Creditreform Corporate Issuer / Issue Rating

Ryanair Holdings plc

Creditreform Rating

14 February 2024 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of Ryanair Holdings plc at BBB. The outlook has been revised from stable to positive.

Creditreform Rating (CRA) has affirmed the ratings of the unsolicited, public corporate issuer rating of Ryanair Holdings plc and Ryanair DAC – together referred as Ryanair or the Company, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Ryanair DAC at BBB. The outlook for these ratings has been revised to positive.

Analysts

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Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

+ 9M 2024 revenues and profit up substantially due to higher air fares and increasing passenger volumes
+ Fuel hedging extended to 65% at 79/bbl for the 2025 business year
+ European aviation capacity to remain constrained over the next year; positive impact for pricing expected
+ Substantial increase in capital expenditure, which is expected to fall over the coming years
+ Liquidity still strong despite a slightly lower cash position following significant cash outflows for capital expenditure and a bond repayment

– Q3 2024 profit significantly diminished due to sharp rise in fuel prices

ESG-criteria:

ESG factors are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Ryanair we have not identified any ESG factors with significant influence.

Ryanair's business model based on leisure travel aviation results in significant levels of CO2-emissions. In FY 2023, Ryanair's carbon intensity reached 66 g of CO2 per revenue passenger kilometer. This is an improvement compared to last year's reported value of 76 g CO2 per revenue passenger kilometer, which can be explained by an improvement in load factor (to 93% in FY 2023 from 82% one year earlier) and due to the addition of 37 new Boeing 737-8200s into the fleet that are 16% more fuel efficient than older aircrafts. Ryanair's current CO2 emissions put the Company in the midfield compared to European peers. Considering the European Unions (EU) initiative to cut CO2-emissions by 55 % until 2030, emissions-intensive business models, such as Ryanair's, might get under even more pressure in the future. It is especially important to note, that the Company's absolute CO2-emissions rose steadily over the past years as a result of its fast-paced growth strategy. Ryanair puts great emphasis on reducing CO2-emissions by increasing its fleet's fuel efficiency. This strategy is in line with the Company's business model of being an ultra-low cost-operating airline. However, since Ryanair plans to grow further its annual traffic over the coming years, we believe that gains in efficiency will most probably not be sufficient to decrease the company's total CO2-emissions. Additionally, Ryanair has set itself the goal to power 12.5 % of its flights (not its fuel consumption) with sustainable aviation fuels (SAFs) by 2030 and the Company wants to be net climate-neutral by 2050. In an analysis for a path to net-zero in the aviation sector, conducted by the Mission Possible Partnership (MPP) in October of 2021, it was found, that in order to reach net-zero by 2050 for airlines, 25-30 % of the sectors energy demand needs to be covered by SAFs in 2030. Consequently, Ryanair's plans on the usage of SAFs might not be sufficient to reach climate neutrality fully.

We see a relevant risk for Ryanair in a world that is on a pathway to climate-neutrality. However, it is important to note, that aviation already is included in the European Union's Emissions trading System (EU ETS). Therefore, governmental actions to reduce CO2-emissions from aviation already have put a price on Ryanair's CO2-Emissions and the resulting cost are visible in the Company's financial figures. In addition to that, customer demand for air travel increased over the past several years (except in 2020 due to Covid-19 pandemic), despite public environmental concerns and the existence of more sustainable alternatives. Therefore, we do not see a negative credit rating effect from the Company's environmental performance as of today, but we will closely monitor Ryanair's environmental performance and its influence on the company's financials in all our upcoming rating actions.

In 2023, Ryanair employed roughly 22.000 people with a majority of employees being Pilots and members of the cabin crew. Aside from the flight crew, gender diversity at Ryanair can be judged positively, with a target ratio of female employees above 33 % on all other levels of the Company. Both in Ryanair's management, as well as in its board the ratio of female employees stood at around 35-40%. Availability on further quantitative figures regarding social aspects, however, is limited. On the other hand, news reports regarding questionable work practices hint at possible risks in the social area. Furthermore, Ryanair was condemned for its business practices in Germany, which hampered customer rights in case those customers where seeking a compensation from Ryanair.

In our view, the company follows adequate standards of corporate governance practices. Within its board, nine out of ten board members are independent from the Company, the only exception being Michael O'Leary. Still, even board members classified as being independent from the Company hold shares from Ryanair.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating result

The unsolicited Corporate Issuer Rating of BBB attests Ryanair a highly satisfactory level of creditworthiness and a low-to-medium default risk. This assessment reflects our view that the industry continues to show signs of improvements, favoring stronger cash generation in the coming years. Additionally, Ryanair is experiencing growth with the expansion of its fleet, which reached 574 aircrafts as of the end of December 2023 and is expected to grow to 700 aircrafts at the end of the business year 2030 with annual passengers expected to grow to 250 million. The continued growth is also evidenced by the positive operational and financial performance in 9M FY24, in which operating earnings increased substantially year-over-year. This adds to the fact that the company has built up an exceptional liquidity profile and a strong balance sheet, with its cash balance being more than enough to cover its total financial debt, and creating greater financial flexibility to execute its growth investments. Other relevant rating factors include the Company's leading position in the low-cost airline sector in Europe coupled with an

<u>Please note:</u>

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

efficient and optimized business model. Conversely, the ratings are constrained by the continued uncertainties on global geopolitical tensions and its potential impact on the aviation sector and fuel price volatility, posing upward pressure in operating costs. On top of that, Ryanair's ability to pass through cost increases to its passenger is limited due to its low-fare business model and to an increasingly competitive market environment. Additionally, stricter safety and environmental regulations brings a greater degree of complexity to Ryanair's operations and expose it to higher liability risks.

Outlook

The outlook for the next 12 months has been changed from stable to positive. This is based on our expectation that Ryanair will continue to deliver strong and growing operating results. We expect a reduction in capital expenditure over the coming three years, which will substantially improve cash flow generation available for debt servicing and future investments in future aircrafts. The Company significantly deleveraged during its 2023 business year, has continued repaying outstanding indebtedness during the business year and expects to be debt free after the repayment of its outstanding bonds in 2025 and 2026. Additionally, Ryanair does not have any notable debt maturities until September 2025.

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a rating of BBB+. In this case, Ryanair continues to show growing operating performance driven by strong demand and an expanding fleet. In this scenario demand remains high and capacity constrained on European passenger aviation markets, resulting in marginally higher fare prices. Also, fuel price volatility will be substantially reduced. With lower expected capital expenditure of approximately EUR 1.3 billion for the 2025 business year and no noteworthy debt maturities until 2025 we expect liquidity and overall credit metrics to improve further.

Worst-case scenario: BBB-

In our worst-case scenario for one year, we assume a rating of BBB-. This could be the case if geo-political volatility will increase leading to reduced demand and higher operating costs driven by significantly higher fuel prices, in turn leading to negative operating results as Ryanair's ability to pass on costs to the passenger is limited due to its low-fare business model and an increasingly competitive market environment.

Business development and outlook

Following the COVID-19 pandemic the Group had two strong consecutive business years as the passenger air market recovered accordingly. With revenues falling to EUR 1.6 billion in the 2021 business year, they recovered to EUR 4.8 billion and EUR 10.8 billion in 2022 and 2023 respectively. Thanks to its streamlined cost structure, Ryanair was the first in the sector to revert to positive operating results following the long-lasting effects of the pandemic. Accordingly, the Company has shown a positive trajectory since mid 2022.

Table 1: Financials of Ryanair Holdings plc I Source: Annual report FY 2023, standardized by CRA

Ryanair Holdings plc **Selected key figures of the financial statement analysis** **Basis: Annual accounts and report of 31.3. (IAS, Group)**	**CRA standardized figures[1]**	
	FY 2022	**FY 2023**
Sales (million EUR)	4,801	10,775
EBITDA (million EUR)	381	2,400
EBIT (million EUR)	-338	1,477
EAT (million EUR)	-241	1,314
EAT after transfer (million EUR)	-241	1,314
Total assets (million EUR)	13,812	16,368
Equity ratio (%)	32.39	35.22
Capital lock-up period (days)	81.97	36.09
Short-term capital lock-up (%)	38.60	21.10
Net total debt / EBITDA adj. (factor)	17.97	2.92
Ratio of interest expenses to total debt (%)	0.98	0.72
Return on Investment (%)	-1.08	8.24

This trend continued during the first three quarters of its 2024 business year, with further significant growth of revenues to EUR 11,274 million (9M 2023: EUR 8,928 million), operating profit of EUR 2,397 million (9M 2023: EUR 1,800 million) and EAT of EUR 2,193 million (9M 2023: EUR 1,582 million). Scheduled revenues increased by approximately one third to EUR 7.82 billion against the prior year and was fueled by traffic growth of approximately 10% and an increase of 21% in the average fare price. Ancillary revenues increased to EUR 3.45 billion, mainly driven by traffic growth. The increase in operating profit resulted largely from the increase in revenues. It is worth noting, however, that the Company made an operating loss of EUR 15 million in the third quarter driven by a disproportionate increase in operating costs, particularly due to higher fuel prices, which increased costs of by approximately EUR 6 per passenger. The increase in fare prices was not sufficient to offset the increase in the fuel bill during the quarter. Additionally, the Company reported a slightly lower load factor of 92% due to a dispute with online travel agencies (OTA's), which took them off their website.

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

Table 2: The development of business of Ryanair Holdings plc I Source: Q3 Results FY 2024, reported information

Ryanair Holdings plc				
In million EUR	9M FY 2023	9M FY 2024	Δ	Δ %
Sales	8,928	11,274	2,346	+26%
EBITDA	2,333	3,219	886	+38%
EBIT	1,667	2,397	730	+44%
EBT	1,635	2,461	826	+51%
EAT	1,466	2,193	727	+50%

As of 9M 2024 Ryanair had a negative FCF of EUR -648 million (9M 2023: EUR 449 million) driven by both negative working capital changes, but predominantly due to a significant increase in capital expenditure of EUR 1,934 million. We also expect the Company to generate negative FCF for the full year as capex for the full year is guided at EUR 2.8 billion. This is expected to drop to EUR 1.3 billion during the 2025 business year, after which it will drop to roughly EUR 1 billion until 2027. This will presumably significantly increase FCF generation, which Ryanair says it will use to finance future aircraft orders. As of the end of Q3 Ryanair had 374 aircrafts on order, of which the Group expects to have 174 in their fleet at the end of June 2024.

With a strong increase in earnings and the reduction in indebtedness of approximately 1.1 billion to EUR 2.8 billion as of 31 December 2023 from EUR 4.2 billion as of 31 March 2023, we believe that credit metrics for the full year ending 31 March 2024 will show an improvement against the prior business year. Additionally, with the expected reduction in capital expenditure over the coming years FCF will also substantially improve against the current years if profitability will remain at its current levels. With capital expenditure of EUR 1.9 billion and the reduction in debt largely financed from operating cash flow the Group's liquidity position has been somewhat reduced to EUR 2,919 million (2023: 4,675 million), but continues to surpass the Company's outstanding indebtedness. With the repayment of the EUR 850 million bond in September 2025 and the EUR 1.2 billion in May 2026 the Company expects to be debt free.

For the full year the Group expects to carry 183.5 million passengers, which is a 9% increase against the prior year but a slight decrease against projections made earlier in the business year. This hampered traffic development is driven by delayed aircraft deliveries of Boeing, the disruption of flights to the Middle-East, Israel and Jordan due to the situation in Gaza and the dispute with the online trading agencies. The fourth quarter is however also going to be affected by ongoing high fuel prices, which will most likely continue to strain profitability. As a result, for the full year Ryanair expects after tax earnings to range between EUR 1.85 to EUR 1.95 million. This, however, continues to be heavily dependent on macro-economic developments. For the 2025 business year fuel hedging was extended to 65% at $79/bbl, which is down from fuel costs in the 2024 business year. We expect Ryanair to continue its trajectory as the Group's fleet is expected to grow sharply from 537 aircrafts at the end of FY 2023 to 700 at the end of 2030, with expected passengers per annum to grow to 250 million. For the business year 2025 the Group slightly adjusted its expected amount of passengers to about 200 million, down from 205 million, mainly due to the delivery delays from Boeing. Due to the ongoing capacity constraints on the European aviation markets Ryanair expects marginally higher air fares.

Further ratings

In addition to the rating of Ryanair Holdings plc the following Issuer and its issues (see below), have been rated.

- Ryanair DAC

Ryanair DAC ("the Issuer") is a designated activity company, incorporated with limited liability in the Republic of Ireland. The Issuer´s business activity consists of providing low-cost flights and other travel-related services. The Issuer is wholly owned by Ryanair Holdings plc and is fully consolidated into the Groups financial statements. Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiary with Ryanair Holdings plc, we provide Ryanair DAC with the same corporate issuer rating of Ryanair Holdings plc (BBB / positive).

Based on the long-term issuer rating and taking into account our liquidity analysis, the initial short-term rating of Ryanair Holdings plc and Ryanair DAC was set at L2 (exceptional mapping), which corresponds to a good liquidity profile for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured notes, denominated in euro, issued by Ryanair DAC, which are included in the list of ECB-eligible marketable assets. Ryanair Holdings plc is guarantor of Ryanair DAC and of its issues that have been issued under the Euro Medium Term Note (EMTN) Programme, with the last basis prospectus of 26.07.2022. We have provided these notes an unsolicited rating of BBB / positive.

All long-term local currency senior unsecured notes issued by Ryanair DAC, which have similar conditions to the current EMTN Programme, denominated in Euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN Programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 3: Overview of CRA Ratings I Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Ryanair Holdings plc	09.02.2024	BBB / positive / L2
Ryanair DAC	09.02.2024	BBB / positive / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by Ryanair DAC	09.02.2024	BBB / positive
Other	--	n.r.

Appendix

Rating history

The rating history is available under the following link.

Table 4: Corporate Issuer Rating of Ryanair Holdings plc

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	21.09.2018	28.09.2018	Withdrawal of the rating	BBB / stable

Table 5: Corporate Issuer Rating of Ryanair DAC

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	21.09.2018	28.09.2018	Withdrawal of the rating	BBB / stable

Table 6: LT LC Senior Unsecured Issues issued by Ryanair DAC

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	21.09.2018	28.09.2018	Withdrawal of the rating	BBB / stable

Regulatory requirements

The rating[2] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

[2] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Rudger van Mook	Lead-analyst	R.vanMook@creditreform-rating.de
Esra Höffgen	Analyst	E.Hoeffgen@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 9 February 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 9 February 2024. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final rating reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rating entity or for third parties associated with the rated entity:

1.) No ancillary services in the regulatory sense were carried out for this rating object.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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