

RYANAIR HOLDINGS PLC-SP ADR

Start building a +US/-LN position around +6% as we see limited downside

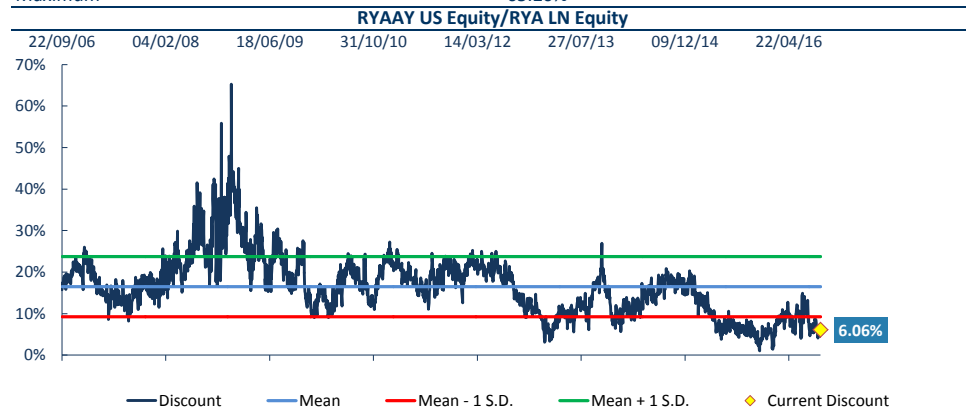
- 1/ The spread is trading at +6% below 1 standard deviation (10-year avg at +16.5%)
- 2/ 1 ADR (RYAAY US) = 5 common shares (RYA LN/RYA ID are fungible); Both line has same voting right, dividend but common shares are 2.4x more liquid.
- 3/ EU regulations require that EU airlines must be majority owned by EU nationals. The ADR program is now closed and non-EU nationals can only buy ADRs. As of Jun 30, 2016, EU nationals owned at least 53.6% of cap.
- 4/ On Jul 27, 2016, Ryanair shareholders approved a 10% share buyback valid until Sep 2017. Note that historically Ryanair was only requesting a 5% share buyback.
- 5/ On Sep 25, 2012, EC said it will revive plans to weaken restrictions on airline acquisitions and mergers, especially between carriers in EU and the US.
- 6/ Regarding the redistribution to shareholders, IRs told us that a) the board hasn't made any decision yet b) usually wait for Q2 figures c) make more sense to do buyback as premium is low d) likely to be done on both line
- 7/ Our view: a) can't buyback only ordinary shares as it decreases the % of EU nationals b) ADR should always trade at a premium c) don't expect a buyback in short-term d) Ryanair could force UK holders to sell their ordinary shares following Brexit to respect EU regulations e) buyback likely to start end of 2016 or beginning of 2017 (Q2 results expected on Nov 7)

==> Our recommendation: We see limited downside to start going long RYAAY US and short RYA LN around +6% as: a) the spread is historically tight b) the buyback should start end 2016-start 2017 c) the next buyback should be on both lines (possibly on ADRs only) d) the spread can't go below 0% as you can always convert your ADRs into common shares e) non-EU nationals can only buy ADRs f) the spread will widen if Ryanair forces UK holders to sell their shares g) a strengthening in USDEUR should help the spread

Ticker	Name	Last	Spread	Shares Out	Free Float	Mkt Cap €m	20D Avg Value €m	20D Avg Volume	Volume Today
RYAAY US Equity	RYANAIR HOLDINGS PLC-SP ADR	75.30		250,849,600	N/A	16,798.0	27.48	407,011	206,465
RYA LN Equity	RYANAIR HOLDINGS PLC	12.63	6.06%	1,254,248,000	95.27%	15,841.2	65.54	5,122,076	2,527,550

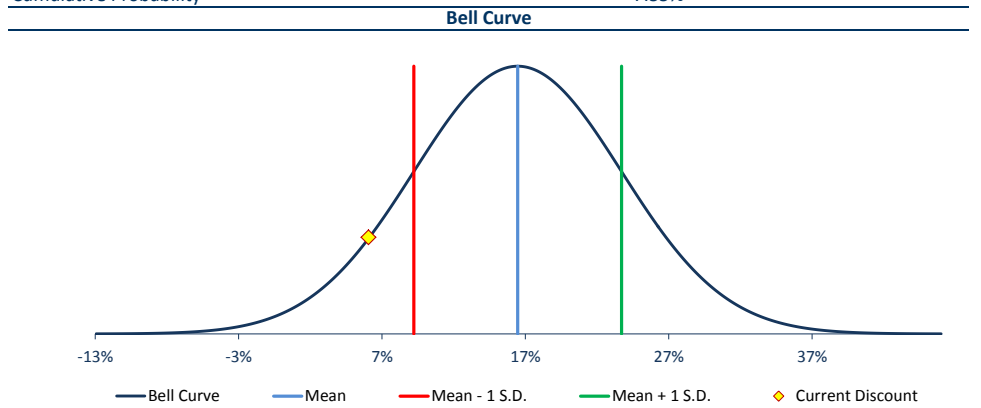
Spread Parameters			
	RYAAY US Equity	RYA LN Equity	Difference
Type	ADR	Common Stock	
20D Avg Trading Value €m	27.48	65.54	2.38x
Last DPS	1.580	0.294	
Last 12M Dividend Yield Net	2.10%	2.34%	-0.24%
Voting Rights	N/A	1.00	N/A
Relative index	SPX	UKX	
Has Convertible	NO	NO	

Statistical Parameters	
Mean	16.46%
Variance	0.52%
Standard Deviation	7.24%
Median	16.39%
Minimum	0.99%
Maximum	65.26%



Timetable		
	Date	Days to
Dividend Announcement	28/09/2015	-360
Dividend Ex-Date	28/10/2015	-330
Dividend Record Date	27/10/2015	-331
Dividend Pay Date	16/11/2015	-311
Next Corporate Meeting Date	N/A	N/A
Next Corporate Meeting Type	N/A	N/A
Report Date	07/11/2016	46

Normal Distribution Parameters	
Standard Deviation Coefficient	1.00
Mean	16.46%
Mean - 1 Std Dev	9.22%
Mean + 1 Std Dev	23.71%
z-Score	-1.44
Cumulative Probability	7.55%



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