choices of consumers is the one of the carbon emissions required for travelling. Although aviation biofuels are increasing in prominence, it is far from making an impact on the aggregate emissions of European travelling. The European Union is investing considerably in railways, which would result in lower travel time, expenses and carbon emissions than the current infrastructure system allows. **Investments in bullet and fast European trains pose a significant risk for Ryanair, since its customers seek convenience and lower costs over brand loyalty.**

Figure 4.2: Ryanair Tailwinds and Headwinds

Tailwinds	Headwinds
Strong recovery in European leisure travel	Rising fuel costs
Lowest unit cost base among European airlines	Increasing environmental regulations and carbon taxes
Modern, fuel-efficient fleet	Growing competition from other low-cost airlines
Strong balance sheet and cash compared with competitors	Increasing airport charges at major European hubs
Expansion opportunities in Central and Eastern Europe	Consumer price sensitivity during economic uncertainty

Source: Minerva Investment Management Society

SWOT Analysis

Strengths

Cost leadership: Ryanair's business model is based on delivering the cheapest flights possible - summarized by the motto "offering the speed of a plane at the price of a car". According to the company, these discounts are meant for price-conscious travelers - including those traveling on leisure and business who might be discouraged by higher prices to choose another form of transportation or decide not to travel.

Wide Range of Route Options: The company is committed to attracting as many customers as possible. Besides offering low fares, it also provides many possible routes. As of June 26, 2024, Ryanair operates over 3,500 flights daily on short-haul routes, serving around 235 airports across Europe. This frequent point-to-point service ensures that budget-conscious travelers have access to a comprehensive network with many flight options.

Brand Identity: As a well-established budget airline, the company has strong brand recognition across Europe. Its distinctive blue and yellow livery, along with its no-frills business model, have made it instantly recognizable to travelers. The airline has further established its position in the market through aggressive marketing strategies, such as memorable advertising campaigns.

High bargaining power over the airports: Ryanair typically uses airports that are not the most well-known or heavily trafficked, often opting for locations outside major city centers. By bringing substantial business to these airports, Ryanair is often able to negotiate better terms than other airlines operating at the same locations, as it delivers a high volume of revenue and traffic.

Weaknesses

Limited Aircraft Supply Base: Ryanair relies significantly on Boeing as its primary aircraft supplier, with 557 of its 584 short-haul aircrafts made by the American manufacturer and with others to be delivered in the next years, according to the 2014 and 2023 Boeing Contracts. This heavy dependency poses risks, as any disruptions in Boeing's production capabilities could severely impact Ryanair's operational efficiency.

Exposure to fuel price fluctuations: In recent periods, Ryanair's low-fares business model faced substantial pressure - despite the company's hedging strategy - due to significantly increased fuel costs in the economies in which it operates, including global market disruptions related to the Covid-19 pandemic outbreak, the war in Ukraine and the Israel/Hamas conflict.

Europe-Centric Operations: The company operates primarily within Europe, with only a few routes outside the region. This focus makes Ryanair's business strongly based on European airline market conditions and the broader regional macroeconomic environment.

Opportunities

Advances in Technology: Aircraft producers are testing new technologies that will shape the future of the airline sector. Ryanair, thanks to its partnership with Boeing, has ensured a strong position as a future cost leader in the industry. Ryanair agreed to purchase up to 300 Boeing 737-MAX-10 series aircraft, an innovative type of aircraft that will increase the number of flight passengers and, at the same time, will lower fuel, noise, and CO2 emissions, positioning Ryanair as a leader also in terms of sustainability. In addition, this strategy aligns

Ryanair better with environmentally conscious regulations, facilitating their adoption.

Industry Consolidation: By the end of 2023, the European airline industry has begun to mirror the consolidation trend seen in North America over the past two decades. Despite Ryanair's approach being based on organic growth rather than pursuing horizontal expansion, M&A transactions could present certain advantages, including the potential for revenue and cost synergies as well as the ability to establish an optimal capital structure for newly combined entities.

Threats

Industry sensitivity to macroeconomic challenges: The airline sector is particularly vulnerable to the effects of global events, such as wars and pandemics. These events can negatively affect the company in several ways. Firstly, they can lead to increased fuel prices, which in turn diminishes the profitability of Ryanair, which is already under significant pressure due to its low fares policy. Secondly, such crises can destroy consumer demand, forcing the company to withdraw from its least profitable routes. Consequently, these factors would impact Ryanair's business strategy, which relies on offering an extensive network of routes to attract a large customer base. Additionally, Ryanair's concentration in the European market exposes it to region-specific economic and regulatory challenges, which could further complicate its growth projects.

Dependence on Boeing for future growth: Ryanair's exposure to Boeing's aircraft supply could make it vulnerable to potential production and quality control issues at the American manufacturer. Such challenges may affect the company's growth projections and diminish its competitive advantage relative to its main peers, including EasyJet and Wizz Air.

Reputational Risks and Legal Challenges: Ryanair's aggressive pricing strategy and plans for rapid expansion may compromise the quality of its services, leading to negative publicity and legal challenges. Given the importance of its brand identity, such issues could deteriorate the company's strong reputation, influencing passenger perception.

Exhibit 4.1: Ryanair SWOT Analysis

S STRENGTHS	Cost leadership Wide range of route options Brand identity High bargaining power over airports
W WEAKNESSES	Limited Aircraft Supply Base Exposure to fuel price fluctuations Europe-Centric Operations
O OPPORTUNITIES	Advances in technology Industry consolidation
T THREATS	Industry sensitivity to macroeconomic challenges Dependence on Boeing Reputational risks and legal challenges

Source: Minerva Investment Management Society

Financial Analysis

Excluding the pandemic period, Ryanair demonstrated steady growth in its customer base, achieving a compound annual growth rate of 5.27% from FY2019 to FY2024. The company's revenue per passenger rose from €54.17 in FY2019 to €73.18 in FY2024, reflecting its pricing power and successful demand capture.

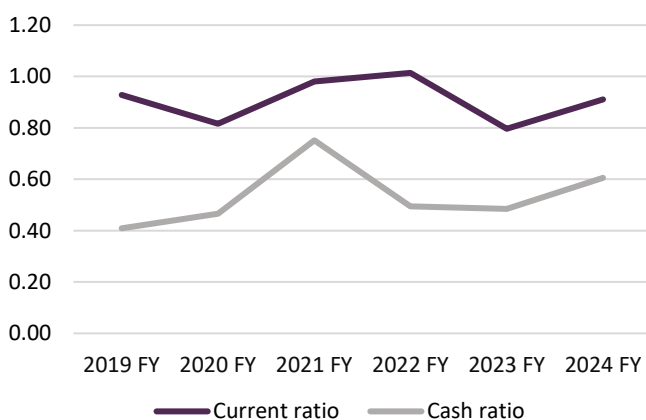
Liquidity

Ryanair's liquidity was assessed using the current ratio and cash ratio. These ratios increased during the pandemic due to a significant drop in current liabilities in FY2021, the year of Covid outbreak since Ryanair closes its statement on the 31st of March, primarily driven by less fuel and food & beverage acquired and in general less airport charges and ordinary expenses as air traffic was significantly lower.

The current ratio, though below 1, does not raise concern given Ryanair's cash-advance model, whereby revenues are earned prior to service delivery. The stable trend in liquidity ratios over recent years supports Ryanair's resilient cash flow management, even during the pandemic crisis.

Figure 5.1: Ryanair has stable liquidity ratios

Ryanair current and cash ratios (FY2019 - FY2024)



Source: Minerva Investment Management Society

Capital Structure

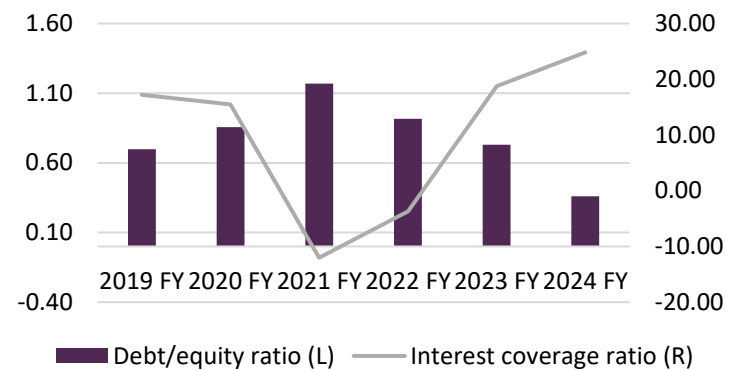
Ryanair maintains a robust capital structure with sustainable debt levels. Since issuing \$2.2 billion of debt in FY2021 to address COVID-19 challenges, the company has focused on debt reduction, lowering its total debt from \$5.4 billion in FY2021 to \$2.7 billion in FY2024 and reducing net debt from \$2.3 billion to a net cash position of -\$1.4 billion.

Ryanair's Debt-to-Equity ratio has consistently declined since FY2021, reflecting prudent debt management, while its interest coverage ratio has remained above 15, aside from pandemic losses, suggesting a solid solvency position.

Although the company anticipates substantial debt outflows of \$0.9 billion in FY2026 and \$1.3 billion in FY2027, its history of managing similar outflows suggests it is well-prepared.

Figure 5.2: Ryanair solvency progression in the past years

Ryanair D/E ratio (left) and Interest Coverage Ratio (right)



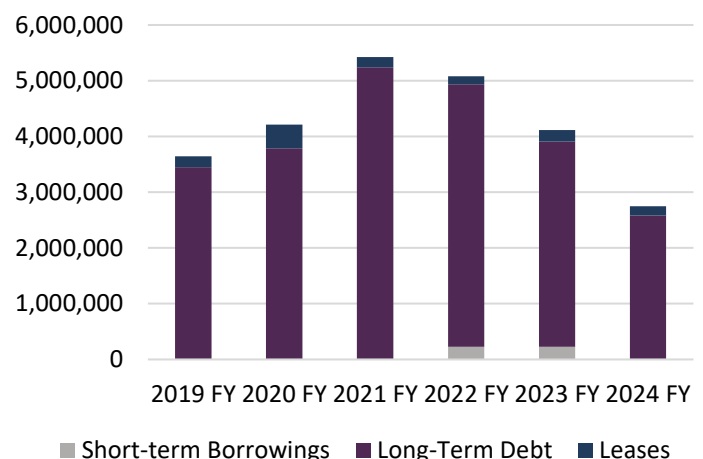
Source: Minerva Investment Management Society

Regarding the liability breakdown, Ryanair debt is for the 76% fixed-rate, 18% lease liabilities and 6% floating-rate. The floating-rate part is made of a \$490 million credit revolving facility.

Furthermore, Ryanair's Capex ratio, consistently above 100% since FY2021, underscores its ability to generate cash for reinvestment and debt reduction, contrasting with an industry-wide trend of rising debt.

Figure 5.3: Ryanair decreased its total debt despite the pandemic

Ryanair's total debt (\$ '000)



Source: Minerva Investment Management Society

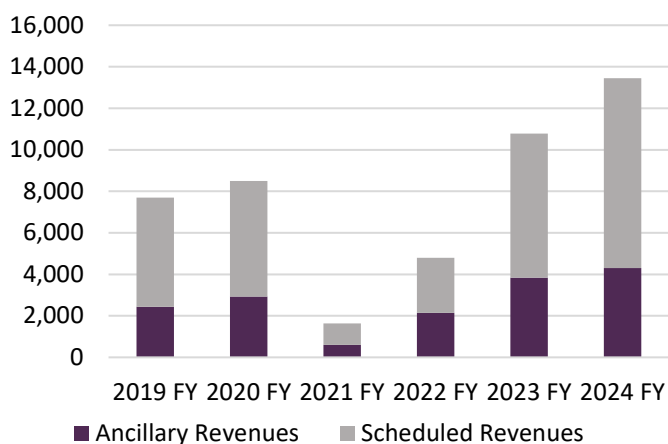
Profitability

Ryanair derives its revenue primarily from ticket sales, which accounted for 68% of FY2024 total revenue, while ancillary revenue stems from additional services such as in-flight and out-flight options. Ryanair's total revenue grew at a CAGR of 11.8% over the past five years, supported by a stable gross margin of around 28.5% and a consistent operating margin near

13%, peaking at 15.33% in FY2024. The company's minimal interest expenses are a result of its reliance on internal financing, with operating and net margins closely aligned, diverging only in FY2020 and FY2021 due to hedging-related losses from the pandemic.

Figure 5.4: Ryanair's revenues increased at a CAGR of 11.80% from FY19 to FY24

Ryanair's revenue breakdown (\$ millions)

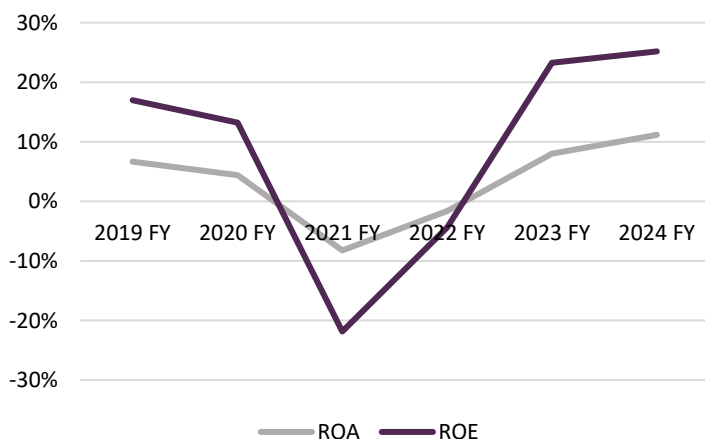


Source: Minerva Investment Management Society

In Ryanair's cost structure, fuel and oil stand out as the largest expense, representing 38% of total revenues in FY2024, followed by staff costs and airport charges.

Ryanair has been able to increase its return on assets from 6.68% in FY2019 to 11.16% in FY2024 also driving up the return on equity. To better understand the evolution of ROE we performed a 3-steps DuPont analysis decomposing the ROE as the product of net margin (net income/revenue), financial leverage (assets/equity) and asset turnover (revenue/assets). ROE increased from 17% in FY2019 to 23% in FY2023 and finally 25% in FY2024 despite a decrease in the financial leverage, suggesting that net margin and asset turnover guided the improvement in the profitability and not an overuse of debt.

Figure 5.5: Ryanair increased its return on assets in the past years.

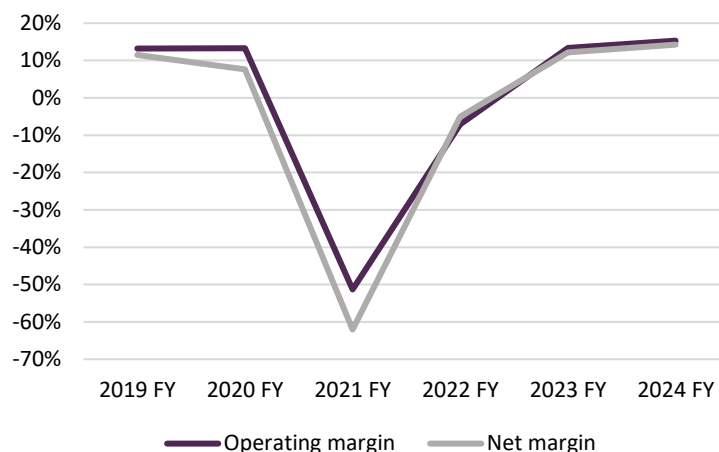


Source: Minerva Investment Management Society

Surprisingly, financial leverage decreased in FY2021 despite a net loss of more than one billion euros. That was mainly driven by the fact that the company issued new shares for €421 million to re-integrate capital and in addition assets decreased by more than €2 billion, led by a slump in the net book value of aircrafts since Ryanair significantly reduced its capex and in short-term financial.

Figure 5.5: Ryanair has little interest expenses and so similar margins

Ryanair operating and net margins (FY2019 - FY2024)



Source: Minerva Investment Management Society

Peer comparison

When compared with its peers (Air France, Lufthansa, easyJet, Wizz Air, Norwegian Air Shuttle, Southwest Airlines), Ryanair shows financial metrics above the average both in terms of profitability and solvency. Regarding profitability the company has the highest operating and net margins of the group while from the point of view of solvency Ryanair has the lowest debt/equity ratio and the highest interest coverage ratio.

Valuation: Discounted Cash Flow

Cost of Equity: Assumptions

The Capital Asset Pricing Model (CAPM) was utilized to estimate the cost of equity. The risk-free rate was assumed to be the current 10-year Eurozone government bond yield (2.97%). European yields were chosen due to Ryanair's headquarters location and projected yield curve movements.

For the equity risk premium (ERP), a geographically weighted average based on Ryanair's revenue distribution was calculated, resulting in a premium of 6.51%. This number has then been used to obtain the expected market return by adding it to the risk-free rate.

Beta

A bottom-up approach was employed to determine Ryanair's beta. Given that the revenue originates from the airline industry, the unlevered beta calculated was an average of the adjusted betas of comparable companies in the industry.

Subsequently, the raw betas were adjusted using the Blume's Adjustment:

$$\beta_{adj} = \beta_{raw} \times \frac{2}{3} + \frac{1}{3}$$

By applying a capital structure re-leverage, considering Ryanair's debt-to-equity ratio, marginal tax rate (12.5%), and significant short-term liabilities, the resulted beta is 0.92, which is in line with other analyst's estimates

The cost of equity was then calculated as follows:

$$\text{Cost of Equity} = R_f + \beta \times (R_m - R_f)$$

Arriving at a value of the Cost of Equity of 8.94%.

Cost of Debt

The weighted average yield to maturity (YTM) of Ryanair's outstanding bonds was used to determine the cost of debt. This resulted in a cost of debt of 2.91%. This finding, however, falls short of the current risk-free rate, and we consider it unreasonable for the current economic conditions. Thus, the actual cost of debt was calculated by applying rating risk spreads to the risk-free rate, considering Ryanair's credit rating of BBB+ given by Fitch. Using ICE BofA Option-Adjusted Spread, we conclude a spread of 1.07%, resulting in a Cost of Debt of 4.04%.

Weighted Average Cost of Capital (WACC)

Finally, the WACC was calculated by applying weights to the cost of equity and cost of debt:

$$WACC = \frac{E}{D + E} \times k_e + \frac{D}{D + E} \times k_d \times (1 - t)$$

Based on the chosen assumptions outlined above, the WACC for Ryanair is estimated to be 8.3%. Again, this estimate is strongly dependent on beta adjustments. Sensitivity analysis should be relied upon to make the results more accurate and reliable.

Figure 4.1: The discount rate(WACC) calculation

WACC	
Cost of Equity - CAPM	
Risk-Free Rate (10Y)	2.97%
Beta	0.92
ERP	6.51%
WACC Calculations	
Cost of Equity	8.9%
Total Debt	2,756
Total Equity(market)	20,825
E/(D+E)	88%
Cost of Debt	4.04%
D/(D+E)	12%
Tax Rate	12.5%
WACC	8.3%

Source: Minerva Investment Management Society

Sales Forecast

Forecasting net sales is a crucial step for any Discounted Cash Flow valuation. Our approach combines management expectations, analyst street estimates and industry evolution expectations. Historical data is difficult to be used considering the disruption provoked by the Covid pandemic, rendering the data from years 2021-2022 useless.

Instead, we have used management's expectations about Ryanair's fleet development, considering new orders and aircrafts getting out-of-use, to forecast the expected increase of the number of passengers on each aircraft, the increased number of flights operated by Ryanair and the change in average revenue per passenger. With all this information, we expect an increase in revenue from 13.4B in 2024 to 25.8B in 2034, implying a CAGR of 6.73% for the next 10 years.

Profitability

Ryanair's profitability was forecasted by projecting the costs of staff and efficiency, airport and handling, route charges, ownership and maintenance, sales and marketing and fuel costs individually. While we expect some of these costs to stay relatively flat, we think that most of these expenses are going to be increased at a slow rate for the next 10 years. Additionally, we forecast the improved efficiency in fuel consumption gained from the use of the MAX-10 aircrafts and from the retiring of the A320 aircrafts. As a result, the EBIT margin experienced in 2024, of 15.3%, will increase to 25% in 2034.

Financial Assumptions

Our 10-year goals for various financial items are closely aligned with those of management and analysts. For forecasting the Capital Expenditures, we adopted a similar approach to the one we used for forecasting revenues. Considering the delivery of new aircrafts and the usual payment schedule, we are expecting Ryanair to experience an increase in Capital Expenditures throughout the forecast period.

The change in Net Working Capital was projected by forecasting individual balance sheet items. The resulting figures indicate a slight decrease in current assets as Ryanair is expected to employ more resources into expanding the operations, and a slow increase in current liabilities as Ryanair sells more tickets and recognizes them as unearned revenue.

The biggest share of Depreciation and Amortization comes from the aircrafts. Thus, we forecasted the change in D&A considering the new aircrafts entering the fleet, their price and a useful life of 30 years. We also expect an increase in D&A coming from other assets required in the expansion of operations which we are expecting.

Free Cash Flow and Intrinsic Price

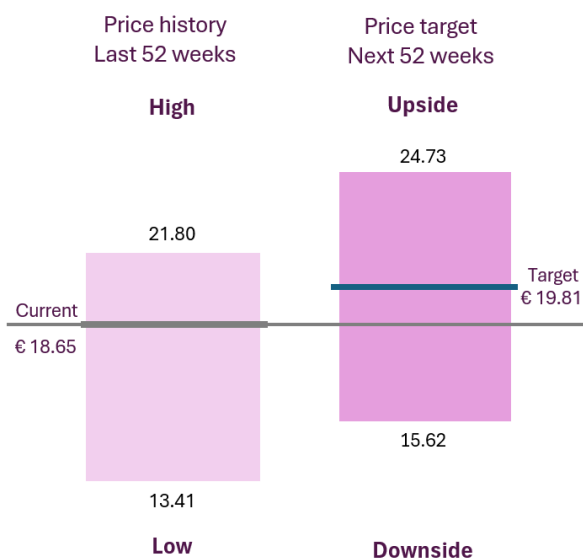
By summing the FCFF for all the projected years calculated with the formula:

$$FCFF = EBIT \times (1 - t) + D\&A - CAPEX - \Delta NWC$$

We can discount it to the present using the WACC calculated in the previous section, add the terminal value discounted in a similar way and we arrive at the Enterprise Value of €20.66bn. Subsequently, by adjusting the value using the equity bridge and dividing by the share count, we arrive at our implied share price of €19.81 per share, implying an upside of 7.24% over the last closing price.

Figure 4.2: Upside and Downside target price implied by DCF

Ryanair's high/low historical price and downside/upside target price



Source: Minerva Investment Management Society

Also, we have applied a sensitivity analysis for our DCF valuation, to have a better understanding of how the implied price would change considering a variation in the calculated discount rate or the terminal growth rate.

Figure 4.3: Sensitivity analysis of the price

Ryanair's price sensitivity to variations in WACC or TGR

		WACC				
		7.35%	7.85%	8.35%	8.85%	9.35%
TGR	1%	21.37	19.46	17.81	16.39	15.15
	1.50%	22.77	20.61	18.77	17.18	15.82
	2%	24.43	21.95	19.87	18.09	16.59
	2.50%	26.43	23.54	21.15	19.15	17.46
	3%	28.90	25.47	22.68	20.38	18.47

Source: Minerva Investment Management Society

Valuation: Multiples

To complement our assessment, we approached Ryanair's valuation through the market multiples method, incorporating a set of comparable international companies.

These firms were selected primarily based on market capitalization, geographical presence, and business model

similarity. While the focus was on low-cost European carriers, Deutsche Lufthansa and Air France-KLM were included to provide a broader industry context despite having different business models. Additionally, Southwest Airlines was incorporated due to its comparable low-cost operational approach, although it operates primarily in the U.S. This ensures a comparative analysis that is as relevant and precise as possible.

In assessing Ryanair's value, we examined industry benchmarks, specifically focusing on EV/Revenue, EV/EBITDA, EV/EBIT and P/E multiples. When considering the EV/Revenue multiple, Ryanair's figure is 1.3x, surpassing the group average of 0.6x and the median of 0.4x. This denotes that Ryanair's sales are valued more highly in the market, perhaps reflecting its superior sales quality, market share, or margins. The average EV/EBITDA multiple among the peer group is 7.7x, while the median is lower at 5.8x. Ryanair stands below the average with an EV/EBITDA multiple of 6.4x, suggesting a discount valuation compared to its peers. It's worth noting that the group average is influenced by two outliers with particularly high EV/EBITDA multiples, which push the average upward. Similarly, the average EV/EBIT multiple among the peer group is 25.3x, while the median is 12.7x. Ryanair's EV/EBIT of 10.2x reflects a relatively modest valuation, indicating the market views it as a stable and efficient operator within the low-cost airline industry. The average P/E multiple in the group is 13.5x, while the median is 8.6x, with the median providing a more accurate benchmark due to the skewing effect of Air France-KLM SA's high multiple. Ryanair's P/E multiple at 11.9x signals that the market is willing to pay more for each unit of Ryanair's earnings relative to the median of its competitors, potentially due to more stable and potentially less risky investment compared to its peers.

Figure 4.4: Comparable companies analysis

Company name	Region	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Wizz Air	EU	1.3x	15.1x	41.1x	5.3x
easyJet	EU	0.4x	6.2x	7.4x	10.7x
Norwegian Air Shuttle	EU	0.4x	3.9x	5.9x	5.8x
Southwest Airlines	US	0.7x	11.3x	72.0x	0.0x
Air France	EU	0.4x	5.4x	11.9x	37.4x
Deutsche Lufthansa	EU	0.3x	4.5x	13.5x	8.6x
Average		0.6x	7.7x	25.3x	13.5x
Median		0.4x	5.8x	12.7x	8.6x

Source: Minerva Investment Management Society

Final Valuation Methodology

In the valuation of Ryanair, we secured our assessment of the company's last reported numbers when applying the industry's average EV/EBITDA multiple. This choice ensures that our valuation leverages a financial metric that incorporates both Ryanair's revenue performance and its operational efficiency, yielding a valuation that reflects the company's profitability more holistically. By multiplying the EV/EBITDA multiple by Ryanair's reported EBITDA, we obtained the enterprise value of the company. We then subtracted the net debt to arrive at the equity value. Finally, by dividing this equity value by the total

number of diluted shares outstanding, we determined an intrinsic share price. This calculation provides a clear view of the company's value from an earnings perspective, which is particularly relevant in the industry with low margins.

We then combined this share price with our DCF valuation, giving equal weight to both the intrinsic value calculated from the company's cash flows and the market-based value indicated by the multiples analysis. This synthesized valuation method captures the nuances of both Ryanair's present financial standing and its expected future performance.

The equal weighting of DCF and multiples valuation in our final computation allows us to capture a comprehensive view of Ryanair's worth, both from an intrinsic standpoint and relative to its peers. This methodologically robust approach led us to a target price that, when contrasted with the closing price of Ryanair on November 19th, 2024, reveals a modest discrepancy, suggesting the potential for a slight undervaluation in the market.

DCF Valuation	19.87€	50%
Multiples Valuation	20.08€	50%
Final Valuation	19.98€	

Source: Minerva Investment Management Society

Investment Risks

Downside Risk Factors

Route network concentration risk: Ryanair is extremely dependent on the European market, making it vulnerable to regional economic downturns. It is especially exposed to the patterns in consumption of markets like Italy, Spain or the UK. Thus, a European economic downturn would impact disproportionately leisure travel, the core business of Ryanair, who has limited ability to shift its business to other regions.

Regulatory risks: Since there is an increasing focus on aviation's environmental impact, this can lead to stricter emissions regulations that can imply costly fleet modifications. Also, higher carbon taxes imposed by the EU could impact directly the operating costs of Ryanair. Another trend is the change in passenger compensation laws, which again could increase the costs for the company.

Single aircraft type dependency risk: Ryanair operates almost exclusively a Boeing 737 fleet, which reduces maintenance and training costs and increases overall efficiency, however, this makes Ryanair exposed to aircraft-specific risks. Some of these risks being safety issues (as seen with the MAX crisis), production delays, limited flexibility to switch suppliers and reduced bargaining power with Boeing for future orders.

Upside Risk Factors

Market consolidation opportunities: The European market still remains fragmented compared with the US market, however we can observe an increasing trend in its consolidation. Ryanair's strong balance sheet places the company in a good position to perform opportunistic acquisitions in the industry, where economic pressures could force weaker competitors into distress.

Increasing demand to low-cost travel: With the post-pandemic changes in consumer behavior which led to an increase in price sensitivity among leisure and business travelers, Ryanair is particularly well-positioned to benefit, being the lowest cost European carrier, having some of the most efficient operations in the region and having a strong brand recognition in the low-cost segment.

Eastern European growth acceleration: There is a significant untapped market in Eastern Europe where consumers experience rising disposable incomes that lead to first-time air travelers and where there is limited competition from legacy carriers. Ryanair is well positioned to capture this growth having experience in developing new markets and has a good cost structure to be profitable in price-sensitive markets.

Appendix

Exhibit 1: Financial Analysis: Comparison with peers

Company	Gross margin	Operating margin	Net margin	ICR	Debt/Equity	ROE
Air France-KLM SA (ENXTPA:AF)	20.55%	5.57%	3.30%	2.44	27.32	2
Deutsche Lufthansa AG (XTRA:LHA)	20.94%	5.87%	4.76%	4.03	1.44	0.2
easyJet plc (LSE:EZJ)	32.24%	5.73%	3.97%	2.61	1.04	0.1
Wizz Air Holdings Plc (LSE:WIZZ)	23.94%	3.81%	7.21%	0.98	43.03	2.5
Norwegian Air Shuttle ASA (OB:NAS)	20.14%	8.88%	6.80%	2.67	2.43	0.3
Southwest Airlines Co. (NYSE:LUV)	23.36%	3.37%	1.78%	3.72	0.87	0
Ryanair Holdings plc (ISE:RYA)	28.84%	15.33%	14.26%	24.83	0.36	0.3
Minimum	20.14%	3.37%	1.78%	0.98	0.36	0
Median	23.36%	5.73%	4.76%	2.67	1.44	0.3
Average	24.29%	6.94%	6.01%	5.90	10.93	0.8
Maximum	32.24%	15.33%	14.26%	24.83	43.03	2.5

Exhibit 2: Restated Balance Sheet

Balance sheet	2019	2020	2021	2022	2023	2024
Cash and equivalents	1,676	2,566	2,651	2,669	3,599	3,875
Short term investments	1,484	1,207	466	934	1,056	238
Receivables	60	114	19	44	70	83
Inventory	3	3	4	4	6	6
Prepaid expenses and other current assets	581	603	320	1,824	1,180	1,625
Total Current Assets	3,804	4,494	3,458	5,475	5,911	5,827
Property, Plant & Equipment	9,030	9,675	8,549	9,229	10,118	11,014
Intangibles	146	146	146	146	146	146
Deferred tax assets	43	54	14	42	7	2
Other Long-Term Assets	228	379	160	257	224	187
Total Non-Current Assets	9,447	10,253	8,870	9,675	10,495	11,349
Total Assets	13,251	14,747	12,328	15,150	16,406	17,176
Accounts payable	574	1,368	336	1,029	1,066	792
Short-term borrowings	0	0	0	226	230	0
Accrued expenses, unearned revenue and other current liabilities	3,523	4,140	3,191	4,144	6,126	5,608
Total Current Liabilities	4,097	5,508	3,527	5,399	7,422	6,401
Long-term debt	3,156	3,583	3,518	3,715	2,853	2,532
Long-term leases	179	171	131	81	163	125
Other non-current liabilities	604	571	506	410	325	503
Total Non-Current Liabilities	3,939	4,325	4,155	4,206	3,341	3,161
Common stock	7	7	7	7	7	7
Additional Paid-in capital	719	739	1,162	1,328	1,380	1,404
Retained Earnings	4,182	4,245	3,232	2,881	4,180	5,900
Comprehensive Inc. and other	307	(76)	246	1,329	76	303
Total Equity	5,215	4,915	4,647	5,545	5,643	7,614
Total Equity and Liabilities	13,251	14,747	12,328	15,150	16,406	17,176

Exhibit 3: Restated Income Statement

Income Statement	2019	2020	2021	2022	2023	2024
Revenue	7,697	8,495	1,636	4,801	10,775	13,444
Cost of Goods Sold	5,493	6,040	1,703	4,010	7,735	9,566
Selling, General&Administrative	547	579	202	411	674	757
Depreciation and Amortization	641	749	571	719	923	1,060
Operating Profit	1,017	1,127	(839)	(340)	1,443	2,061
Interest expenses	(59)	(73)	(70)	(91)	(77)	(83)
Interest income	4	21	16	0	42	145
Other income (expense), net excluding interest expense	(19)	(406)	(216)	1	34	6
Pretax Income	948	670	(1,109)	(430)	1,443	2,128
Taxes	63	22	(94)	(189)	129	211
Net Income	885	649	(1,015)	(241)	1,314	1,917

Exhibit 4: Ryanair Fleet Forecast

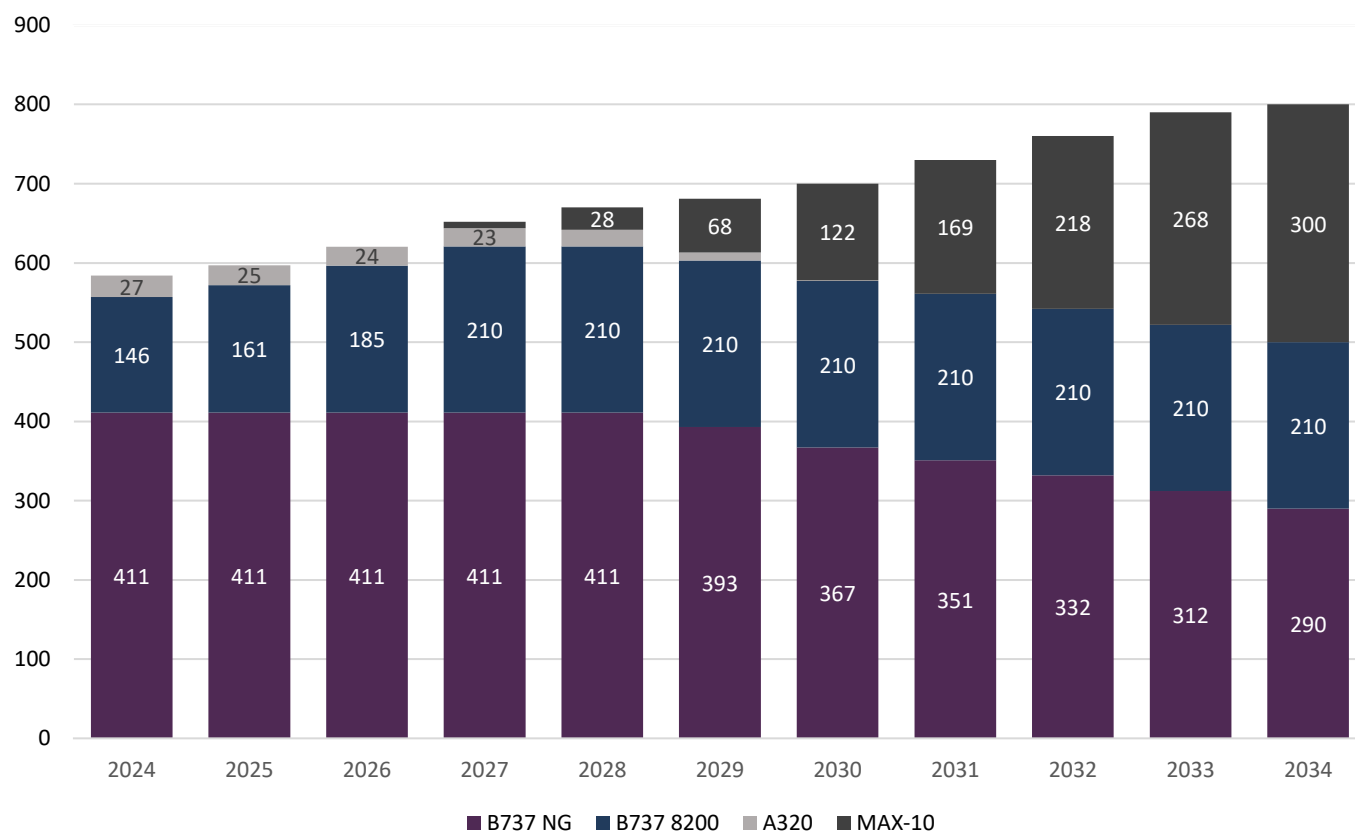


Exhibit 5: DCF Model - Summary

EUR mn	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales	13,444	14,541	15,607	16,705	17,737	18,956	20,298	21,610	22,972	24,380	25,768
% growth	24.8%	8.2%	7.3%	7.0%	6.2%	6.9%	7.1%	6.5%	6.3%	6.1%	5.7%
COGS&Opex	10,776	11,616	12,431	13,252	14,013	14,846	15,722	16,600	17,499	18,416	19,330
% sales	80.1%	79.9%	79.6%	79.3%	79.0%	78.3%	77.5%	76.8%	76.2%	75.5%	75.0%
EBIT	2,061	2,925	3,176	3,453	3,724	4,110	4,576	5,010	5,473	5,964	6,438
EBIT Margin	15.3%	20.1%	20.4%	20.7%	21.0%	21.7%	22.5%	23.2%	23.8%	24.5%	25.0%
Taxes	211	366	397	432	466	514	572	626	684	745	805
% taxes	10.2%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
EBIT*(1-Taxes)	1,850	2,560	2,779	3,021	3,259	3,596	4,004	4,383	4,789	5,218	5,633
Change in WC	(346)	999	(366)	(389)	(388)	(453)	(504)	(512)	(543)	(574)	(586)
CapEx	2,392	2,812	3,738	4,645	3,716	5,807	7,325	6,737	7,062	7,288	7,684
D&A	1,060	1,204	1,394	1,632	1,821	2,042	2,332	2,653	2,995	3,354	3,628
FCFF	(419)	(47)	802	398	1,752	285	(485)	812	1,264	1,858	2,164

Exhibit 6: Multiple Analysis

Company	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
Ryanair	1.3x	6.4x	10.2x	11.9x
Wizz Air	1.3x	15.1x	41.1x	5.3x
easyJet	0.4x	6.2x	7.4x	10.7x
Norwegian Air Shuttle	0.4x	3.9x	5.9x	5.8x
Southwest	0.7x	11.3x	72.0x	-
Air France	0.4x	5.4x	11.9x	37.4x
Lufthansa	0.3x	4.5x	13.5x	8.6x
High	1.3x	15.1x	72.0x	37.4x
75th Percentile	0.3x	3.9x	5.9x	5.3x
Average	0.6x	7.7x	25.3x	13.5x
Median	0.4x	5.8x	12.7x	8.6x
25th Percentile	0.3x	3.9x	5.9x	5.3x
Low	0.3x	3.9x	5.9x	5.3x

Exhibit 7: Multiple Valuation

Ryanair Holdings plc	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
Implied Enterprise Value	8,075,698	21,255,288	43,401,014	12,093,797
Net Debt	1,730,700	1,730,700	1,730,700	1,730,700
Implied Market Value	9,806,398	22,985,988	45,131,714	13,824,497
Shares Outstanding (000)	1,145,000	1,145,000	1,145,000	1,145,000
Implied Value Per Share	8.56	20.08	39.42	12.07

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