Ryanair blames lower fares for fresh profit warning

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Ryanair has issued a fresh profit-warning, blaming lower air fares

Ryanair on Friday cut its annual profit forecast for a second time, blaming lower air fares caused by overcapacity in the European short-haul sector.

The Irish no-frills airline famed for promoting knock-down ticket prices also warned that its forecast could yet be cut further owing to Brexit strains.

Ryanair said profit after tax would come in at 1.0-1.1 billion euros ($1.14-$1.25 billion) in the 12 months to March.

It had cut its net forecast in October to 1.1-1.2 billion euros after suffering pan-European strike action by disgruntled cabin crew and pilots.

In an indication that passengers were taking advantage of Ryanair's lower fares, the airline added that it expected to have sold 142 million tickets during its latest financial year, up from a previous estimate of 141 million, and a gain of nine percent year-on-year.

"There is short-haul overcapacity in Europe this winter," group chief executive Michael O'Leary said in the earnings statement.

"While we are disappointed at this slightly lower full year guidance, the fact that it is the direct result of lower than expected second-half air fares, offset by stronger than expected traffic growth, a better than expected performance on unit costs and ancillary sales is positive for the medium term," he added.

Ryanair said winter fares were expected to have dropped by seven percent, having previously said they would fall two percent.

Against this background, it warned that its annual results forecast could be cut further.

"While we have reasonable visibility over forward fourth-quarter bookings, we cannot rule out further cuts to air fares and/or slightly lower full-year guidance if there are unexpected Brexit or security developments," O'Leary added.

Britain accounts for about one-quarter of revenues at Ryanair, causing the airline to warn frequently about potential fallout from the UK's rocky path to exiting the European Union.

While the airline sector as a whole took a knock last year from high oil prices, a sharp reduction in fuel costs in recent months has removed such pressures.

But the European short-haul sector remains weighed down by fierce competition despite some consolidation, including Ryanair's purchase of Austrian carrier Laudamotion in 2018.

In addition, Ryanair's earnings have been hit by pan-European strikes last year that forced it to cancel flights, affecting thousands of passengers, and offer improved pay deals to staff via landmark deals with unions.

Following Friday's profit-warning, Ryanair's share price was down 1.6 percent to 9.9 euros in morning deals on the Dublin exchange. Its stock has tumbled by 40 percent in one year.

British rival EasyJet shed 2.9 percent to £11.35 in London, hit also by banks downgrading their outlook on the airline in recent days.