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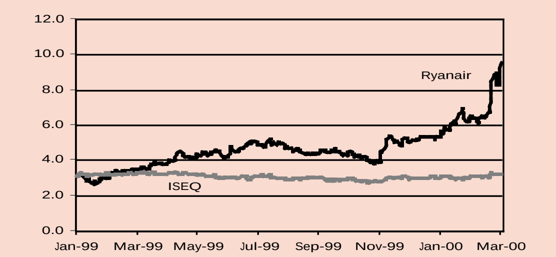
Ryanair.com

Ryanair flying on exciting internet strategy - price target € 11

Stock Watch

Bloomberg/Reuters:	RYA ID/RYA.I
Price:	**€ 9.15**
Mkt cap (€ m)	3,195
52 Week high/low:	9.70/3.50
Recommendation	**BUY**

Ryanair – Price Performance



Key Financial Data (€ m)

Year to Mar	**99A**	**00F**	**01F**	**02F**
Total revenue	295.8	369.2	467.1	569.0
Operating profit	67.9	83.1	99.6	119.0
EBITDA	104.1	128.0	153.0	178.0
Operating margin (%)	22.9	22.5	21.3	20.9
Net income	57.5	69.3	84.0	101.2
Net cash	129.7	235.2	74.7	169.7
Headline EPS (c)	17.4	20.7	24.1	29.0
Normalised EPS (c)	**17.4**	**20.7**	**24.1**	**29.0**
Norm. EPS growth (%)	**11.0**	**18.7**	**16.3**	**20.4**

Valuation

Normalised P/E ratio	**52.5**	**44.2**	**38.0**	**31.6**
Enterprise value	3065	2967	3132	3040
EV/Sales	10.7	8.6	6.8	5.6
EV/EBITDA	30.5	24.8	20.7	17.8

- **The recently launched internet strategy should generate significant shareholder value**: Migration of customers to on-line booking with ryanair.com will allow material savings in distribution costs (8.6% of the total cost base), while the wider availability of Ryanair's uniquely low fares should increase the rate of passenger growth. The new website offers an opportunity to subsequently develop ancillary revenue streams from selling car hire, accommodation and travel insurance on-line.

- **Ryanair.com has unique characteristics**, a large franchise passenger base of 7m (FY01) and page impressions are already running at a monthly 10m. It has exclusive content, is pan European and also has a specific target segment, budget travelers. This homogeneity will allow Ryanair to easily target service providers that would like to use ryanair.com to access this audience, charging either a flat advertising rate or a per transaction fee. Marketing of the website can also be easily supported by the underlying airline business which is highly profitable.

- **We are upgrading our EPS forecast** for FY02 and FY03 by an average of 4%, based on our view that ryanair.com will raise Ryanair's passenger growth rate by 1% pa from FY02. We assume that all cost savings realised over the forecast horizon will be reinvested in marketing the website and **we have not yet factored in any benefits from ancillary revenues**. The shares are trading on 26x our revised FY03 forecast EPS, a significant premium to both the broader airline sector and to Southwest Airlines (the closest comparable stock). **However, this rating should not deter investors looking for exposure to a strong secular growth story combined with an internet strategy that can add real value**. Our end 2000 price target of € 11 is based on the stock maintaining its current forward PE rating. **BUY**.

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Point to point low fares air services are very internet friendly.

♦ Introduction - Web Based Travel

Travel lends itself to on-line distribution very easily. Currently smaller than books and music in e-commerce terms, travel is forecast to be the biggest selling on-line item in five to ten years time, with airline tickets expected to account for up to 60% of this expenditure. Last year in the US the travel business turned over $3bn, compared with $300m three years earlier, while on-line travel sales in Europe are forecast to rise to $11bn by 2003, from $1.5bn in 1999.

Low fare, point to point airline offerings are particularly well suited to the internet channel. The transaction value is modest in size, the product simple and the consumer knows he/she just wants to go from A to B efficiently. Furthermore, on-line sales (if ticketless) removes the logistics of delivering the product to the customer, an advantage not enjoyed by e-retailers of books and CDs.

Ryanair has combined its low fare, point to point product with its recently launched website ryanair.com to offer on-line booking capability. The potential benefits to the company are significant and tangible:

- potential cost savings are significant
- passenger growth can be boosted
- non-scheduled revenues can be generated
  - by selling advertising or related products over the website
  - in-flight sales to the additional passengers.

By having ownership of the product, Ryanair's on-line position is defendable against replication by a large software company (like Microsoft), unlike other technology services (e.g. Netscape).

♦ Dramatic Initial Success Underpins Potential

Ryanair.com has been very successful in attracting business since its launch last January. From a standing start, on-line bookings accounted for more than 20% of ticket sales one month later (February) and are expected to account for 30% of reservations in FY01, compared to 4% to FY00. Furthermore, ryanair.com accounted for a higher proportion of promotional tickets sold (50% in February). We would expect on-line sales to account for 45% of sales by end of FY02.

Extrapolated for a full year, the current level of transactions through ryanair.com compares very favourably with other, longer established travel websites. Bookings are running at 50,000 per week, compared to 20,000 at travelocity.com, probably the most successful travel website. Similarly, full year sales through ryanair.com are forecast at US$120m,

Ryanair - Ticket Distribution (%)

	FY00	FY01	FY02	FY03
Internet	4	30	40	50
Direct Telesales	36	30	27	23
Travel Agents	60	40	33	27

Travel Websites

	Annualised Sales (US$m)	Weekly Bookings
ryanair.com	120	50,000
ebookers.com	23	2,000
travelocity.com	273	20,000
lastminute.com	4.0	n/a

again comparing favourably with travelocity's sales of $273m. Indeed, the high profile ebookers annual sales rates is only running at $23m, with about 2,000 bookings per week. While ryanair.com is the largest travel website in Europe, it is also worth noting that current sales are larger than amazon.co.uk.

Irish Websites

Site	Page Impressions (monthly-m)
Irish Times/Ireland.com	7.2
Ryanair.com*	3.9
Ireland on-line	3.5
The Examiner	2.5
Belfast Telegraph	2.1
Virtual Irish Pub	2.0
Independent on-line	1.4

**January 1999, based on 18 days for ryanair.com*

Source: Medialive Internet Top 30

More importantly, the numbers of inquiries and customers involved are significant in absolute terms. This underpins the exciting potential for ancillary revenue generation through the website, although the focus will not be on these in the short term. In number terms, we would expect 2.1m passengers to book over the internet in FY01, out of a total of 7m passengers. Indeed ryanair.com is significant in terms of generalist websites. In January, the monthly number of page impressions was 3.9m, making ryanair.com the second most popular Irish website after Irish Times/Ireland.com with 7.2m page impressions per month. We would expect ryanair.com to exceed this during the year as the site usage increases, supported by a planned promotional spend of€ 6m this year. Business will also be encouraged to migrate on-line by offering preferential promotional fares to customers who book over the internet.

➢ Favourable Comparison with Other Airlines

Even at this early stage, the proportion of Ryanair's sales transacted online is impressive compared to other airlines. However, the range varies greatly, with easyJet setting the pace with 45% of bookings made on-line, while in British Airways case it is currently fewer than 2% of tickets. It is worth noting, however, that easyJet has been selling on-line for 18 months and it does not use the agency channel at all. Indeed the experience of other low fares carriers such as easyJet supports our belief that the internet is well suited to distribution in this segment. In the US, online revenues accounted for 27% of Southwest's sales in January, up from 24% in Q4. Also in the US, the on-line portion for Airtran and new start-up JetBlue is currently 20%.

ryanair.com is already the second most visited Irish website and has 150% more bookings per week than travelocity.com.

This compares with a low proportion for the full service airlines. The US "majors" generate less than 10% of revenue on-line. The view of on-line differs among large airlines. American (c.6.7% of sales on-line) believes that the internet is better suited for the low fares, point to point market, while BA aim to grow on-line bookings to 50% of total (from 2%) by FY04. It intends to invest Stg£100m in e-ventures over the next two years, including the establishment of a neutral (agency based) web portal with Air France and Swissair.

➢ Competitive Advantage with Travel Sites

Ryanair, like the US low fare carriers, does not use third party sites such as travelocity and ebookers.com, but intends to retain ownership of its model. As Ryanair is the lowest fare provider on all of the routes that it operates on, this gives ryanair.com a competitive advantage over competing third party travel sites. If potential customer search for a lowest

Ryanair's ownership of its unique content is a critical competitive advantage.

fare on a third party site they will not be offered Ryanair fares and will have to use ryanair.com to get those fares. As Ryanair is the largest low fares carrier in Europe, this lends a high degree of probability of success for its aim of making ryanair.com the definitive low fares travel website in Europe.

♦ SUBSTANTIAL COST SAVING POTENTIAL

Potential cost savings are significant, with up to 8.6% of the current cost base to play for.

The potential cost savings that can be derived from the success of ryanair.com are substantial. Currently the costs of selling tickets through the agency channel represent about 13% of the total fare, with agency commissions accounting for 7.5%, central reservation system (CRS) charges 4.5%, and 1% for the host reservation system. On-line booking completely bypasses the travel agent and the CRS, saving 12% of the value of the fare straight away. Furthermore, a new host reservation system has been developed in conjunction with the launch of ryanair.com, resulting in cost savings of 66% of the previous system,or 0.66% of the fare. For FY01 the proportion of Ryanair's bookings originating from the agency channel is projected to fall from 60% to 40%, which will result in savings of c.€10.6m. Estimated distribution costs will fall to 4.5% of costs, from 8.6% (60% of FY00 scheduled revenues, with a variable cost of 13%, equates to 8.6% of the current cost base). This will continue to fall subsequently as the proportion of on-line bookings increase and the agency element declines further. In FY02, we estimate that the agency portion will fall to 33%, resulting in savings of €17.4m on a scheduled revenue base of €510m. In FY03, similar savings could be €25.7m, assuming agency levels fall to 27%.

Funding costs will also benefit from the front ending of cash flows from on-line bookings. Fares booked directly are usually paid for two to three weeks in advance, while travel agents can pay up to 90 days in arrears. Other, more modest, savings will arise from the use of a ticketless system for direct reservations. This will reduce paper handling costs - issuing of tickets and processing at check-in.

ryanair.com is profitable from the word go.

In a separate development, Ryanair is reducing its agency commission levels from 7.5% to 5% from April 2000, bringing rates into line with current BA and Lufthansa levels. This will result in savings of €4m in FY01.

♦ EXCITING REVENUE POTENTIAL

The development of ryanair.com will generate substantial revenue benefits. Initially, these will mainly come from the boost to scheduled revenues and to existing ancillary revenue streams from boosting the passenger growth rate through ryanair.com. Later on we would expect ryanair.com to capitalise on its own popularity to realise its own additional revenue opportunities.

Scheduled revenues will benefit from the ability of ryanair.com to gen-

Wider availability of low fares through the internet will boost the passenger growth rate.

erate incremental passenger growth. The use of preferential on-line only fares, the accessibility and transparency of the website (particularly for continental Europeans) and the marketing of the website has, we believe, the potential to stimulate demand in its own right rather than just migrate passengers from other channels. The wider availability of Ryanair's low fares (through the internet) will generate demand from passengers who may otherwise not have travelled. In particular, the website will increase access to Ryanair for passengers in areas where its brand recognition was low or where local travel agent support was weak (eg the catchment area for new airport locations in continental Europe). Furthermore, as Ryanair already operates an aggressive low fares strategy across all channels, there is no risk of cannibalisation of existing customers at lower fare levels. While some of the fares offered may seem low, they are for off peak capacity, and so would be otherwise empty. Therefore we do not expect ryanair.com to result in any significant yield dilution, as peak time demand should also be stimulated (without promotional fares).

Up to 90% of the fare from the marginal passenger could fall to the bottom line.

The marginal passenger is critical. The direct costs associated with marginal are low, mainly the per passenger portion of the airport handling charge and distribution costs. For the marginal on-line passenger we would estimate that up to 90% of the fare would fall to the bottom line (depending on the fare). For example, if ryanair.com increases passenger growth by 1%, pretax profits would increase by about €3.2m, or 2.8% in FY02. A sustained step-up in the rate of passenger growth would generate substantial value by allowing Ryanair to add capacity easily on existing routes or to accelerate the roll out of new routes.

Existing ancillary revenue streams (inflight sales, bus/rail ticket sales etc) would also benefit from the spending of the marginal passenger.

♦ Additional Revenue Streams More Dramatic

The potential for ryanair.com to generate its own revenue stream is very exciting. While the initial focus of Ryanair's web strategy will be to realise cost savings and then to stimulate incremental demand, the opportunity to generate additional revenues is clearly tangible. Efforts to realise this potential will only begin when the website reaches critical mass. We understand that this means during FY02, when the on-line share passenger bookings reaches 40%, although this may happen earlier.

ryanair.com's unique characteristics support the potential for ancillary revenues.

Ryanair.com has a number of unique characteristics that underpin this opportunity. The franchise base is large, with a passenger base of 7.1m (FY01) and hit rates on the website currently running at an annualised rate of 10m. This franchise base is also pan European and has a specific target segment, budget travelers. The underlying airline business is highly profitable and can support the marketing of the website quite easily.

Ancillary revenues will earn very high margins.

The homogeneity of this base will allow Ryanair generate specific revenue streams. Existing services, such as car hire, insurance, train tickets, can easily be offered over the site but a broader range of services for budget travelers could also be offered, such as accommodation, guide books and foreign currency. A specific audience will also increase the attractions of ryanair.com to advertisers. Ryanair could charge advertisers a flat fee for the amount of space used or, more excitingly, even a per transaction fee for each ryanair.com user that transacts with the service provider.

As the cost of running the website is mostly fixed, the margin on any ancillary revenues generated through it will be very high and should benefit the bottom line significantly. So unlike other dot.com models, Ryanair will see its e-revenues translate into real profits from the outset.

A €6m advertising campaign has been launched to support the site.

➢ Ryanair.com – Marketing Support

Ryanair will be supporting the development of Ryanair.com with an advertising spend of €6m this year. This flagship of this campaign will be the sponsorship of the weather forecast slot on Sky News (a pan European 24 hour all news satellite TV channel). Outdoor advertising and the print media will be used to target the regional markets that the airline serves. Preferential on-line fare promotions will also be used to market the website.

♦ Placing of Shares

Ryanair recently completed the the placing of 15.3m (4.6% of the existing equity base) at €8 a share, raising €122.4m pre expenses. Concurrently, Michael O'Leary (CEO) sold 6m shares (1.8% of the existing equity) of his 36m stake (10.8%), and Irish Air GenPar (a company associated with the Chairman) sold 4m shares.

A warchest is available to capitalise on opportunities to acquire aircraft.

The new cash raised will be used for;

- Part-finance delivery of 10 new 737-800s in FY01.
- Exploit opportunities for the acquisition of second hand aircraft.
- Accelerate dot.com development.

We believe that the second is more likely to be the main reason for the new money, although there may also be a hint of opportunism given the recent share price strength, as funding is already in place for the new deliveries, and ryanair.com will not be very capital intensive. However, the company's existing 21 older aircraft are beginning to pass through 20 years of age and will need to be replaced (most likely by other second hands) within the next five to seven years. The current difficulties of some smaller airlines and the fleet overhaul by some larger airlines combined with the current industry downcycle may present opportunities to acquire second hand 737s at reasonable prices.

Given the current rating, the new equity funding is slightly EPS enhancing in FY01 (a case of dot.com acquisition currency!) but is dilutive in the long run.

The CEO has reduced his stake to 30m shares (8.6% of the enlarged base), a large incentive by any standards. However, any perceived increase in the probability of his departure would, in our view, be regarded negatively in the market.

This share issue has caused the share price to fall from recent highs initially, but is not large enough to dilute the investment case significantly. The placing will also improve liquidity in the shares with the free float rising to 75%.

♦ Forecasts

Forecasts upgrades reflect increased passenger growth, but assume cost savings are reinvested.

We are upgrading our EPS forecasts for Ryanair by an average of about 4% for FY02 and FY03, reflecting the impact of ryanair.com and the share placing. The upgrades are based on a modest increase in passenger growth due to ryanair.com, while we are assuming that the cost savings are reinvested in the business. Importantly, we have not yet projected any benefits from ancillary revenue in our forecasts. We believe that this probably makes our estimates conservative and we will review these when the ancillary on-line revenue generation begins (we already estimate that ancillary revenues possibly could add a further 2.2c to EPS in FY02 and 3.5c in FY03).

On the scheduled revenue side, we are now assuming that ryanair.com will increase the annual passenger growth rate by 1% from FY02. While the annual impact of an extra 1% is useful but modest (c.3-4% of profits), the cumulative impact year by year is more dramatic. For FYO2 an extra 1% in passengers growth equates to 80,000 passengers, or € 3.2m in revenue at an average incremental fare of € 40 (about 30% below the existing average fare level). In FY03 the extra 1% in the growth rate cumulates to 1.7%, or 170,000 passengers generating additional revenue of € 8.0m.

We have not yet factored in ancillary on-line revenue benefits.

On the cost side we are assuming that the savings arising from the migration of the customer base away from the agency channel will be reinvested in the business. This will include the € 6m advertising spend and the cost of preferential internet fare promotions. We are also assuming that this will cover the marginal cost associated with the incremental passengers. Over the forecast horizon we are assuming that the extra passenger growth will translate into a higher load factor but we recognise that in the longer term capacity (and costs will increase) to accommodate this.

ryanair.com has raised the medium term potential EPS growth rate from 20% to 25% pa.

However, short term, the incremental revenues will fall straight to the bottom line, boosting our pretax profits forecast by € 3.2m in FY02, and by € 8m in FY03.

Our forecasts are also being adjusted to account for the share placing. This is slightly EPS enhancing in FY01, neutral in FY02 and slightly dilutive in FY03. Overall, we are increasing our EPS forecasts by 2.8% in FY02 and by 6% in FY03. The impact of any ancillary on-line revenue generation will boost these further. In broad terms we believe that ryanair.com has raised Ryanair's medium term potential EPS growth rate from 20% pa to 25% pa.

♦ VALUATION

The premium rating is justified by superior growth prospects.

Ryanair trades at a premium to the broader airline sector. We believe that this is justified as Ryanair is a secular growth story rather than a traditional cyclical airline stock. This counter cyclical experience has been borne out by the experience of Southwest Airlines in the US, Ryanair's main comparable stock.

Ryanair also trades at a premium valuation relative to Southwest. Again we feel that Ryanair's growth potential is much higher than Southwest's due to their relative stages of development. The Southwest model is more mature, and is now flying 52m passengers a year with a fleet of over 300 aircraft, compared to 6m passengers and a fleet of 26 aircraft in Ryanair. The low fares segment is also well established in the US, while it is still developing in a more fragmented European market, following deregulation of the internal EU air market in the early 1990s. With similar population levels in both markets, the European market should develop to the same scale as the US low fares market. In broad terms Southwest's trend EPS growth potential is estimated to be in the low teens, while we believe that Ryanair is capable of growing EPS by 25% pa over the medium term.

The shares are now trading on 26x our revised FY03 forecast EPS, a significant premium to both the broader airline sector and to Southwest Airlines (the closest comparable stock). However, this rating should not deter investors looking for exposure to a strong secular growth story combined with an internet strategy that has the potential to add real value, as well as a high degree of visibility. Our end 2000 price target of € 11 is based on the stock maintaining its current forward PE rating.

Ryanair vs Southwest

		PE				EPS Growth %			
	Price	1999	2000	2001	2002	1999	2000	2001	2002
Ryanair*	915	44.2	38.0	31.6	26.2	18.7	16.3	20.4	20.4
Southwest	19.5	21.9	19.6	17.2	15.2	8.5	11.6	14.1	13.5

*1999 = Y/e Mar 00, etc.

Ryanair Forecast Change	FY01	FY02	FY03
Extra Passengers (m)	0.00	0.08	0.17
Incremental Growth (%)	0.0	1.0	1.0
Cumul. Incremental Growth (%)	0.0	1.0	1.7
Incremental Fare (€)	n/a	40.0	47.0
Incremental Revenue (€ m)	n/a	3.2	8.0
EPS Impact (c)	n/a	0.8	2.1
Placing Impact (c)	0.1	0.0	-0.1
Previous EPS (c)	24.0	28.2	32.9
Revised EPS (c)	24.1	29.0	34.9

Alternative Valuation

An alternative way to look at the value of Ryanair is to look separately at the possible value of the ancillary on-line revenue stream that ryanair.com could generate. We have used two different methodologies in valuing this, but we recognise that at this early stage the margin for error in our assumptions is quite large, so we acknowledge that our methodologies are far from being an exact science. Therefore we present these valuations more to illustrate the potential value rather than as a hard scientific valuation. Furthermore the valuation is based on the ancillary on-line revenues only and does not ascribe value to the cost savings and scheduled revenue upside that will accrue from ryanair.com.

The ancillary revenue potential is possibly worth €400m - €800m in capital value terms.

Our valuation methods result in a valuation range of € 400m to € 800m for the potential ancillary on-line revenues. This places the rest of the business on an enterprise value of € 2.3bn to € 2.7bn, or on an EV/Ebitda of 15.2x to 17.9x for FY01.

➢ Method One - DCF

Method one projects the value on a DCF basis. We have estimated the potential ancillary revenues based on a number of assumptions:

- The level and growth rate of advertising income
- The migration of passengers to on-line booking
- The conversion of the above passengers into executing other transactions
- The per transaction fee for those transactions
- The direct costs for this revenue generation

The resulting revenue stream can then be discounted to a present value. We believe that an 11% discount rate is appropriate. While a higher discount rate is used for start-up, stand alone dot.com companies, we believe that ryanair.com is a less risky proposition, so 11% is more

Ancillary On-Line Revenues - DCF (€ m)			
	Discount Rate		
	10%	11%	12%
Av. of First 10 Years	148.5	139.2	130.6
Terminal Value	350.1	261.7	201.5
Total Value	498.6	400.9	332.1

Value per Subscriber	
Single Trip Passengers	8m
Return Trip Passengers	4m
Internet Penetration	50%
"Subscriber" Base	2m
Price Per Subscriber	Stg £250
Total Value	**€ 800m**

appropriate given the more robust business model for ryanair.com, the captive customer base, its success to date, its high profit margins and the established track record for other airline websites.

Discounted at 11% we arrive at a present value of € 400m for the ancillary on-line revenue stream. (see appendix).

➢ Method Two – Per Subscriber

The second methodology we used was on a per subscriber base. For this we used a subscriber base of 2m. We derived this based on a calendar 2001 passenger base of 8m, which for simplicity we assume are all return trip passengers, giving a market of 4m for ancillary revenues. We then assume an on-line booking penetration rate of 50% on this, giving a "subscriber" base of 2m.

Recent transactions in the UK value ISPs on a price per subscriber of c.Stg£4,000. This, though, is based on subscribers who are available for selling a whole universe of products and services to rather than just budget travel services. We have used a per subscriber value of Stg£250, which is a fraction (6.25%) of the ISP level. We believe that Stg£250, which initially may appear high relative to the overall potential annual per subscriber spend, is appropriate given the high growth on-line rate in the passenger base, scope for increased migration on-line and the much wider base of visitors to the site, who may purchase ancillary services without booking a flight.

A valuation of € 800m for the ancillary on-line revenues is derived from this method.

Ryanair - Income Statement (€ m)

Year to March	1997	1998	1999	2000f	2001f	2002f	2003f
Scheduled revenue	152.8	203.8	258.9	329.1	418.2	509.5	614.1
Ancillary revenues	20.4	28.1	36.9	40.2	48.9	59.5	71.4
Total revenues	**173.2**	**231.9**	**295.8**	**369.2**	**467.1**	**569.0**	**685.5**
Operating costs	-124.5	-172.2	-227.9	-286.2	-367.5	-450.0	-551.0
Operating profits	**48.7**	**59.7**	**67.9**	**83.1**	**99.6**	**119.0**	**134.5**
Operating margin	*28.1%*	*25.7%*	*22.9%*	*22.5%*	*21.3%*	*20.9%*	*19.6%*
Other	0.7	2.1	1.6	2.0	0.0	0.0	0.0
Net interest	0.4	3.1	6.4	3.0	3.7	0.1	6.4
Non recurring items	-12.4	-3.4	0.0	0.0	0.0	0.0	0.0
Pretax profits	**37.5**	**61.4**	**75.8**	**88.0**	**103.3**	**119.1**	**140.9**
Adj Pretax profits	*49.9*	*64.8*	*75.8*	*88.0*	*103.3*	*123.4*	*144.8*
Tax	-12.9	-15.9	-18.3	-18.7	-19.2	-17.9	-19.0
Tax rate	*34.5%*	*25.9%*	*24.2%*	*21.3%*	*18.8%*	*15.0%*	*13.5%*
Net income	24.5	45.5	57.5	69.3	84.0	101.2	121.8
Adj net income	*32.2*	*47.8*	*57.5*	*69.3*	*84.0*	*101.2*	*121.8*
Headline EPS	9.8	15.0	17.4	20.7	24.1	29.0	34.9
Normalised EPS	**12.9**	**15.7**	**17.4**	**20.7**	**24.1**	**29.0**	**34.9**
EPS Growth	**12.2%**	**21.9%**	**11.0%**	**18.7%**	**16.3%**	**20.4%**	**20.4%**
Avg no. of shares (m)	250.0	304.4	329.5	334.9	350.2	350.2	350.2
Passenger no.s (m)	3.06	3.92	4.85	5.59	7.10	8.48	10.17
Avg. fare (€)	50.02	52.01	53.33	58.87	58.90	60.08	60.38
Load factor (%)	72.0	71.5	71.3	69.0	69.0	70.0	71.0

Ryanair - Balance Sheet (€ m)

Year end Mar	1997	1998	1999	2000f	2001f	2002f	2003f
Goodwill recapitalised	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Fixed assets	67.8	131.2	203.5	293.6	558.1	581.1	630.1
Net working capital	8.3	5.0	0.6	-12.6	-28.8	-42.0	-57.8
Other debtors/creditors	-33.6	-47.2	-71.7	-71.7	-71.7	-71.7	-71.7
Capital employed	**55.9**	**102.4**	**145.9**	**222.8**	**471.1**	**480.9**	**514.0**
Net debt / (cash)	18.6	-57.7	-129.7	-235.2	-74.7	-169.7	-261.8
Provisions / other	8.7	13.3	11.3	11.3	11.3	11.3	11.3
Shareholders equity	28.6	146.9	264.4	446.7	534.5	639.3	764.6
Capital employed	**55.9**	**102.4**	**145.9**	**222.8**	**471.1**	**480.9**	**514.0**
ROCE (%)	–	75.3	54.6	45.1	28.7	25.0	27.0
ROE (%)	–	54.5	27.9	19.5	17.1	17.2	17.4

Ryanair - Cash Flow (€ m)

Year to March	**1997**	**1998**	**1999**	**2000f**	**2001f**	**2002f**	**2003f**
Operating profit	48.7	59.7	67.9	83.1	99.6	119.0	134.5
Depreciation	12.4	25.1	36.2	44.9	53.5	59.0	65.0
Forex	0.7	2.0	0.4				
Change in WC	-7.3	15.6	20.0	7.0	19.6	19.3	18.9
Other	-12.4	-3.4	0.0	0.0	0.0	0.0	0.0
Operating cashflow	**42.2**	**99.0**	**124.4**	**135.0**	**172.7**	**197.3**	**218.4**
Interest paid	0.4	2.2	6.0	3.0	3.7	0.1	6.4
Tax paid	-10.0	-9.2	-11.1	-18.3	-18.7	-20.1	-18.5
Capex	-31.4	-76.4	-55.9	-122.0	-305.0	-152.0	-152.0
Aircraft deposits		-11.8	-52.6	-13.0	-13.0	70.0	38.0
Sale of fixed assets	0.1	0.1	1.3	0.0	0.0	0.0	0.0
Free cashflow	**1.3**	**4.0**	**12.2**	**-15.3**	**-160.3**	**95.3**	**92.3**
Acquisitions	-72.0						
Share issue	6.3	72.7	60.0	121.0			
Translation							
Other	-1.0	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2
Change in cash	**-65.3**	**76.3**	**72.0**	**105.5**	**-160.5**	**95.1**	**92.1**
Opening cash balance	46.7	-18.6	57.7	129.7	235.2	74.7	169.7
Closing cash balance	**-18.6**	**57.7**	**129.7**	**235.2**	**74.7**	**169.7**	**261.8**

Appendix - Ryanair.com - Ancillary On-line Revenue Model for DCF

Assumptions			**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**
Single Trip Passengers (m)			7.0	8.5	10.2	12.0	14.0	16.0	18.0	20.0	22.0	24.2	26.6
Return Passenger numbers (m)			3.5	4.3	5.1	6.0	7.0	8.0	9.0	10.0	11.0	12.1	13.3
Internet Penetration (%)			30	40	50	60	65	68	70	72	74	76	78
Web Passenger (%)			1.1	1.7	2.6	3.6	4.6	5.4	6.3	7.2	8.1	9.2	10.4
Web Passenger trips (m)			1.1	1.7	2.6	3.6	4.6	5.4	6.3	7.2	8.1	9.2	10.4
Revenue source	**€ Fee**	**take-up (%)**											
Car hire	5	20		1.7	2.8	3.6	4.6	5.4	6.3	7.2	8.1	9.2	10.4
Accomodation	3	15		0.8	1.3	1.6	2.0	2.4	2.8	3.2	3.7	4.1	4.7
Insurance	2	35		1.2	2.0	2.5	3.2	3.8	4.4	5.0	5.7	6.4	7.3
Linking travel	1	75		1.3	2.1	2.7	3.4	4.1	4.7	5.4	6.1	6.9	7.8
Other Merchandise	2	25		0.9	1.4	1.8	2.3	2.7	3.2	3.6	4.1	4.6	5.2
Show/attraction tickets	2	25		0.9	1.4	1.8	2.3	2.7	3.2	3.6	4.1	4.6	5.2
Map searches	0.2	60		0.2	0.3	0.4	0.5	0.7	0.8	0.9	1.0	1.1	1.2
Per Transaction Total (€ m)				6.9	11.3	14.5	18.3	21.9	25.3	28.9	32.7	37.0	41.7
Advertising (€ m)				2.4	3.0	3.8	4.5	5.4	6.5	7.8	9.3	11.2	13.4
Total (€ m)				9.3	14.3	18.2	22.8	27.3	31.8	36.7	42.1	48.2	55.1
Costs of Ancillary Revenues				0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ancillary On-line Profits				9.1	14.1	18.0	22.6	27.1	31.6	36.5	41.9	48.0	54.9
After Tax				7.7	12.2	15.8	19.8	23.7	27.7	32.0	36.6	42.0	48.1
EPS Impact (c)*				2.2	3.5	4.5	5.6	6.8	7.9	9.1	10.5	12.0	13.7

**NB: these are not factored into our current EPS forecasts.*