

Ryanair reports 20% rise in first half profits and lifts full-year forecast

Ryanair announced post-tax profits of €543m and said it expects full-year profits to be 10% higher at €440m

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Ryanair says despite fare increases the airline remains competitive in the European short-haul market.
Photograph Chris Radburn/PA

Double-digit fare increases have not dissuaded passengers from choosing Ryanair, the budget carrier said, as higher ticket prices and a seemingly insatiable appetite for low-cost travel helped it post a 20% rise in profits.

Europe's largest short-haul carrier also raised full-year profit guidance due to a cut in fleet size over winter, which will allow it to raise fares again as more passengers scramble for fewer seats. Ryanair chief executive Michael O'Leary brushed off the threat of a Greek debt default as he said the eurozone crisis appeared to have benefited his business by making customers more price-sensitive. "Whatever the crisis it is not going to stop people from flying. People are becoming much more price sensitive."

However, that sensitivity to higher fares did not prevent Ryanair from increasing ticket prices, including baggage check-in fees, by 13% to €50 (£43) over the six months to 30 September, according to the airline's first half results.

The increase also looks lofty when compared with the wider industry. According to the International Air Transport Association, passenger yields – a measure of fare levels – will rise by 2.5% this year, although Ryanair's total increase is boosted by ancillary fees such as baggage check-in charges. O'Leary added that Ryanair remains comparatively cheaper than its closest rivals in the European short-haul market, despite the increases. The carrier announced a 20% increase in post-tax profits to €543.5m and said that, based on a further 14% rise in fares over the winter, it expects full-year post tax profit to be 10% higher than expected at €440m. Shares in the airline rose 4.3% to €3.50.

Andrew Lobbenberg, analyst at Royal Bank of Scotland, said Ryanair's success had parallels with low-cost food retailers such as Aldi. "Their business model is one that seems to work well in a recession, just as value supermarkets are trading relatively well in this environment." Lobbenberg added that the double-digit fare hikes will not damage Ryanair so long as it stays significantly cheaper relative to rivals including easyJet and

British Airways. "The gap is huge. They are indicating an average fare of €45 for the year but they can have many years of fare increases before they get close to their competitors." According to Ryanair, easyJet's average fare is €71 while Aer Lingus charges €96.

O'Leary added that the prospect of Greece leaving the eurozone, a nightmare scenario for the financial markets, would boost the airline. Ryanair expects to double its Greek traffic from 1 million passengers to 2 million – a total that O'Leary believes will rise in the event of Greece replacing the euro with the drachma. "If Greece leaves the euro there will be a massive devaluation of the drachma and the one industry that will boom is tourism." He added: "Whatever crisis there is, it is not going to stop people flying."

O'Leary said the airline had held talks with potential bidders for Stansted airport, which BAA has been ordered to sell after a Competition Commission investigation. The Ryanair boss said the airline, Stansted's biggest customer, has been asked by would-be buyers to take an equity stake in the Essex airport. However, he said the carrier would rather give guarantees on how many services it will run to and from the airport, in exchange for lower take off and landing fees. "The consortiums want us aboard, or tied in. We would be happy to if they reduce the charges," said O'Leary. However, the Stansted auction will be delayed while BAA seeks a judicial review.

Some analysts also attribute the rising fares to Ryanair's pursuit of high-spending passengers at major airports, such as Madrid-Barajas, as it runs out of customers at the cheaper end of the market. O'Leary said that, in some cases, large airports have offered Ryanair bargain landing fees because airline mergers and takeovers had seen carriers give up their slots. "What has changed in the last two years is that more and more airports that did not want to deal with us do want to deal with us because of the consolidation," he said, adding that at least 30 airports are seeking to take Ryanair flights for the first time next summer.

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