



Wizz Air Holdings Plc (WIZZ-GB)

HOLD: £15.66 (+8,67%)

Equity Research Division

28th January 2025

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Basic Information

Last Closing Price	£14.41
Target Price	£15.66
+/- Potential	+8,67%
Bloomberg Ticker	WIZZ:LN
GICS Sector	Industrials
GICS Sub-Industry	Passenger Airlines

Market Cap	£1.49B
Basic Shares O/S	103.39mn
52-Wk High	£25.48
52-Wk Low	£11.35
Fiscal Year End	31 Mar. 2024

€ million	FY21	FY22	FY23	FY24
Gross profit	(68)	73	367	1.214
EBITDA	(370)	(395)	(387)	447
EBIT	(475)	(519)	(566)	193
Net Income	(572)	(632)	(523)	377

Key Executives

József Janos Váradi	Group CEO
Ian Malin	Group CFO
Diarmuid O' Conghaile	Group COO

Investment Thesis

Wizz Air Holdings Plc (WIZZ) is a leading low-cost airline with a strong foothold in Central and Eastern Europe. Its ultra-low-cost model, young and fuel-efficient fleet, and focus on secondary airports ensure cost efficiency and profitability. Strategic expansions into the Middle East and Asia bolster its growth potential.

The airline is set to benefit from rising demand for affordable travel and ancillary revenue streams like priority boarding and third-party partnerships. Fleet upgrades and sustainability initiatives, including investments in lower-carbon aircraft, enhance its competitive position.

Despite competition and operational challenges, Wizz Air's cost leadership, expansion strategy, and financial discipline support a steady outlook. We recommend a HOLD rating as its fundamentals and market opportunities and the upside potential have already been priced in.

Valuation

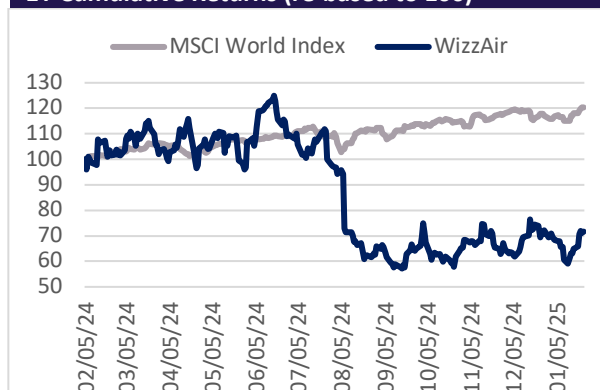
We are valuing Wizz Air using a 50/50 blend of intrinsic value (DCF) and relative valuation, arriving at a target price of €18.41/£15.66; 8,67% increase from its last close price.

Key Risks

Downside risks: Wizz Air's risks include increase in fuel cost, engine challenges, significant competition with Ryanair and complexity of recovery management, all of which could lead to lower-than-expected revenues or margins.

Upside risks: Wizz Air 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 Wizz Air.

1Y Cumulative Returns (re-based to 100)



Company Overview

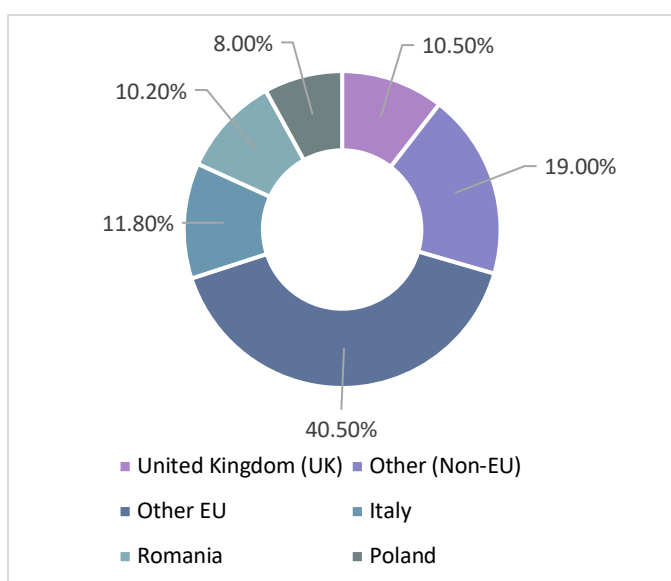
Foundation and Mission

Wizz Air Holdings Plc was founded in 2003 with the aim of beginning flights in 2004. The Hungarian airline offers low fee flying over an extensive route network across Europe and into the Middle East and Asia. Wizz Air is organized under an ultra-low-cost carrier model; that is to say, the airline can cut costs associated with allowing people to travel by air, offering passengers basic services while charging low base fares.

Business Model and Operations

Wizz Air specializes in point-to-point services to secondary airports, minimizing operating costs and enhancing efficiency. Its fleet consists mainly of Airbus A320 and A321 aircraft, renowned for fuel efficiency and reliability. The airline caters primarily to leisure travellers and expatriates, focusing on Central and Eastern Europe while expanding to new markets in Western Europe, the Middle East, and Central Asia. Passenger air transportation is the core segment, where the company provides low-cost flights across Europe and beyond. The company focuses on direct flights to popular holiday destinations, as well as business hotspots. This segment's strategy is centered around competitive pricing and extensive route accessibility, allowing customers to travel conveniently without compromising on service quality. The extensive network enables connections between major cities and secondary airports, thus catering to both leisure and business travellers. Seasonality plays a significant role in the airline industry, and the company is no exception. Travel patterns typically peak during the summer months and holiday periods, where demand for leisure travel surges. Consequently, the company structures its flight schedules to accommodate these trends, offering additional flights to popular vacation destinations during peak seasons.

Figure 1.1: Revenue by Geography in Europe (%)



Source: Minerva Investment Management Society

Fleet and Network

Operating a fleet of 208 aircraft and with ambitious orders for the next generation of narrow-bodies, including the Airbus A321neo, Wizz Air operates a very young fleet - the average age stands at 4.3 years. The carrier operates 200 routes across 50 countries from its largest operational bases in Budapest, London Luton, and Abu Dhabi.

Ancillary Services

A significant portion of Wizz Air's revenues, 44.72% of the total for the 2024 income statement, is constituted by ancillary services: priority boarding, baggage options, in-flight retail, and digital products such as mobile ticketing. Partnerships with third-party providers of car rentals, hotels, and insurance further diversify the income streams.

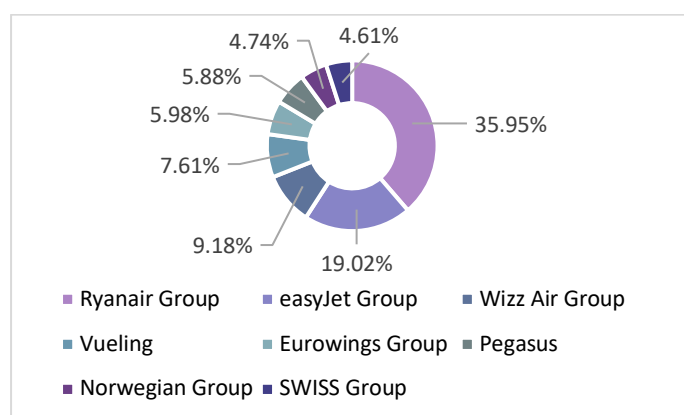
Key Recent Developments

Wizz Air is advancing in the aviation sector with strategic moves focused on growth and sustainability. Its expansion into long-haul flights, led by Wizz Air Abu Dhabi, targets high-growth markets in the Middle East and Southeast Asia, diversifying its network. The airline is also modernizing its fleet with Airbus A321XLR aircraft, enhancing range while reducing carbon emissions. This sustainability push aligns with its response to post-pandemic recovery, capitalizing on Europe's "revenge travel" surge. By balancing innovation with efficiency, Wizz Air is setting new benchmarks in the industry. Its focus on affordability ensures it remains accessible to a broad range of travellers. By adapting to market demands and proactively expanding its fleet and routes, Wizz Air strengthens its position in the competitive low-cost airline market.

Industry Positioning

Wizz Air is among Europe's top five budget carriers, competing with Ryanair, easyJet, and Lufthansa in select markets. It leverages cost leadership, digital innovation, and regional dominance in underserved CEE markets to differentiate itself.

Figure 1.2: Market Share of Competitors (%)



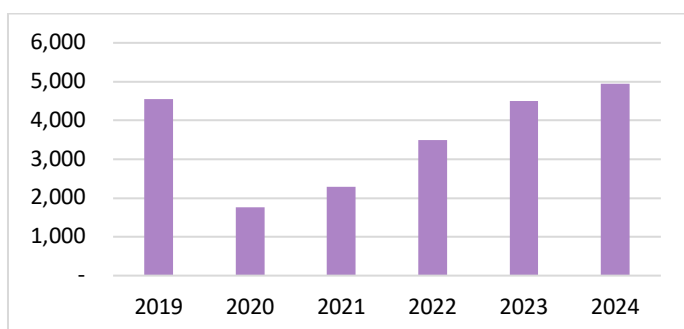
Source: Minerva Investment Management Society

Industry Outlook

Post-pandemic, the airline industry, particularly in emerging markets, has undergone significant changes due to "revenge travel" and the growing influence of Low-Cost Carriers (LCCs). These shifts have redefined purchasing habits and reshaped market dynamics. The surge in air travel demand, as travelers eagerly resume flying, has kept global demand consistently high. Despite this growth, airlines face major challenges, including high debt, supply chain limitations, and geopolitical uncertainties. Nonetheless, the International Air Transport Association (IATA) forecasts net global airline profits to reach \$30.5 billion by 2024, fueled by resilient consumer demand.

Consumer preferences have increasingly shifted from Full-Service Carriers (FSCs) to LCCs, disrupting the traditional link between economic growth and airline profitability. Historically, air travel demand mirrored GDP growth, with economic downturns significantly impacting airlines. However, the pandemic has weakened this correlation, as air travel patterns now diverge from broader economic trends. The LCC model, offering low fares and basic amenities, has proven highly successful, particularly in the U.S. and Europe, with Southwest and Ryanair leading the market. In Europe, consolidation within the airline sector mirrors trends observed in North America, where a few major players dominate. The Asia-Pacific region is experiencing rapid growth due to increasing domestic demand and infrastructure investments, particularly in China and India. Meanwhile, European carriers are rebounding despite hurdles such as rising fuel costs and delivery delays. In the Middle East, government-backed Gulf airlines are driving ambitious growth, turning the region into a major aviation hub. North America continues to see strong demand, though profitability is hampered by aircraft delivery delays and rising costs. Also, Africa and Latin America, while grappling with infrastructure and economic challenges, present considerable growth opportunities.

Figure 2.1: Scheduled Passengers Boarded (millions)

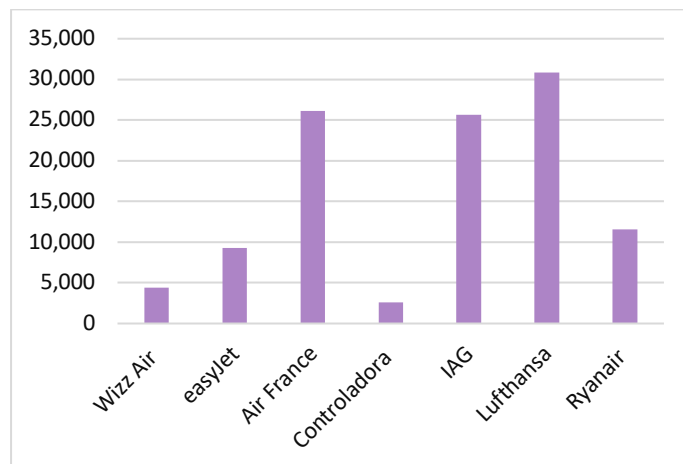


Source: Minerva Investment Management Society

The industry faces a complex landscape of challenges and opportunities. Fleet upgrades and delivery backlogs from Boeing and Airbus strain supply chains, while pandemic-related funding issues have increased airline debt by 23%, compounded by rising interest rates. Environmental concerns are intensifying, with Sustainable Aviation Fuel

(SAF) gaining traction despite high costs and limited adoption. Technological advancements like AI, Big Data, and biometrics are enhancing passenger experiences and operational efficiency. Geopolitical tensions, fluctuating fuel prices, and supply chain issues pose ongoing risks but also opportunities for innovation. By 2024, the focus is expected to shift toward resolving supply disruptions, advancing sustainability, and leveraging robust consumer demand to drive growth in both established and emerging markets.

Figure 2.2: Scheduled Passengers Boarded (millions)



Source: Minerva Investment Management Society

Moreover, Wizz Air's agility as an LCC and its focus on efficient operations and sustainability position it to thrive in the evolving airline industry. However, managing rising costs, supply chain challenges, and geopolitical uncertainties will be crucial to sustaining its competitive edge and capitalizing on the substantial growth opportunities in both mature and emerging markets.

Porter's 5 Forces

Threat of Entrants: **Low to Moderate.** Despite high entry obstacles such as the need for substantial capital investment, regulatory compliance, and the availability of airport slots, the sector is nonetheless appealing to new participants. A competitive edge is offered by Wizz Air's well-known brand, affordable pricing, and wide network throughout Central and Eastern Europe. However, new rivals may find it easier to enter the market as a result of market liberalization and technological developments, particularly for regional or niche airlines.

Bargaining Power of Suppliers: **High.** Few large companies control the majority of the worldwide commercial aircraft manufacturing market. As of 2023, Boeing and Airbus own a combined 90% of the market share and dominate the aircraft delivery business. With over 170 aircraft in its fleet, Wizz Air is mostly dependent on these manufacturers. They have a lot of control over prices because there are so few suppliers. Moreover, a significant amount of an airline's operating expenses is fuel. Fuel expenses for Wizz Air account for about

30% of all operating costs. Jet fuel prices significantly changed in 2022, affecting financial performance, with an average of about €115 per barrel. High volatility was seen in 2023, with prices ranging from €80 to €150 per barrel, indicating that power suppliers had control over operating expenses.

Bargaining Power of Buyers: **High.** Customers in the aviation business have minimal switching costs. Notably, Wizz Air's business strategy is greatly impacted by this consumer trend, since low-cost customers place a higher value on pricing than brand loyalty. Wizz Discount Club is the company's loyalty program; however, it doesn't do anything to weaken clients' negotiating position. Additionally, price comparison websites and online travel agencies have developed into indispensable resources for customers. About 80% of airline consumers used these platforms as of the end of 2023 to locate competitive pricing, which resulted in full price transparency and increased customer negotiating power.

Rivalry among Existing Competitors: **High.** Low-cost airline competitors like Ryanair, EasyJet, and regional airlines are fighting for market share in this fiercely competitive industry. Wizz Air has a competitive advantage thanks to its fleet uniformity, cost-effective business strategy, and strategic concentration on Central and Eastern Europe. Profitability is hampered by pricing wars, route overlaps, and shifting demand, though. For Wizz Air to maintain its competitive position in this fiercely competitive industry, strategic alliances, ongoing cost reductions, and service distinction are essential.

Threat of Substitutes: **Moderate** to **High.** In Europe, alternatives like high-speed trains and buses provide good choices, particularly for short-distance trips where time advantages are negligible. Wizz Air, on the other hand, successfully competes by providing inexpensive tickets and quick turnaround times for lengthier flights. Although considerations like environmental concerns and the rising popularity of sustainable travel may eventually affect customer choices, there are now no replacements for the ease of air travel to overseas locations.

SWOT Analysis

Strengths

Cost Efficiency: Wizz Air's core strength lies in its ultra-low-cost structure; the lean operational model, using a single aircraft type, primarily Airbus A320 and A321 models, allows Wizz Air to minimize maintenance and training costs. Fuel-efficient aircraft like the A321neo reduce fuel consumption per passenger. Unlike hub-and-spoke networks used by legacy airlines, Wizz Air operates direct flights using point-to-point model, leading to faster turnaround times and higher fleet utilization. This reduces operational costs and maximizes revenue potential. The airline's aircrafts are in use for more hours over the course of the day compared to competitors. This reduces fixed costs per flight and increases revenue generation per aircraft compared to competitors with idle fleets during off-peak hours.

Figure 3.1: Tailwinds and Headwinds

Tailwinds	Headwinds
Established brand and cost leadership act as significant barriers for new entrants.	Market liberalization and technological advances may lower entry barriers.
Wide network across Central and Eastern Europe reinforces market position.	Heavy reliance on two dominant suppliers (Airbus and Boeing) limits negotiating power.
Potential to negotiate bulk deals with Airbus/Boeing for fleet expansion.	High price transparency from online platforms increases customer bargaining power.
Expansion into underserved routes offers access to less price-sensitive customer bases.	Intense competition from Ryanair and EasyJet in the low-cost airline sector.
Fleet uniformity lowers operational costs and enhances efficiency.	Pricing wars with competitors erode profitability.

Source: Minerva Investment Management Society

Strong Market Position: Wizz Air's focus on underserved Central and Eastern European markets give it a strong position in a growing region with limited competition. Many of these markets are poorly served by legacy carriers, providing Wizz Air with a loyal customer base. In key markets such as Hungary, Poland, and Romania, Wizz Air is often the first choice for budget-conscious travelers due to its extensive network and affordability. Operating flights to over 200 destinations across more than 50 countries, Wizz Air offers extensive connectivity to travelers. Its focus on secondary airports also allows access to less congested and lower-cost facilities. Consistent investment in newer and larger aircraft supports fleet expansion, enabling the airline to handle increasing passenger demand while keeping per-unit costs low. Its acquisition of Airbus A321neo and A321XLR planes will support greater route expansion and efficiency, helping the airline remain competitive on longer-haul routes.

Hedging: The airline's effective fuel hedging policies mitigates exposure to fluctuating oil prices, ensuring stability in operational costs. As of June 30, 2023, Wizz Air had hedged 62% of its jet fuel requirements for the fiscal year 2024 (F24) using zero-cost collars, with strike prices ranging between €834 and €958 per metric ton. For the fiscal year 2025 (F25), the airline had hedged 16% of its anticipated fuel needs, with strike prices between €733 and €835 per metric ton. In addition to fuel price hedging, Wizz Air manages exposure to currency fluctuations, particularly the EUR/USD exchange rate, which affects fuel purchases priced in U.S. dollars. The airline had hedged 53% of its fuel-related EUR/USD foreign exchange exposure for F24,

with rates between 1.0709 and 1.1140, and 18% for F25, with rates between 1.1001 and 1.1438.

Weaknesses

Over-Reliance on Specific Regions: While Wizz Air dominates in CEE, this heavy reliance makes it vulnerable to economic, political, or regulatory changes in these markets. For example, an economic slowdown in Eastern Europe could significantly impact revenue. Competing with well-established players like Ryanair and easyJet in Western Europe is challenging due to their entrenched positions and larger market shares. Indeed, Wizz Air holds lower shares in western European markets.

Workforce Challenges: Like many airlines, Wizz Air faced challenges with employee dissatisfaction, leading to strikes and operational disruptions. Wizz Air has been heavily impacted especially by the French ATC strikes. Moreover, industry-wide pilot shortages can hinder fleet expansion plans and increase costs due to the need for competitive salaries. Oliver Wyman anticipated a global pilot shortage emerging as early as 2023, with a potential deficit of 34,000 pilots by 2025. Factors include early retirements and a decline in new pilot certifications.

Customer Service Limitations: Delays, cancellations, and insufficient customer support during disruptions have occasionally tarnished the brand's image, affecting customer retention. Wizz Air's Net Promoter Score is reported at -11, with 33% of customers identified as Promoters, 23% as Passives, and 44% as Detractors. In a survey conducted by the consumer group "Which?", Wizz Air received a customer satisfaction score of 48%, placing it among the lower-ranked airlines in the UK. Wizz Air's employees' NPS is reported at -38, indicating a higher level of employee dissatisfaction and a lower likelihood of recommending the company as a workplace.

Opportunities

Market Expansion: Wizz Air can explore opportunities in Africa, Asia, and the Middle East, particularly in underserved cities with growing demand for affordable travel options. Expanding into long-haul routes could open new revenue streams, particularly in the transatlantic and Asia-Pacific markets, leveraging its cost advantage.

Fuel-Efficient Fleet: The airline's investment in next-generation aircraft positions it as a leader in reducing carbon emissions per passenger. The A321neo delivers a 20% reduction in fuel consumption compared to previous-generation aircraft. These aircraft achieve a nearly 50% reduction in noise footprint, contributing to less noise pollution. The A321neo emits 50% less nitrogen oxide, aligning with stricter environmental regulations. The airline further reduced its carbon intensity to 51.5 grams per passenger-kilometer, a 6.8% improvement over 2022.

Non-Ticket Revenue Streams: Offering additional services such as priority boarding, in-flight retail, and travel packages can boost profitability. Currently, the company is exploiting well the revenues from ancillary services, but this one is the only source

where improvements can be made, as ticket prices follow trends more related to the industry and the company cannot make significant changes to them. Enhanced digital marketing and personalized offers through data analytics can improve ancillary revenue from services like car rentals, insurance, and accommodation bookings. This strategy is working, in fact in 2024 ancillary revenues went up by 12%.

Threats

Budget Airline Rivalry: Competitors like Ryanair and EasyJet operate similar models, vying for market share in overlapping regions. Aggressive pricing wars can erode profitability. Low fares mean airlines must rely on high passenger volumes to cover these fixed costs, leaving less margin for profit. When carriers engage in price wars to attract passengers, they risk operating flights close to breakeven or even at a loss on certain routes. To compensate for low ticket prices, budget airlines rely on ancillary revenue from add-ons like baggage fees, seat selection, and onboard sales.

Legacy Carrier Adaptation: Full-service airlines are increasingly adopting hybrid models for short-haul flights, challenging ULCCs by offering competitive fares with added value. Legacy carriers now offer competitive base fares for economy-class passengers on short-haul routes, comparable to ULCC prices. Like ULCCs, legacy carriers have begun to charge for ancillary services (e.g., priority boarding, baggage fees), increasing ancillary revenue while keeping base fares low.

Climate Activism: Growing awareness and activism against aviation's carbon footprint could deter environmentally conscious travelers or lead to stricter regulations. Despite hedging, sustained increases in oil prices significantly affect costs and make this airline's profitability challenging; moreover, the EU has increasingly approved policies aimed at implementing the usage of SAF, which, being far more expensive compared to kerosene, represents a potential increase in the cost of fuel. For this reason, Wizz Air has entered into agreements with SAF producers to secure future supplies. Notably, the airline partnered with Neste to purchase 36,000 tons of SAF annually over a three-year period starting in 2025.

Figure 3.2: SWOT Analysis

S STRENGTHS	- Cost Efficiency - Strong Market Position - Effective Fuel Hedging Policies
W WEAKNESSES	- Over-Reliance on Specific Regions - Workforce Challenges - Customer Service Limitations
O OPPORTUNITIES	- Market Expansion - Fuel-Efficient Fleet - Non-Ticket Revenue Streams
T THREATS	- Competitive Pressure - Legacy Carrier Adaptation - Climate Activism

Source: Minerva Investment Management Society

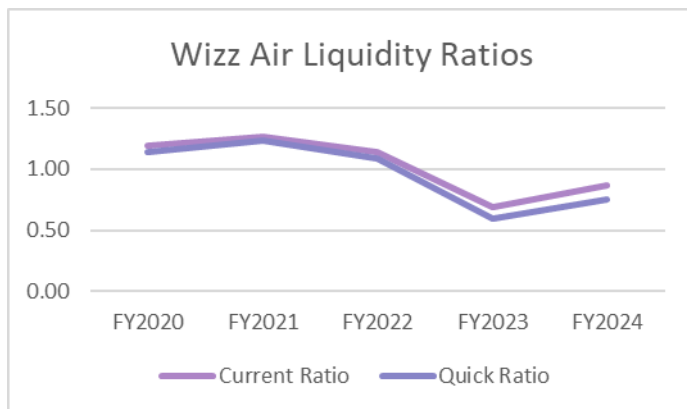
Financial Analysis

While FY2019 stood out for pre-pandemic success, Wizz Air's recovery in FY2023 and FY2024 underscores its resilience and adaptability. During the past 10 years, annual passengers skyrocketed from 16.5 million (FY2015) to more than 50 million (FY2024) which can be attributed to their expansion to new markets like the Middle East and Asia. This growth reflects Wizz Air's ability to adapt to market demands and manage challenges such as fuel costs and geopolitical disruptions.

Liquidity

Wizz Air's liquidity has shown notable fluctuations over recent years, with the current ratio decreasing from 1.27 in FY2021 to 0.87 in FY2024. Despite this decline, the airline has demonstrated resilience, supported by a strong cash balance of €728.4 million in FY2024, signaling improved cash flow and operational efficiency. Strategic initiatives such as fuel hedging and cost management have helped stabilize liquidity metrics, even amidst rising expenses. During the pandemic, Wizz Air's proactive measures, including securing additional funding and deferring costs, ensured short-term liquidity. However, the quick ratio's drop from 1.23 in FY2021 to 0.75 in FY2024 underscores the importance of focusing on sustaining profitability beyond one-off gains, such as supplier compensations, to secure long-term liquidity stability.

Figure 3.1: Wizz Air's Liquidity Ratios (2020-2024)

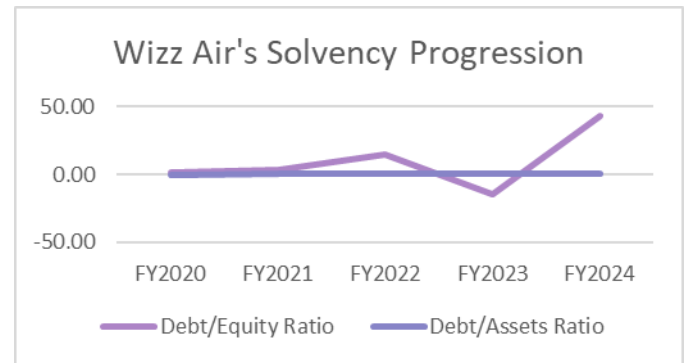


Source: Minerva Investment Management Society

Capital Structure

Wizz Air's capital structure has experienced significant changes, reflecting its increased reliance on debt financing for growth and operations. In FY2024, the debt/equity ratio surged to 42.86, marking a substantial increase from FY2020's 1.63. This shift highlights a heavier dependence on debt, which supports the company's fleet expansion but also signals higher financial risk. Despite this, the debt/assets ratio remained relatively stable, increasing slightly from 0.46 in FY2020 to 0.72 in FY2024. While the rising debt levels align with the capital-intensive nature of the airline industry, Wizz Air's ability to manage financial risk and improve profitability will be crucial for long-term stability.

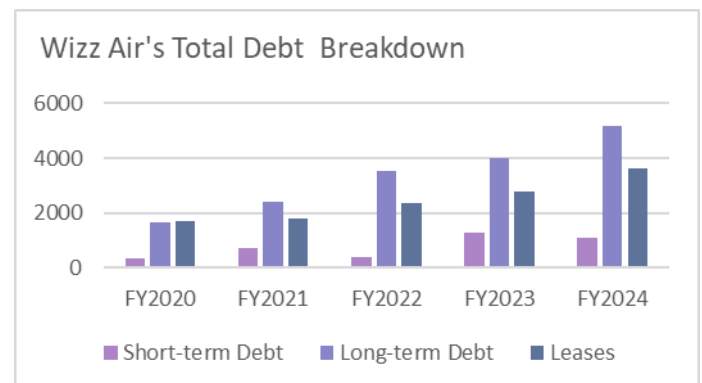
Figure 3.2: Wizz Air's solvency progression (2020-2024)



Source: Minerva Investment Management Society

The increasing debt/equity ratio (from 1.63 in FY2020 to 42.86 in FY2024) indicates Wizz Air's growing reliance on debt financing, emphasizing a strategy focused on leveraging for operations and fleet expansion. In contrast, the debt/assets ratio, which rose from 0.46 in FY2020 to 0.72 in FY2024, reflects a steady increase in the proportion of assets financed by debt. This shift highlights Wizz Air's strategy of using leverage for growth, while the overall stability in the debt/assets ratio suggests that, despite the higher debt load, the airline is maintaining a relatively consistent balance between its debt and assets. However, careful monitoring of this ratio is crucial to avoid over-leverage, which could put pressure on future liquidity and solvency. The progress in managing its financial obligations will be key to ensuring long-term health.

Figure 3.3: Wizz Air increased its total debt

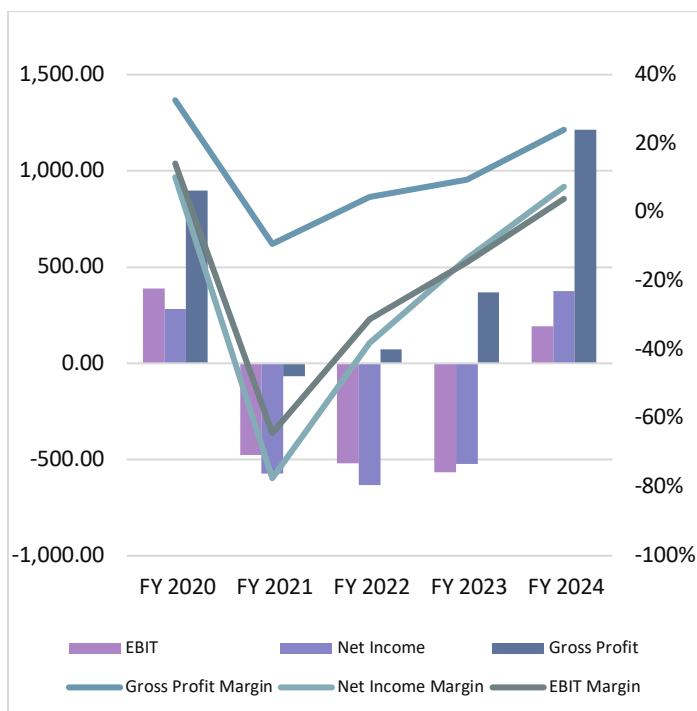


Source: Minerva Investment Management Society

Wizz Air's total debt has significantly increased from FY2020 to FY2024, driven by a rise in long-term debt, which grew from €1,672 million in FY2020 to €5,160 million in FY2024. Lease obligations have also surged, reaching €3,612 million in FY2024 compared to €1,721 million in FY2020, underscoring the company's focus on expanding its fleet. While short-term debt has fluctuated, peaking at €1,275 million in FY2023 before moderating to €1,084 million in FY2024, the reliance on long-term financing highlights a strategic approach to managing liabilities. This growing debt aligns with Wizz Air's growth ambitions but emphasizes the importance of ensuring that revenue growth can sustainably offset the increasing financial obligations.

Profitability

Figure 4.1: EBIT margin exhibited a strong downward trend

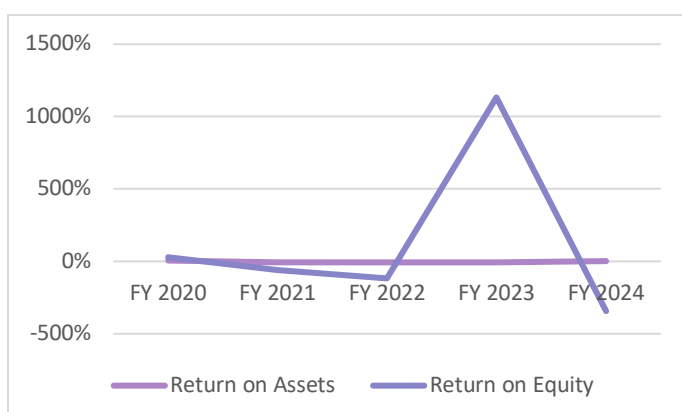


Source: Minerva Investment Management Society

In the analysis of profitability margins, revenue growth has consistently remained positive. The CAGR over the last five years stands at 16,42%, despite a significant dip in 2021. Gross margin experienced a sharp decline to -9% in 2021, driven by airport closures and reduced travel due to sanitary restrictions of the Covid 19. However, it has since shown a gradual recovery, reaching 24% in 2024, supported by the "revenge travel" phenomenon.

On the other hand, the EBIT margin exhibited a strong downward trend, fluctuating from -64% in 2021 to 4% in 2024. This is expected, given the severe impact of the COVID-19 pandemic on the aviation sector, similar figures can be seen among Wizz Air's peers. Additional challenges, such as volatile oil prices, inflation, and supply chain disruptions, further contributed to rising operating costs during this period.

Figure 4.2: The steep drop of ROE to -110% in 2022



Source: Minerva Investment Management Society

Moreover, the slight improvement in ROA to 2% in 2024 is primarily driven by Wizz Air's substantial capital expenditures in 2021, which expanded the company's asset base. However, the combined effects of a sharp decline in demand and the heavy burden of fixed costs significantly eroded profitability, which explains the negative ROA figures, with -6% in 2023.

Finally, the steep drop of ROE to -110% in 2022 reflected pandemic-related losses, and the leveraging strategy, as the company turned to debt to sustain operations. The dramatic rebound to 1139% in 2023 was due both the net income and equity being negative amplified by the highly leveraged structure. The subsequent plunge to -345% in 2024 highlights the increase in net income, while the average equity over the year continued to be negative.

Peer Comparison

When compared with its peers (Air France, Lufthansa, easyJet, Ryanair, Norwegian Air Shuttle, and Southwest Airlines), Wizz Air demonstrates competitive financial performance. Its profitability metrics, including operating and net margins, are above the industry average, though slightly below Ryanair, the leader in this category. Wizz Air benefits from efficient cost management and a high-growth focus, outperforming legacy carriers like Air France and Lufthansa. In terms of solvency, Wizz Air had a strong interest coverage ratio improvement, reflecting disciplined financial management. While not as robust as Ryanair's solvency metrics, Wizz Air outshines most other peers in this area.

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 UK government bond yield (4,6%). While this aligns with the time horizon employed in the discounted cash flow analysis, UK government bond yields were chosen due to Wizz air listing in the London Stock Exchange.

For the equity risk premium we use the UK risk premium, resulting in an ERP of 5,1%.

Beta

To compute the beta of Wizz Air, we followed a bottom-up approach. We first selected a set of comparable companies. Those companies were selected according to different criteria: in particular, they had to be similar to Wizz Air in terms of business, size, and capital structure. We first obtained the raw levered beta and then we computed the adjusted levered beta using the Blume adjustment. Then, using the Hamada formula and the respective marginal tax rate for each company's country of incorporation, we calculated the unlevered betas. We then obtained the median unlevered beta from the set of comparables and re-levered it for Wizz Air. With a marginal tax rate of 9% and Wizz Air's D/E ratio, and the levered beta is therefore equal to 1,732.

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

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 13,5%

Cost of Debt

The debt rating Fitch Ratings assigned to the company (BB+) was used to determine the cost of debt. We computed the debt spread as the rating-based default spread for BB+ companies, which is 3,06%, according to ICE EURO BofA OAS Index. The risk spread was then applied to the risk-free rate.

The cost of debt is therefore equal to 7,7%

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, the WACC for Wizz Air is estimated to be 8,32%

Figure 5.1: Discount Rate Calculation

WACC Calculations	
Cost of Equity	13.5%
Total Debt 2024	6,270
Total Equity 2024	1,648
E/(D+E)	21%
Cost of Debt	7.7%
D/(D+E)	79%
Marginal Tax Rate	9.0%
WACC	8.32%
Cost of Equity - CAPM	
Risk-Free Rate (10Y T)	4.6%
Unlevered Beta (Industry Average)	1.01
Relevered Beta	1.732
UK ERP	5.1%
Cost of Equity	13.5%
Risk Free Rate	
Current 10Y UK Bonds	4.6%
Risk-Free Rate	4.6%
Cost of Debt - Credit Rating Approach	
Risk-Free Rate	4.6%
WIZZ Credit Rating(Fitch)	BB+
Spread on BB+ (ICE EURO BofA OAS)	3.06%
Cost of Debt	7.7%

Source: Minerva Investment Management Society

Sales Forecast

Forecasting net sales is a vital component of any Discounted Cash Flow valuation, and our analysis for Wizz Air integrates industry estimates, management expectations, and broader market trends to deliver a robust projection. The forecast considers several key factors, including management disclosures about fleet size growth and planned route expansions, which inform assumptions about the airline's operational capacity. Additionally, metrics such as the number of aircraft, flight frequency, and load factors were analyzed to estimate the growth in passenger numbers, while trends in revenue per passenger further refined revenue projections. Given Wizz Air's strong foothold in Europe, the forecast also incorporates growth estimates for the European aviation market to align with regional dynamics. Synthesizing these inputs, we predict that Wizz Air's revenue will grow from €5,073 million in 2024 to €16,341 million by 2034, representing a CAGR of 12,41% over the next decade. We chose to do the forecast in Euros since that's their reporting currency and changed the price to pounds using the current exchange rate.

Profitability

On the profitability side, a clear division was made between fuel costs and other operating expenses to better understand their respective trends and impact. For non-fuel operating expenses, we assumed that the company's expansion would lead to a moderate increase in costs as additional resources would be required. However, over time, operational efficiencies gained through scaling are expected to mitigate these increases, resulting in a balanced and sustainable cost trajectory. Regarding fuel expenses, we accounted for the consumption patterns of each aircraft type in Wizz Air's fleet, alongside inflationary trends in fuel prices. Overall, these factors support an optimistic outlook, with an EBIT margin expected to exhibit a positive trend over time.

Financial Assumptions

Our 10-year financial forecasts are closely aligned with the strategic goals set by Wizz Air's management and industry analysts. For Capital Expenditures, we based our projections on Wizz Air's target to expand its fleet by 140% by 2032. Industry benchmarks and peer comparisons were utilized to model this growth, particularly during expansion phases, where airlines typically allocate 15% of annual revenue to Capex.

The largest contributor to Depreciation and Amortization is the aircraft fleet. To forecast changes in D&A, we considered the addition of new aircraft and Wizz Air's existing fleet, which has an average age of less than 4.2 years. Depreciation for the 2024 fleet is calculated using the straight-line method over a useful life of 21 years, while newly added planes are depreciated over a 25-year useful life. Annual depreciation expenses are determined by summing the expenses for both the existing and newly added aircraft, ensuring an accurate representation of fleet-related costs.

For Net Working Capital we projected changes by forecasting individual balance sheet items. Our analysis indicates a slight decrease in current assets, reflecting Wizz Air's focus on channeling resources into operational expansion. Concurrently, current liabilities are expected to decline gradually due to improved efficiency in managing the larger fleet and expanding operations, particularly as the airline becomes more adept at handling new destinations and routes.

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 £5,709. Subsequently, by adjusting the value using the equity bridge and dividing it by the share count, we arrive at our implied share price of £1,553 per share, implying an upside of 7.79% over the last closing price.

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. The prices are in pennies considering it's the trading currency.

Figure 5.2: Sensitivity Analysis

Share Price vs WACC and TGR					
	7,82%	8,07%	8,32%	8,57%	8,82%
2% £	1.781,71	£ 1.494,08	£ 1.228,45	£ 982,48	£ 754,14
1,75% £	1.971,96	£ 1.666,24	£ 1.384,71	£ 1.124,72	£ 883,95
2% £	2.178,55	£ 1.852,57	£ 1.553,33	£ 1.277,77	£ 1.023,27
2,25% £	2.403,68	£ 2.054,90	£ 1.735,83	£ 1.442,93	£ 1.173,19
3% £	2.649,94	£ 2.275,37	£ 1.933,99	£ 1.621,67	£ 1.334,96

Source: Minerva Investment Management Society

Valuation: Multiples

To complement our assessment, we approached Wizz Air'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.

In assessing Wizz Air's value, we examined industry benchmarks, specifically focusing on EV/Sales, EV/EBIT and P/E multiples. When considering the EV/Sales multiple, Wizz Air's figure is 0.2x, which is lower than the group average (0.5x) and median (0.3x). This denotes that Wizz Air's sales are less valued in the market, perhaps reflecting its more uncertain sales quality and geographic markets. The average EV/EBIT multiple among the peer group is 25.3x, while the median is 12.7x, values that are heavily influenced by Lufthansa's negative EBIT.

Wizz Air's EV/EBIT of 16.6x reflects an abnormally high valuation due to the lower EBIT compared to historical values, indicating the market views this as an isolate episode and not as a structural decline. 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. Wizz Air's P/E multiple at 6.6x signals that the market is willing to pay slightly less for Wizz Air's earnings relative to the median of its competitors, potentially due to less stable and potentially more risky investments compared to its peers.

In this analysis also forward multiples referring to the estimates of the next year's performance were used. This was done to portray the multiples more fairly, without giving too much weight to the multiples that were influenced by the abnormal value of this year's Wizz air's EBIT and create a more accurate valuation.

Figure 4.4: Comparable companies analysis

Company name	Region	EV/Sales	EV/EBIT	P/E
Ryanair	EU	1.4x	11.3x	12.7x
easyJet	EU	0.3x	5.4x	11.1x
International Consolidated Airlines Group	EU	0.4x	3.5x	5.6x
Southwest Airlines	US	0.7x	72.0x	0.0x
Air France	EU	0.3x	8.9x	22.6x
Deutsche Lufthansa	EU	0.3x	(16.4x)	6.4x
Average		0.6x	25.3x	13.5x
Median		0.4x	12.7x	8.6x

Source: Minerva Investment Management Society

Final Valuation Methodology

In the valuation of Wizz Air, we based our assessment on the company's latest reported financial metrics, applying the industry's average EV/EBITDA multiple. This choice ensures that our valuation captures both Wizz Air's revenue-generating capability and its operational efficiency, providing a holistic view of its profitability. By multiplying the EV/EBITDA multiple by Wizz Air's reported EBITDA, we derived the enterprise value. We then adjusted for net debt to calculate the equity value. Finally, dividing this equity value by the total number of diluted shares outstanding, we determined an intrinsic share price, offering an earnings-centric perspective on Wizz Air's valuation. We complemented this analysis with a Discounted Cash Flow (DCF) valuation. The DCF incorporated projections for Wizz Air's future cash flows, discounted at an estimated WACC of 8.32%, reflecting the airline's capital structure and market risks. By synthesizing these two methodologies, we achieved a comprehensive valuation that integrates Wizz Air's intrinsic value derived from its cash flows with its market-based value indicated by relative multiples.

The equal weighting of DCF and multiples analysis in our final valuation ensures a balanced perspective, capturing both the inherent value of Wizz Air's future performance and its position

relative to industry peers. This approach resulted in a target price that, compared to the most recent closing price, highlighted a modest discrepancy, suggesting a potential opportunity for investors.

DCF Valuation	£15.53	50%
Multiples Valuation	£15.78	50%
Final Valuation	£15.66	

We use the current exchange rate 0.84 to come up with the price of £15.66.

Investment Risks

Upside Risk Factors

Fleet Expansion Plans: Wizz Air's plan to double its fleet to 500 aircraft by 2030 positions it to capitalize on growing demand across Europe. The transition from A320s to A321neos, which offer 33% more capacity per aircraft, enhances operational efficiency and supports robust passenger growth. By the early 2030s, Wizz Air aims to operate 500 aircraft with 5.1 flights per day, potentially serving nearly 200 million passengers annually.

Rising demand for low-cost travel: The post-pandemic surge in "revenge travel" has driven a rapid recovery in demand, as consumers eagerly resume leisure and business trips after prolonged restrictions. This trend, coupled with increased price sensitivity, has amplified the appeal of affordable travel options. Wizz Air, with its ultra-low-cost operating model and extensive presence in Central and Eastern Europe, is uniquely positioned to capitalize on this opportunity. Its young, fuel-efficient fleet and expansive network enable the airline to offer competitive fares

Downside Risk Factors

Engine Challenges: Wizz Air's A321neo fleet, powered by Pratt & Whitney GTF engines, faces reliability issues due to a manufacturing defect. This requires extensive maintenance, grounding 40-45 aircraft through most of CY2025 and CY2026, with recovery expected by late CY2027. The A321neo is central to Wizz Air's expansion plans, further complicating the impact of these reliability challenges. Maintenance delays, with turnaround times of 300 days, reduce passenger numbers and profits.

Competition: The fiscal year 2024 is anticipated to experience below-average revenue for Ryanair, a situation we anticipate will be temporary as the distribution channels through online travel agents are reestablished. This scenario has a direct impact on Wizz Air, given that 45% of its seat capacity on city pairs is in direct competition with Ryanair. Price reductions by one carrier will lead to a compression of profits for the other. As Ryanair's revenue recovers and the competitive pressure eases, Wizz Air's profitability is also expected to improve. However, this increase in revenue is more likely to occur in the financial year 2026 rather than 2025.

Increase in fuel costs: The soaring fuel prices have led to a net loss of €452.5 million for Wizz Air in the first quarter of FY23, compared to a loss of €118.5 million in the same period last year. The high fuel costs have a direct impact on Wizz Air's financial performance, especially as it has not hedged its fuel costs. This has resulted in a significant increase in fuel expenses from €63.5 million last year to €508 million, almost doubling. Consequently, the rise in fuel costs poses a substantial financial strain on Wizz Air, potentially affecting its profitability in both the short and long term.

Appendix

Exhibit 1: Restated Balance Sheet

Balance sheet	2024	2023	2022	2021
Property, plant and equipment	659	2.553	2.878	3.631
Intangible assets	21	27	30	62
Equity investment	-	-	-	-
Restricted cash	166	180	134	67
Deferred tax assets	0	3	1	2
Deferred interest	2	-	-	-
Derivative financial instruments	3	1	-	-
Trade and other receivables	17	20	22	21
Investments in associates	-	-	-	-
Investments in other entities	-	-	-	-
Total non-current assets	868	2.784	3.065	3.783
Inventories	32	71	54	71
Trade and other receivables	287	170	114	187
Current tax prepaid	2	0	2	3
Derivative financial instruments	29	17	5	1
Deferred interest	1	0	0	0
Restricted cash	23	6	35	95
Short term cash deposits	0	0	347	450
Cash and cash equivalents	1.316	1.311	1.101	767
Total current assets	1.690	1.574	1.657	1.572
	0,0	0,0	0,0	0,0
Total assets	2.558	4.358	4.722	5.356
Share capital	-	-	-	-
Share premium	379	381	381	381
Reorganisation reserve	(193)	(193)	(193)	(193)
Equity part of convertible debt	8	8	8	8
Cash flow hedging reserve	13	(242)	(2)	(4)
Cost of hedging reserve	-	-	-	-
Cumulated translation adjustments	1	0	1	(1)
Retained earnings / losses	1.320	1.280	712	87
Non-controlling interest	-	-	(4)	(15)
Total shareholders' equity	1.528	1.235	904	264
Trade and other payables	306,4	469,6	465,7	558,6
Current tax liabilities	0,0	0,0	0,2	0,2
Borrowings	0,1	340,8	722,1	413,1
Convertible debt	0,2	0,3	0,3	0,3
Derivative financial instruments	17	267	9	5
Deferred income	420	172	68	334
Provisions for other liabilities and charges	103	74	38	63
Total current liabilities	847	1.324	1.303	1.374
Borrowings	2,1	1.671,9	2.388,7	3.525,3
Convertible debt	26,6	26,4	26,2	26,1
Deferred income	104,2	13,1	43,5	63,0
Deferred tax liabilities	2	-	6	3
Derivative financial instruments	2	41	-	-
Trade and other payables	-	-	-	57

Provisions for other liabilities and charges	46	47	51	44
Total non-current liabilities	182	1.800	2.516	3.719
	0,0	0,0	0,0	0,0
Total liabilities and equity	2.557	4.358	4.723	5.356

Exhibit 2: Restated Income Statement

Income statement	2024	2023	2022	2021
Revenue	2.319	2.761	739	1.663
COGS	(1.896)	(1.970)	(921)	(1.629)
Depreciation	(93)	(381)	(345)	(446)
Other expenses and other income	(31)	(71)	(1)	(53)
Operating profit	300	338	(528)	(465)
	12,9%	12,3%	-71,5%	-28,0%
Interest income	6	47	12	3
Interest expense	(4)	(92)	(78)	(90)
Other income (expense), net excluding interest expense	(2)	0	28	(90)
Pre-tax Income	300	294	(566)	(641)
Taxes	(5)	(13)	(10)	(1)
Minority Interest	0	0	4	11
Net Income	295	281	(572)	(632)

Exhibit 3: Wizz Air Fleet Forecast

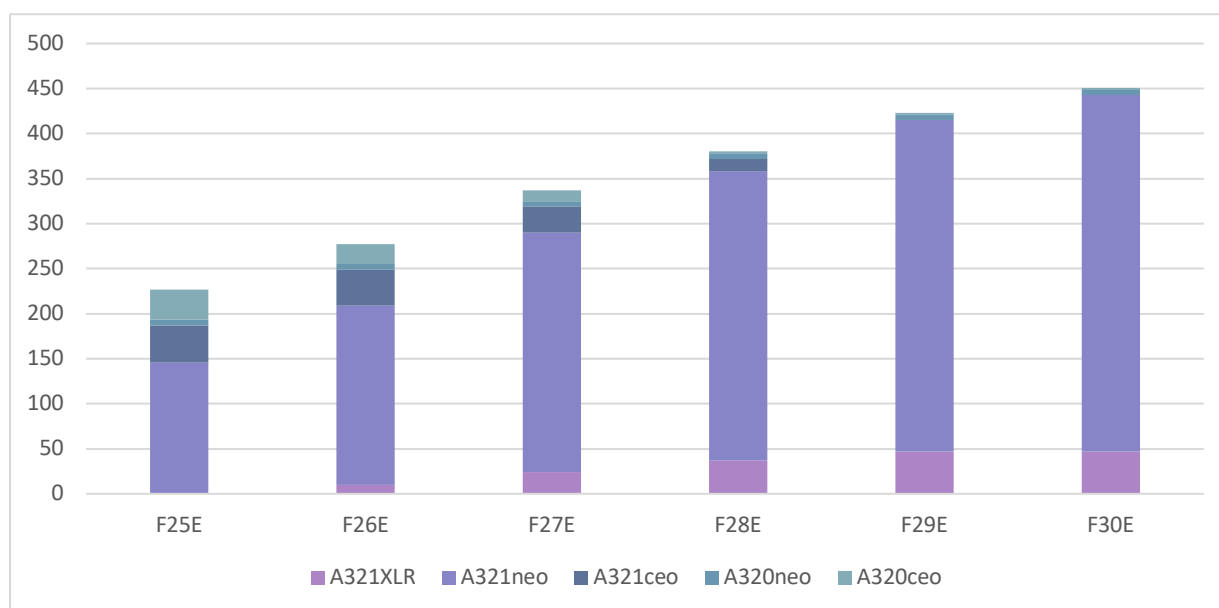


Exhibit 4: DCF Model – Summary

(€ mn)	2025	2026	2027	2028	2029
Discounted Cash Flow					
Revenue	5,398	6,303	7,379	8,757	11,159
Cost of Revenue	4,351	5,074	5,924	7,010	8,899
EBITDA	1,047	1,229	1,455	1,747	2,260
<i>Margin</i>	19.4%	19.5%	19.7%	19.9%	20.3%
	1360	1759	2026	2508	3650
D&A	842	1,082	1,394	1,657	1,877
EBIT	205	147	61	89	384
<i>Margin</i>	4%	2%	1%	1%	3%
After-tax EBIT	187	134	55	81	349
D&A	842	1,082	1,394	1,657	1,877
Capex	821	958	1,122	1,331	1,696
Change in NWC	555	153	173	212	355
FCFF	(347)	105	155	195	175
DCF	(320)	89	122	142	117

(€ mn)	2030	2031	2032	2033	2034
Discounted Cash Flow					
Revenue	12,484	13,934	15,100	15,720	16,341
Cost of Revenue	9,936	11,070	11,980	12,463	12,947
EBITDA	2,548	2,864	3,120	3,257	3,394
<i>Margin</i>	20.4%	20.6%	20.7%	20.7%	20.8%
D&A	1,978	2,087	2,154	2,154	2,154
EBIT	569	777	966	1,103	1,240
<i>Margin</i>	5%	6%	6%	7%	8%
After-tax EBIT	518	707	879	1,004	1,129
D&A	1,978	2,087	2,154	2,154	2,154
Capex	1,898	2,118	2,295	2,389	2,484
Change in NWC	181	191	147	98	99
FCFF	418	485	591	671	700
DCF	259	277	312	327	315

Exhibit 5: Multiple Analysis

Company	EV/Revenue	EV/EBIT	P/E Actual	P/E Forward
Wizz Air	1.3x	5.4x	11.1x	11.9x
easyJet	0.3x	5.4x	11.1x	7.7x
Air France	0.3x	8.9x	22.6x	2.0x
Southwest	0.3x	2.5x	4.6x	8.1x
IAG	0.4x	3.5x	5.6x	5.2x
Lufthansa	0.3x	(16.4x)	6.4x	5.1x
Ryanair	1.4x	11.3x	12.7x	11.4x
Average	0.5x	2.6x	10.5x	6.6x
Median	0.3x	4.5x	8.7x	6.4x

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