

Rating object	Rating information	
<b>Ryanair Holdings plc</b>  Creditreform ID: 400975733 Incorporation: 1996 Based in: Dublin, Ireland Main (Industry): Airline CEO: Michael O'Leary  <u>Rating objects:</u> Long-term Corporate Issuer Rating: Ryanair Holdings plc Long-term Corporate Issuer Rating: Ryanair DAC Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating: <b>BBB- / positive</b>	Type: Initial rating Unsolicited Public rating
	LT LC Senior Unsecured Issues: <b>BBB- / positive</b>	Other: <b>n.r.</b>
	Rating date: 09 February 2022 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating Criteria and Definitions" Rating history: <a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	

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## Summary

### Company

Ryanair DAC, headquartered in Dublin, Ireland, was incorporated in November 1984. Later, in August 1996, it established a holding company named Ryanair Holdings plc, and Ryanair DAC has since been a wholly-owned subsidiary consolidated into the Group's financial statements. This report shall therefore use the term "Company" or "Ryanair" for the holding and its subsidiaries. Michael O'Leary was appointed CEO in 1994 and has been responsible for turning a small business into the leading low-fare passenger airline in Europe. The Company offers point-to-point flights on short-haul routes, with capacity to provide over 2,500 daily flights from 230 airports throughout Europe and North Africa.

In fiscal year 2021 (FY 21, ended on March 31), the Company had a workforce of 15,702 employees (17,942 in previous year) and transported 27.5 million passengers, with a load factor of 71% (down from 149 million and load factor of 95% prior to the COVID-19 pandemic). In this period, net revenues amounted to EUR 1,636 million and analytical EBITDA to EUR -257 million. As of December 2021, Ryanair's fleet consisted of 455 owned aircraft, with a total book value of EUR 8.6 billion.

### Rating result

The unsolicited Corporate Issuer Rating of **BBB-** attests Ryanair a highly satisfactory level of creditworthiness and a low-to-medium default risk. 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 and solid operating performance prior to the outbreak of the coronavirus, all attributable to an efficient and optimized business model. Additionally, Ryanair has sustained an adequate liquidity profile despite all the challenges faced during the pandemic and has been recovering faster than other industry-peers. Recent refinancing activities have improved the Company's capital structure, which is an additional positive consideration, as they have reduced borrowing costs and lengthened the debt repayment schedule.

Conversely, the ratings are constrained by a prolonged slowdown in the airline sector coupled with higher operating costs, namely increased fuel price and cash outlays related to ticket refunds from cancelled or delayed flights. In addition, Ryanair's ability to pass cost increases through to its passengers is limited due to its low-fare business model and increasingly competitive operating environment. Fleet expansion amid still volatile market condition could also exert

negative pressure on the ratings, especially if the Company increases its indebtedness and if this is not accompanied by a stronger operating cash flow generation. Stricter safety and environmental regulations bring 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 positive. This represents our expectation that Ryanair will be able, based on its efficient business model, to withstand uncertainties in the industry, delivering sequential improvement in operating performance going forward. This is based on the underlying assumption that the lifting of travel restrictions will continue to progress following Covid-19 vaccination rollouts, and that the demand for flights will grow significantly compared to current levels. Temporarily lower margins may be expected, but the new aircraft generation will allow for operating efficiency gains and support profitability in the medium to long term.

### Relevant rating factors

Table 1: Financials I Source: Ryanair Annual Report Fiscal Year 2021, standardized by CRA

Ryanair Group Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, etc.)	CRA standardized figures <sup>1</sup>	
	FY 2020	FY 2021
Sales (billion EUR)	8,495	1,636
EBITDA (billion EUR)	1,878	-257
EBIT (billion EUR)	1,129	-828
EAT (billion EUR)	649	-1,015
Total assets (billion EUR)	14,805	12,103
Equity ratio (%)	35.97	38.78
Capital lock-up period (days)	58.79	115.11
Short-term capital lock-up (%)	23.51	122.41
Net financial debt / EBITDA adj. (Factor)	0.75	-10.11
EBITDA to interest expense (Factor)	3.91	-0.86
Return on investment (%)	7.48	-6.06

### General rating factors

- + Leading position in the short-haul, low-fare airline segment
- + Wide coverage across Europe and North Africa
- + History of fast operational growth due to its disruptive, efficient business model
- + Profitability lies above the industry average due to strict cost controls and higher flight utilization capacity
- + Good liquidity profile due to Ryanair's efficient financial management and ample access to the capital market.
- + Largely unencumbered aircraft fleet provides additional liquidity cushion

### Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations of the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used are specified in the section "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

### Excerpts from the financial key figures analysis 2021 and recent performance:

- + Equity ratio did not deteriorate, despite weakened operations
  - + Continuous improvement on costs and adjustment on cash outlays
  - + Maintenance of good liquidity profile
  - + Growth forecast revised upwards
- Still negative earnings results
  - Traffic far below pre-pandemic levels
  - Limited room to increase prices
  - Highly volatile fuel prices

**General rating factors** summarize the key issues that – according to the analysts as of the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

<sup>1</sup> 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 considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

- Exposed to inherent volatility of the airline industry, with overall performance susceptible to global economic condition, fuel prices and currency fluctuation
- Highly competitive environment
- Capital-intensive business
- Higher liability risks due to increasingly strict safety and environmental regulations

#### Current rating factors

- + The company has seen sequential improvement in operating performance since beginning of Covid-19 vaccination, and this trend is likely to continue in the coming years
- + Load factor improved to 84% in Q3 FY 22 from the bottom of 69% one year earlier, thus resulting in higher fixed cost dilution and better operating margins
- + Ryanair was one of the few airlines able to access capital markets during the pandemic, and more recently issued new notes at record low interest rates
- + Improved capital structure after EUR 1.7 billion debt repayment throughout FY 2022
- Although improving, recent earnings results still lag far behind pre-pandemic levels
- Oil prices reached their highest level since mid-2014, adversely impacting operating costs
- High amount aircraft payment obligation during FY 22-23, exerting negative pressure on Ryanair's financial strengths

#### Prospective rating factors

- + Ryanair will likely sustain its leading position, growing faster than most of its industry peers as it benefits from better fundamentals for short-haul, leisure air travel
- + New aircraft will reduce Ryanair's average fleet age and bring operating efficiency gains over the medium to long term
- Potential increase in debt levels to cover aircraft payment obligations
- Profitability will likely remain pressured in the short-term due to the still recovering demand and ramp-up of new routes
- Uncertainties related to new virus variants and new lockdown requirements remain, but with increasingly smaller impact on operations due to continued vaccination rollout
- + Ryanair will continue to provide price stimulation and discounts on flight tickets until it reaches full recovery

#### ESG-factors

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

Ryanair's business model of passenger transport aviation results in significant levels of CO<sub>2</sub>-emissions. In 2021, Ryanair reported 83 g of CO<sub>2</sub> per revenue passenger kilometer (as of December 2021: 77 g of CO<sub>2</sub>). This is an increase compared to the last reporting year's level of 66 g CO<sub>2</sub>/km, which can be explained by a decrease in the airline's passenger load factor from 95% to 71 % due to reduced travelling during the Covid pandemic. Ryanair's relative CO<sub>2</sub> emissions put the company in midfield compared to its European peers. Considering the European Union's (EU) initiative to cut CO<sub>2</sub>-emissions by 55 % by 2030, emissions-intensive business models, such as Ryanair's might in future be under even more pressure than they are today. It is especially important to note that the company's absolute CO<sub>2</sub>-emissions have risen steadily over previous years as a result of its fast-paced growth strategy, decreasing significantly in FY 2021 due to the

**Current rating factors** are the key factors that, in addition to the underlying rating factors, have an impact on the current rating.

**Prospective rating factors** are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+) or a weakening or negative effect (-) on future ratings, if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

**ESG factors** are factors related to environmental, social, and governance issues. For more information, please see the section "Regulatory requirements". CRA generally takes ESG 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.

overnight slump in demand stemming from the COVID-19 pandemic. Ryanair puts great emphasis on reducing CO<sub>2</sub>-emissions by increasing its fleet's fuel efficiency. This strategy is in line with the company's business model as an ultra-low cost-operating airline. However, since Ryanair plans on further growing its annual traffic over the coming five years, gains in efficiency will most probably not be sufficient to actually decrease the company's CO<sub>2</sub>-emissions. Additionally, Ryanair has set itself the goal of powering 12.5 % of its flights with sustainable aviation fuels (SAFs) by 2030, aspiring 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 sector's energy demand needs to be covered by SAFs by 2030. Consequently, Ryanair's plans on the usage of SAFs might not be sufficient to reach climate neutrality.

We see a risk for Ryanair in a world that is on a path to climate-neutrality. It is, however, important to note that aviation is already included in the European Union's Emissions trading System (EU ETS). Therefore, governmental actions to reduce CO<sub>2</sub>-emissions from aviation already have put a price on Ryanair's CO<sub>2</sub>-Emissions and the resulting costs are visible in the company's financial figures. In addition, customer demand for air travel increased over the past years until 2019, despite public environmental concern 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 will closely monitor Ryanair's environmental performance and its influence on the company's financials in all our upcoming rating actions.

In 2021, Ryanair employed roughly 15.000 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 assessed as positive, 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 40%. Availability of 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 cases where customers sought compensation from Ryanair. Furthermore, the UK's Advertising Standards Authority (ASA) banned Ryanair's advertising campaign as misleading, which in essence stated that the company was environmentally friendly.

On the company's board, nine out of ten board members are independent of the company, the only exception being Michael O'Leary. Even so, independent board members still hold shares of 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](#).

**Best-case scenario: BBB**

In our best case scenario we assume a rating of BBB. In this case, Ryanair grows at a faster pace than its industry peers, materializing its traffic expectation of 225 million passengers by 2026. In this scenario, the Company returns to positive operating results in FY 23, but recovery to pre-pandemic levels (i.e. EBIT margin above 13%) would occur only after FY 24. In addition, the high payment obligation of EUR 5 billion in fiscal year 2023, related to the acquisition of 210 new aircraft from Boeing, is partially offset by stronger cash flow generation and credit metrics remain at healthy levels in the coming years.

**Worst-case scenario: BB+**

In our worst case scenario we assume a rating of BB+. This would be the case if the industry slowdown lasts longer than anticipated, with new virus variants and stricter lockdowns continuing to impact consumer confidence. In this scenario, Ryanair faces a delay in its traffic growth expectation, and flight utilization capacity does not return to the historical average of 95% in the foreseeable time horizon. Lastly, large investments in new aircraft and the ramp-up of new routes amid continued low-demand environment could adversely affect Ryanair's profitability and cash flow generation, leading to structural deterioration in its credit risk profile.

**Business development and outlook**

Along with other industry peers, Ryanair has been severely impacted by the COVID-19 health crisis. It faced an unprecedented decline in passenger traffic, from 149 million passengers in 2020 to 27.5 million in fiscal year 2021, and cash burn from operations of EUR 2.4 billion compared to an average cash generation of EUR 1.5 billion prior to the pandemic. Profitability also slumped as flight demand vanished overnight, leading to lower aircraft utilization rates and lower fixed cost dilution: Operating margin plummeted to -51% in FY 21 from a historical average of 13%. The company's ancillary revenues (priority boarding, seat reservation, additional bags, commission on car rental and accommodations, etc.) played a more relevant role during the industry slowdown and prevented further deterioration in earnings results, representing 37% of total revenues in FY 21.

Ryanair has taken numerous initiatives to contain the negative impacts of the pandemic, including reducing the size of its fleet and the number of flights, cutting capex and discretionary expenses, renegotiation of contracts with aircraft suppliers and temporary salary cuts. Owing to Ryanair's adjustments in its operations and gradual recovery in market conditions, operating income faced some improvement in the first nine months of FY 22 compared to the previous period, albeit still negative, amounting to EUR -167 million and with a margin of -4.6% (EUR -509 million and -33.6% in the same period of FY 21).

The lifting of travel restrictions combined with advances in vaccinations against coronavirus during 2021 were the main drivers of passenger traffic growth, to around 72 million in the twelve months up to December 2021 compared to the low of 28 million in the fiscal year 2021. Despite some recovery in demand, traffic volume is still half of what it was before the outbreak of Covid-19.

We believe, though, that Ryanair will benefit from a faster recovery in demand for short-haul leisure travel in the coming years as compared to other segments within the airline industry - such as long-distance business flights - and will continue to be strongly positioned to withstand the uncertainties related to new variants of Covid-19 and ongoing market volatility.

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.

Despite the still challenging operating environment for airlines, Ryanair revised its growth forecasts upwards and, contrary to its peers in the industry, increased the order of new aircraft still during the pandemic, expanded airport partnerships and announced the opening of new operating bases as well as 560 new routes.

By 2025, the Company expects to increase its operating fleet to approximately 600 aircraft from the current 422, and annual passenger traffic to grow to 225 million from roughly 72 million in the twelve months up to December 2021, a 50% growth compared to pre-Covid levels. In this context, Ryanair secured the purchase of 210 new aircraft from Boeing for an approximate value of USD 9.6 billion (not considering any potential price discounts), which are to be delivered between fiscal years 2022 and 2025.

In our view, this is a relatively ambitious expansion plan, as it implies that Ryanair will have to grow at a much faster rate over the next few years as compared to the overall industry and amid a still highly uncertain operating environment and subdued demand. According to IATA, global passenger traffic will not return to pre-Covid-19 levels until 2024. If this traffic growth materializes in the coming years, with the passenger load factor recovering to historical levels of 95%, and if inflationary pressure on input costs moderates, we expect Ryanair's EBITDA generation to range around EUR 1.0-1.5 billion over the near term, still below levels seen prior to Covid-19.

Ryanair has built key competitive advantages over the past decades, increasing its scale rapidly and widening its coverage of the European market. The Company differentiated itself from other competitors through its low-cost business model combined with numerous actions taken to improve customer's flight experience. The Company's offering of low-fare flight tickets is mainly ensured through the maintenance of high flight capacity utilization, development of its own internet booking platform and elimination of intermediaries' commission, as well as the negotiation of competitive airport charges, usually at fixed-price and under multi-year contracts.

Ryanair has shown more resilience during the Covid-19 crisis and is recovering at a faster pace than other traditional airlines. Although still below pre-pandemic levels, Ryanair's flight capacity utilization averaged 84% during Q3 FY 22, a significant increase from 69% in the same period of the previous year. By contrast, the passenger load factor of full-service carriers recovered to around 65-70% from a low of nearly 40% in late 2020.

Table 2: The development of business of Ryanair | Source: Interim Results Q3 FY 2022, reported information

Ryanair Group			
In million EUR	9M FY 2021	9M FY 2022	Δ
Sales	1,517	3,625	+2,108
EBIT	-509	-167	+342
EBITDA	-70	363	+433
EBT	-795	-233	+562
EAT	-731	-143	+588

## Structural risk

Historically, Ryanair was managed as a single business unit, and only in fiscal year 2020 was the Company organized into four separate airlines: Buzz, Lauda, Malta Air and Ryanair DAC, all of them being wholly-owned subsidiaries of Ryanair Holdings plc (Parent Company). Ryanair DAC and Malta Air are separate reportable segments, while Buzz and Lauda are presented on an aggregate basis under “other airlines”.

The organizational structure is based on two revenue streams: one from the sale of scheduled flight services and the other from ancillary services including priority boarding, seat reservation, commissions on car and hotel bookings, excess baggage, and more. In fiscal year 2021, most revenues were generated in Italy (23.1% of total), followed by Spain (19.3%) and United Kingdom (15.4%), with the remaining balance coming mostly from other European countries.

Ryanair is a public company with its ordinary shares trading on Euronext Dublin and on NASDAQ since 1997. In December 2021, Ryanair's shares were delisted from the London Stock Exchange due to reduced trading volumes following Brexit. According to EU rules, air carriers must be majority-owned by EU nationals, and restrictions on the purchase of ordinary shares were also extended to UK citizens. Major shareholders include Capital (11.5%), Baillie Gifford (9.1%), HSBC Holdings plc (7.3%), Société Générale SA (7.0%), Parvus Asset Management (5.1%), AKO Capital (4.8%), Fidelity (4.2%), Egerton Capital (4.1%), and Michael O'Leary (3.9% and MFS (3.5%). During the Covid-19 pandemic, Ryanair's share price bottomed out at EUR 8.30 in mid-March 2020, since then has been gradually recovering to EUR16.40, implying a current market capitalization of nearly EUR19 billion.

Ryanair has frequently executed share buyback programs over recent years, aiming to increase return to its shareholders. Since 2009, the Company has paid over EUR 4.5 billion to repurchase around 408 million shares. In the wake of Covid-19 crisis, however, during fiscal year 2021, Ryanair cancelled this program.

The Board of Directors currently consists of 11 members, of which 10 are independent and one is the CEO, Michael O'Leary. Furthermore, the Company relies on five additional specialized committees: Audit, Executive, Nomination, Remuneration and Safety and Security. Ryanair has taken numerous initiatives to improve its risk management and internal controls, including a clear organization structure, definition of responsibility and authority within the Group, appointment of a Chief Risk Officer, elaboration of monthly managerial reports with KPIs for each major division, constant internal audit reviews with direct report to Audit Committee, and others.

Ryanair continuously strives to increase productivity and reduce costs. As a result, the Company has historically held a strained relationship with its workforce, struggling with high staff turnover rates and constantly renegotiating salaries and other working conditions with Trade Unions. To mitigate the negative effects of Covid-19, Ryanair agreed on temporary pay cuts of up to 20%, which are to be restored over the next 3-5 years. Even the CEO, Michael O'Leary, as well as senior management members, faced payment reductions and no bonuses were awarded during fiscal year 2021.

## Business risk

The airline industry is exposed to a variety of risk factors and operates under still very challenging conditions in view of the Covid-19 pandemic. The unprecedented shock caused by the coronavirus resulted in an overnight slump in demand, and despite the adjustments in operating fleet capacity made by airlines, the market is still oversupplied. Moreover, this crisis has reshaped the airline industry with structural changes in consumer behaviour, process digitization and stricter sanitary requirements. Business trips will likely diminish in the coming years due to more flexible and digital work arrangements, while short-distance leisure travel will pick up faster as consumer confidence gradually resumes.

The industry is also highly susceptible to the global economic and political environment as well as to fluctuation in foreign exchange rates and commodity prices (i.e. steel and fuel). Roughly 95% of Ryanair's total revenues is generated in Euro and U.K. sterling pound, while a significant portion of its cost and capex are denominated in US dollars, including those related to fuel consumption, aircraft purchases and maintenance costs, leases and insurance. The Company relies on derivative instruments with the objective of mitigating its exposure to interest and currency volatility risks. These financial instruments include forward contracts for fuel purchase over the next 24 months, as well as interest rate contracts to fix borrowing costs associated with the purchase of new Boeing 737s.

Additional challenges for the industry include increased operating costs – the average oil price was nearly 70% higher in 2021 compared to the previous year – and steel, used in the manufacturing of aircraft, has also been increasing since mid-December last year, coupled with a highly competitive environment and still sluggish demand, which will all exert negative pressure on airlines' profitability. Ryanair has limited ability to pass through rising costs to passengers due to its strategy to offer low fare tickets and the entrance of new players competing directly in the short-haul, low-cost segment in Europe. We acknowledge, however, Ryanair's leading position in the industry cost-curve and its ability to improve operating results despite the strategy of stimulating demand through aggressive fare promotions. Accordingly, Ryanair's average booked fare declined from EUR 38 in FY 21 (twelve months up to March 2021) to below EUR 30 in the nine months through April-December 2021, while operating margin improved from -51% to -5% in the same time period.

Heightened risks also arise from the capital-intensive nature of the business. Airlines often have a greater share of operating fixed costs and a highly leveraged capital structure due to large investments to acquire aircraft and to high maintenance costs. Profitability deteriorates in times of economic slowdown due to lower fixed cost dilution, and adjustments in operating fleet capacity could compromise future cash flow generation. Additionally, the high value of aircraft assets combined with earnings volatility in the industry, as well as fast-paced technological improvements, have historically exposed airlines to potential asset impairments.

Lastly, airlines need to comply with strict safety standards and face higher liability risks. Although Ryanair continuously seeks opportunities for cutting costs, especially those associated with the comfort level of passengers in boarding as well as in-flight, it does not spare cash with fleet renewal and maintenance and is actively investing in safety-enhancing technologies. The Company has a dedicated committee to address safety and security issues, which reports directly to the board of directors, and has been operating over the last 36 years without any passenger or flight crew fatalities stemming from an aircraft accident.



## Financial risk

For analytical purposes, CRA adjusted the original values in the financial statements in the context of the financial ratio analysis. Ryanair's financial risk increased significantly during the covid-19 pandemic due to deterioration in internal cash flow generation and weakened capital structure. Retained earnings fell by EUR 1 billion as a result of material losses recorded during FY 21, and at the same time, the Company increased indebtedness by EUR 1.3 billion to cover its operating cash requirements.

The Company is one of the few airlines that were able to access capital markets during the COVID-19 crisis, while traditional carriers had to rely on financial aid from Governments to alleviate financial distress. In May 2021, Ryanair issued EUR 1.2 billion unsecured notes with a five-year maturity and record low interest rate of 0.875%. If the company is able to refinance its other outstanding, more expensive debts on the same terms, we estimate a EUR 150 million annual reduction in interest payment.

Ryanair's gross financial debt reached EUR 5.2 billion at the end of March 2021, the highest level in its history, slightly declining to EUR 5 billion after the repayment of a EUR 850 million bond in June 2021 and a £600M Covid Corporate Financing Facility (CCFF) in October 2021, offset by a new EUR 1.2 billion bond issuance. 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 twelve months up to March 2021 and it will likely decline in the coming years, ranging between 4-6x within the next 2 years according to our estimates.

Ryanair also has high payment obligations related to the purchase of aircraft – EUR 7.8 billion to be paid over the next five years (nearly 65% of which is due in fiscal year 2023). The Company ordered 210 new aircraft from Boeing, the "gamechanger 737-8200", with a listed value of USD 22 billion. These aircraft are much more efficient as they will lower fuel consumption by 16% and noise emission by 40% compared to the existing fleet, and will increase capacity per flight. In our view, substantial investments amid still volatile market conditions adds uncertainties to Ryanair's future financial condition. If growth in passenger traffic and Ryanair's revenues do not keep pace with the planned fleet expansion, Ryanair could suffer from overcapacity, deteriorating operating results and limited ability to fund the payment scheduled for the acquisition of new aircraft and related debt.

During the pandemic, Ryanair's liquidity profile was impaired by numerous ticket refunds in the context of flight delays and cancellations as well as by weaker operating results and increased short-term debt maturities. At the end of March 2021, cash holdings of EUR 3.1 billion were sufficient to cover only 85% of the Company's financial obligations due within the next 12 months - short-term debt increased to EUR 1.7 billion from EUR 382 million a year earlier. After refinancing initiatives carried out in Q2 and Q3 2021, Ryanair's liquidity position improved as the Company managed to maintain a healthy cash balance and now has no significant debt maturities until March 2023. An additional supporting factor to Ryanair's liquidity profile is its largely unencumbered fleet, which was accounted for at a book value of EUR 8.6 billion at the end of December 2021.

## Issue rating

### Further issuer ratings

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. For this reason, we provide Ryanair DAC with the same corporate issuer rating of Ryanair Holdings plc (**BBB- / positive**).

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Ryanair DAC and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes were issued under the terms of a Euro Medium Term Note Programme (EMTN Programme) with a volume of up to EUR 5,000 million. The notes have a total nominal volume of EUR 3,650 million. According to the base prospectus of 31 July 2021 and the latest supplement dated 17 May 2021, the issues are unconditionally and irrevocably guaranteed by Ryanair Holdings plc ("the Guarantor"). Furthermore, the notes are senior unsecured, and rank pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision and a cross default mechanism. In the event of a change of control, the noteholders shall be entitled to exercise an early redemption option, in line with the specifications of the EMTN Programme.

We have provided the debt securities issued by Ryanair DAC with a rating of **BBB-**. The rating is based on the corporate rating of Ryanair Holding plc. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

### Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Ryanair Holdings plc (Guarantor)	09.02.2022	<b>BBB- / positive</b>
Ryanair DAC (Issuer)	09.02.2022	<b>BBB- / positive</b>
Long-term Local Currency (LC) Senior Unsecured Issues	09.02.2022	<b>BBB- / positive</b>
Other	--	n.r.

Table 4: Overview of 2020 Euro Medium Note Programme | Source: Base Prospectus dated 31.07.2020

Overview of 2020 EMTN Programme			
Volume	EUR 5,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Ryanair DAC / Ryanair Holdings plc	Coupon	Depending on respective bond
Arranger	BNP PARIBAS, Citigroup	Currency	Depending on respective bond
Credit enhancement	None	ISIN	Depending on respective bond

All future LT LC senior unsecured Notes issued by Ryanair DAC and which have similar conditions to the current EMTN programme, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued under the programme 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. For the time being, other emission classes or programs (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.

## Financial ratio analysis

Table 5: Financial key ratios |Source: Ryanair Annual Report, structured by CRA

Asset structure	FY 2018	FY 2019	FY 2020	FY 2021
Fixed asset intensity (%)	64.33	71.11	66.34	71.85
Asset turnover	0.58	0.60	0.61	0.12
Asset coverage ratio (%)	87.09	69.18	63.08	64.60
Liquid funds to total assets	28.98	12.99	17.33	21.90
Capital structure	FY 2018	FY 2019	FY 2020	FY 2021
Equity ratio (%)	40.96	41.30	35.97	38.78
Short-term debt ratio (%)	26.87	31.75	37.21	29.14
Long-term debt ratio (%)	15.06	7.90	5.88	7.63
Capital lock-up period (in days)	12.74	27.21	58.79	115.11
Trade-accounts payable ratio (%)	1.97	4.45	9.24	4.26
Short-term capital lock-up (%)	18.31	16.11	23.51	122.41
Gearing	0.73	1.11	1.30	1.01
Leverage	2.48	2.43	2.60	2.69
Financial stability	FY 2018	FY 2019	FY 2020	FY 2021
Cash flow ROI (%)	15.84	11.80	8.77	-3.58
Total debt / EBITDA adj.	3.36	4.58	5.05	-28.87
Net total debt / EBITDA adj.	1.71	3.57	3.68	-18.54
Net financial debt / EBITDA adj.	0.13	1.19	0.75	-10.11
ROCE (%)	30.43	13.89	16.79	-11.36
Total debt repayment period	2.47	2.64	3.79	3.41
Profitability	FY 2018	FY 2019	FY 2020	FY 2021
Gross profit margin (%)	50.45	44.99	45.40	37.82
EBIT interest coverage	27.78	17.15	2.35	-2.79
EBITDA interest coverage	37.11	27.98	3.91	-0.86
Ratio of personnel costs to total costs (%)	10.33	12.78	13.03	28.87
Ratio of material costs to total costs (%)	49.55	55.01	54.60	62.18
Cost income ratio (%)	76.66	86.84	86.71	150.23
Ratio of interest expenses to total debt (%)	0.80	0.78	5.06	4.01
Return on investment (%)	11.88	7.29	7.48	-6.06
Return on equity (%)	29.41	16.81	12.18	-20.26
Net profit margin (%)	20.28	11.50	7.64	-62.06
Operating margin (%)	23.34	13.16	13.29	-50.59
Liquidity	FY 2018	FY 2019	FY 2018	FY 2021
Cash ratio (%)	45.40	40.90	46.59	75.16
Quick ratio (%)	132.55	85.38	83.55	93.34
Current ratio (%)	132.73	91.00	90.48	96.60

## Appendix

### Rating history

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

Table 6: 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 7: 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 8: 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<sup>2</sup> 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:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

The rating was conducted based on the following information.

<sup>2</sup> 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.

**List of documents****Accounting and controlling**

- Ryanair's Annual Report
- Interim Report (Nine months up to December 2021)

**Finance**

- EMTN Base Prospectus 31.07.2020

**Additional documents**

- Company's earnings presentation

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
<a href="#">Corporate Ratings</a>	2.3	29.05.2019
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	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 Bartel	Analyst	E.Bartel@creditreform-rating.de
Holger Becker	Analyst	H. Becker@creditreform-rating.de

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

Name	Function	Mail-Address
Philip Michaelis	PAC	P.Michaelis@creditreform-rating.de

On 9 February 2022, 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 2022. 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.

### 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](#).

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Creditreform Rating AG

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