

15 September 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has upgraded the unsolicited corporate issuer rating of Ryanair Holdings plc to **BBB / Stable**

Creditreform Rating (CRA) has upgraded the ratings of the unsolicited, public corporate issuer rating of Ryanair Holdings plc and Ryanair DAC – together referred to as the Company or the Group, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Ryanair DAC from BB+ to **BBB**. The initial unsolicited short-term rating was set to **L2** (High level of liquidity). Additionally, CRA has provided the above rating objects with a **stable** outlook.

The Company is a leading low-fare passenger airline, offering point-to-point flights on short-haul routes, with capacity to provide over 3,000 daily flights from 230 airports throughout Europe and North Africa. In fiscal year 2023 (FY 23, ended on March 31), the Company had a workforce of more than 20,000 employees (19,000 in previous year), transported 169 million passengers with a load factor of 93% (up from 27.5 million and load factor of 71% during the COVID-19 pandemic). In this period, net revenues amounted to EUR 10.8 billion and analytical EBITDA to EUR 2.4 billion. As of March 2023, Ryanair's fleet consisted of 537 owned aircrafts with total book value of EUR 9.7 billion.

Current relevant factors for the rating

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

- Strong operating growth in FY23 and 1Q24, fully recovering from the Covid-19 crisis
- Improved liquidity profile, with internal funds covering the entirety of its financial debt
- Potential future growth backed by the delivery of 112 new aircrafts during FY24-25, if investments are accompanied by rising air travel demand
- Industry conditions will likely continue improving despite ongoing geopolitical conflicts and still high inflationary environment
- Upward pressure on operating costs due to increasingly strict environmental and safety regulations

ESG-criteria:

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 Union's (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

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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.

as a result of its fast-paced growth strategy, and it decreased significantly in FY 2021 due to the overnight slump in demand stemming from the COVID-19 pandemic. 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 is found, that in order to reach net-zero by 2050 for airlines, 25-30 % of the sectors energy demand could 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 the company'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 at Ryanair hint at possible risks in this area. Furthermore, Ryanair was condemned for the company's business practices in Germany, which hampered customer rights in case those customers were seeking a compensation from Ryanair.

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

Please note:

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.

The unsolicited Corporate Issuer Rating of **BBB** attests Ryanair a highly satisfactory level of creditworthiness and a low-to-medium default risk. The recent upgrade reflects our view that the airline industry now faces much more normalized conditions compared to previous years, favoring stronger cash generation in the coming years. This is evidenced by the very positive operational and financial performance in 1Q FY24, in which operating earnings increased by 224% year-over-year. This adds to the fact that the company has built up an exceptional liquidity profile, 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 as well as its track record of fast-paced expansion coupled with an 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 as well as by the prolonged inflationary environment 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 is stable. It represents our expectation that Ryanair will be able, through its efficient business model, to withstand the inherent volatility of the airline industry, maintaining a good operational and financial performance in the coming year. This is based on the underlying assumption that passenger traffic will continue to grow, fully recovering from the Covid-19 pandemic by 2024. The new aircraft generation will allow for operating efficiency gains and support profitability in the medium to long term.

Best-case scenario: **BBB+**

In our best-case scenario, we assume a rating of **BBB+**. In this case, Ryanair will continue to show growing operating performance over the next 12 months, continuing on track to reach the target of 300 million passengers by FY 2034. We also assume that the Company will be able to finance its fleet expansion with internal funds, maintaining its sound financial profile. The expected stronger cash flow generation in the coming years will also allow for the repayment of its EUR 750 million bond notes due in 2023.

Worst-case scenario: **BBB-**

In our worst-case scenario, we assume a rating of **BBB-**. This would be the case if there is an accentuated industry slowdown, such that traffic growth expectation is delayed and load factor remains below the historical average of 95% in the foreseeable time horizon. Negative pressure on the company's credit quality could also arise if market volatility intensifies amid the execution of its high investments in new aircrafts, adversely affecting Ryanair's profitability and cash flow generation and leading to structural deterioration in its credit profile.

Business development and outlook

Ryanair showed significant operational improvements with net revenues increasing by 124% during the FY 2023 (ended on March 31), followed by a 40% growth in the first quarter of FY 2024 (ended on June 30), on a year-over-year basis. This improvement was driven both by growing demand in the overall airline sector and by the company's highly competitive and efficient business model, marking not only a full recovery from the Covid-19 crisis but also a comparatively better performance than its industry peers. 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, while its direct competitors have been struggling until now. Only in the first quarter FY 2024, Ryanair's operating profit amounted to EUR 711 million, almost half of the operating results for the full year FY 2023, and the Company expects that the next quarter will also be very positive. Profitability increased substantially, mainly due to the company's strategy to dilute costs through higher passenger load factor – EBIT margin increased to 19.5% in 1Q FY 2024 compared to 8.4% one year earlier, while traffic improved from 45.5 million to 50.4 million passengers in the same period.

In the coming years the airline sector will likely face a more favourable operating environment with global passenger traffic recovering to pre-pandemic levels by 2024 and then growing at an average rate of 3% per year in the subsequent periods¹. According to IATA, the recovery has been gradual so far with passenger traffic in 2021 reaching 41.7% of 2019 volumes, increasing to 68.5% in 2022 and is expected to reach 92% in 2023. This positive growth prospects will support Ryanair's expansion plans, which are aimed at increasing its fleet from 537 to 800 aircrafts by 2034 (nearly 50% growth). During the FY 2024 and 2025, Ryanair will take delivery of 112 new aircrafts and Ryanair signed another agreement with Boeing for the purchase of up to 300 additional aircrafts planned to be delivered between 2027 and 2034. According to the Company, this capacity expansion will be accompanied by an increase in the number of passenger, whose target has been recently revised. Previously, Ryanair expected to serve 225 million passengers annually by 2026, which would imply in an increase of 18 million passengers per year (considering the current traffic of 169 million passengers); if approved by the shareholders, the new target will be to reach 300 million passengers by 2034. This is more moderate since it implies in an annual increase of 13 million passengers per year. If there is any setback in the industry, such that passenger traffic does not keep pace with the planned expansion of its fleet, we believe that Ryanair's credit profile would be compromised and could face rapidly deterioration.

A very important factor supporting Ryanair's rating is the recent improvement in the company's liquidity profile. The Company's cash holdings amounted to EUR 4.8 billion at the end of June 2023, which comfortably covers the EUR 821 million financial debt maturities and the contractual obligation for the purchase of new aircrafts in the amount of EUR 2.9 billion, both due within the next 12-18 months. This liquidity cushion compares very favourably with the situation of the Company during the fiscal years 2021 and 2022, when liquidity was severely affected by the overnight slump in demand during the Covid-19 crisis. At the end of March 2021, liquid funds available were sufficient to cover only 85% of the Company's financial debt and contractual obligations due within the next 12 months, which compares to current liquidity coverage of 130%. Liquidity profile is further strengthened by Ryanair's ample access to external funds, with it being one of the few airlines that were able to access capital markets during the pandemic, as well

¹ Source: IATA/ACI

as by its largely unencumbered fleet with a book value of EUR 9.7 billion at the end of June 2023 that could be ultimately sold to raise cash.

Ryanair's gross financial debt reached EUR 3.7 billion at the end of June 2023, a significant decline from debt levels of around EUR 5.0 billion in FY 2021-2022. At the same time, the Company's EBITDA generation increased to levels superior to the pre-pandemic periods (roughly 30% higher). Accordingly, the Company's analytical net financial leverage (adjusted by CRA and measured by net financial debt to EBITDA) peaked to -10.1x in the FY 2021, improving to 6.1x in the FY 2022 and to 0.1x in the FY 2023. We believe that Ryanair will be able to sustain an exceptional financial risk profile in the forthcoming year based on prospects of stronger operating performance in the next quarters.

Table 1: Financials of Ryanair Holdings plc | 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 ²	
	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

Table 2: The development of business of Ryanair Holdings plc | Source: Q1 Results FY 2024, reported information

Ryanair Holdings plc				
In million EUR	Q1 FY 2023	Q1 FY 2024	Δ	Δ %
Sales	2,601	3,649	1,048	+40%
EBIT	220	711	491	+224%
EBITDA	446	986	540	121%
EBT	183	741	558	+305%
EAT	170	663	493	+290%

² 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.

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 / stable**).

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 / stable**.

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 | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Ryanair Holdings plc	15.09.2023	BBB / stable / L2
Ryanair DAC	15.09.2023	BBB / stable / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by Ryanair DAC	15.09.2023	BBB / stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

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 / L2

Table 8: 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 / L2

Table 9: 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 rating³ 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

³ 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 information.

List of documents
Accounting and controlling
<ul style="list-style-type: none"> Ryanair's Annual Report FY 2023 Interim Report (First Quarter FY 2024)
Finance
<ul style="list-style-type: none"> EMTN Base Prospectus 26.07.2022
Additional documents
<ul style="list-style-type: none"> Company's earnings presentation 2023 Sustainability Report Industry Reports (IATA, MPP Aviation Transition)

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.

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
Sabrina Mascher de Lima	Lead-analyst	S.Mascher@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 15 September 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 15 September 2023. 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.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

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

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.

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