

Ryanair sees more turbulence after profit slumps on cheaper fares

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Ryanair's profits were hit by falling ticket prices, but passenger numbers were up

Irish no-frills airline Ryanair on Monday warned of further profits turbulence after annual earnings slumped almost a third, mainly on cheaper fares triggered by overcapacity in the European short-haul sector.

Profit after tax dropped 29 percent to 1.02 billion euros (\$1.14 billion) in the year ending March 31 compared with a year earlier, also on higher fuel and staff costs, the Dublin-based carrier said in an earnings statement.

Ryanair said net profits could decline further in 2019/20, to between 750 million and 950 million euros.

"Short-haul capacity growth and the absence of Easter in the fourth quarter led to a six percent fare decline," chief executive Michael O'Leary said in the statement.

However the drop in fares attracted more passengers, whose numbers climbed nine percent to 142 million for the year.

Europe's short-haul sector is being weighed down by fierce competition despite some consolidation, including Ryanair's recent purchase of Austrian carrier Lauda.

"We expect further consolidation and airline failures in winter 2019 and again into 2020 due to over-capacity, weaker fares, and higher oil prices," Ryanair said Monday.

After falling sharply following the results update, shares in Ryanair recovered to trade down 0.4 percent at 10.76 euros in Dublin stock market business.

"Fares down, traffic up, costs jumping—more of the same kind of themes we've been seeing for a number of quarters from Ryanair and for the whole European airline sector," noted Neil Wilson, chief market analyst at Markets.com.

Ryanair's profits update comes as the airline undergoes major

restructuring.

Mirroring a set-up by British Airways and Iberia owner IAG, Ryanair aims to have four distinct operations, each with its own chief executive.

Under overall boss O'Leary will be Ryanair DAC overseeing the Irish operations, Ryanair UK, Lauda for its Austrian business and Ryanair Sun, or Polish unit, according to an announcement earlier this year.

Higher costs

Ryanair's recent performance has been hit also 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.

The airline on Monday said last year's staff costs jumped by 200 million euros on pay increases for staff, notably pilots.

Ryanair is also exposed to any Brexit fallout, with Britain accounting for about one-quarter of its revenues.

The airline on Monday said the outlook for its current financial year was in part dependent on "no negative Brexit developments".

Ryanair's fierce rival EasyJet on Friday said the British airline's net losses more than quadrupled in its first half on "tough" market conditions and high fuel costs.

The carrier also warned that its second-half performance would encounter turbulence, partly because of Brexit turmoil and Europe's economic slowdown.

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