



# RYANAIR REPORTS Q3 PROFIT OF €103M, UP €54M

News / Finance



Ryanair, Europe's favourite airline, today (Feb 1) announced Q3 profits of €103m, a 110% increase on prior year. Traffic grew 20% to 25m as ave. fares fell 1% to €40 (load factors rose 5% points to 93%) while unit costs fell by 5% (ex-fuel down 1%).

Ryanair's CEO, Michael O'Leary, said:

"We are pleased to report that our low fares policy delivered strong Q3 traffic and profit growth. It is clear that millions of new customers are switching to Ryanair for our "load factor active/yield passive" pricing, our expanding route network and the success of our Always Getting Better ("AGB") customer experience programme. Following a strong first half of Q3, we noted weaker pricing and bookings immediately after the terrorist events in Paris and Brussels. We reacted to this softness by running price promotions and discounted fares to stimulate double digit traffic growth. While average fares fell 1% (previously guided flat pricing), this was offset by lower unit costs.

Key Q3 milestones include:

? Ave. fares down 1% to €40

? Traffic up 20% to 24.9m (LF up 5 points to 93%)

- ? Unit costs fell 5% (ex-fuel down 1%)
- ? Q3 profits up 110% to €103m
- ? Aer Lingus proceeds (€398m) distributed to shareholders in Nov
- ? New website and mobile app launched in Oct
- ? 5 year pay & conditions deals agreed with all 76 pilot & cabin crew bases
- ? First airline to carry over 100m international customers in calendar year (101.4m)

#### New Routes and Bases:

The 4 new bases opened in Q3 (Berlin, Corfu, Gothenburg and Milan Malpensa) enjoyed strong advance bookings and are performing well. This winter we will deliver double digit traffic growth in Ireland, UK, Spain, Italy, Portugal, Poland, Germany and Denmark as we add 119 new routes to the network. 2 new bases (Belfast and Ibiza) will open in March for summer 2016. We are finalising our winter 2016 schedule and will announce more new routes and destinations during Feb. This will include our first Romanian base (Timisoara) which opens in Nov 2016.

#### Improving “AGB” customer experience:

Our AGB programme and lower fares are driving strong forward bookings, higher load factors and accelerating traffic growth. We must again raise our full year traffic target to 106m (from 105m previously guided). This represents a 17% increase on last year’s 90.6m customers. In Oct we launched our new website and mobile app both of which are performing well. In Nov we ran a number of market leading promotions for Black Friday and Cyber Monday. Since Jan our new aircraft are delivering with the Boeing Sky interiors and slimline seats which will provide our customers with more leg room and an improved on board experience. From Feb 1 our cabin crew will be wearing our new (Irish designed) uniforms. We will announce further initiatives over the coming months as we move into year 3 of our AGB programme.

Ryanair continues to offer the lowest fares in every market along with the best on-time performance. In the first 9 months of FY16, despite the impact of French ATC strikes in Q1, the fire closure of T3 in Rome (FCO), record load factors, and disgraceful delays in Q3 as a direct result of the introduction of a new French ATC computer system, our on-time performance improved by an ave. of 2% points to 91% as follows:

#### Fuel and US\$ Hedging:

We have taken advantage of recent oil price weakness to extend our fuel hedges into FY18. FY17 fuel is 95% hedged at approx. \$62bbl and €/£ is hedged at \$1.17 which will deliver fuel savings of c. €430m in FY17. We are just over 50% hedged for H1 FY18 at approx. \$52bbl. We have also hedged 65% of our FY18 €/£ opex requirements at \$1.11. We plan to pass these further fuel savings to our customers in the form of lower airfares particularly as we grow capacity in major markets such as Belgium, Denmark, Germany, Ireland, Italy, Poland, Portugal, Spain and the UK in 2016 and 2017.

#### Lower Costs:

Our relentless focus on costs saw unit costs fall by 5% in Q3. Fuel, which represents 40% of our cost base, was down 10% per passenger. Q3 ex-fuel unit costs fell by 1%, and are on track to fall by 2% for the full year, which is an impressive performance given our continued expansion into more expensive primary airports and the adverse impact of €/£ exchange rate movements. In the 2 years since we launched AGB, we have seen ex-fuel unit costs fall by over 2%. In Jan we concluded new 5 year pay & conditions deals with all 76 pilot and cabin crew bases. These long term agreements, along with our low-cost aircraft deliveries, ongoing fuel savings, growth discount airport deals, low-cost bond financing and personalised marketing via our new website will ensure that Ryanair continues to lower its unit cost base while our competitors see their costs rise.

#### Shareholder Returns & Balance Sheet:

In light of our rising profitability and improving cashflow, the Board has approved an €800m share buy-back to commence on Feb 5 next. We expect this programme will, subject to market conditions, be executed over a 9 month period. When this buy-back is complete, we will have returned in excess of €4bn to shareholders over the past 8 years (since 2008).

Our balance sheet remains one of the strongest in the industry. We had net cash of €350m at Dec 2015 notwithstanding capex of €726m, shareholder distributions of €687m and debt repayments of €281m during the current financial year.

#### Outlook:

We continue to see significant growth opportunities for Ryanair's unique "load factor active/yield passive" policy which is now supported by our AGB customer experience programme. Stronger load factors have raised our FY16 traffic target from 105m to 106m customers. We expect Q4 traffic will grow by 26% (22% previously guided). With limited visibility of close-in Easter bookings in March, we now expect Q4 fares to fall by -6% (previously -4%). Yields in Q4 and FY17 will be impacted by weaker sterling and the short notice imposition of a €2.50 increase in Italy's municipal tax (to pay for Alitalia pilot pensions) from Jan 1 which must be funded directly from our airfares. Full year unit costs should fall by 6% (ex-fuel down 2%). Ancillary revenue, while ahead of our long term 20% target, will track behind this year's 17% traffic increase due to a one-time benefit last year from the earlier loading of the summer FY15 schedule and the absence of car-hire revenues in July and Aug 2015.

Accordingly, we remain comfortable with our full year guidance that net profits will be towards the upper end of the €1,175m to €1,225m range (pre-exceptions). We caution, however, that this guidance is heavily dependent on the absence of further unforeseen events impacting close-in bookings and yields in Q4, especially over Easter, where we are working to deliver 26% traffic growth."

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#### ARTICLE LINK:

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