RYANAIR TARGETING QUARTER OF EUROPEAN TRAFFIC

News / Airlines

Ryanair expects to be operating one in every four **European** short-haul flights within the next eight to 10 years, driven by expansion in countries such as Germany as some of its rivals retreat.

The Irish carrier, which has around 380 planes on order, has a market share of about 14 percent in Europe, serving about 100 million passengers a year and aims to increase that to 160 million passengers by about 2024.

"We're going to grow across all the European markets. We'll go to a 25 percent market share over the next eight to 10 years," Michael O'Leary said in an interview on the sidelines of the FVW travel conference in Essen.

Germany, Europe's biggest economy and largest travel market, will play a big part in reaching that target. The airline hopes to increase its market share in the country to 20 percent from 5 percent over the next five years.

Expansion in Germany is a key test of hitting the 25 percent market share target, Merrion

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Stockbrokers' analyst David Holohan said.

"If they can crack Germany then it's doable," Holohan said. "Given the size of the fleet they'll be running, that should be readily achievable in 10 years."

Other analysts warn it will not be easy for Ryanair to expand in Germany, especially given its policy of avoiding expensive airports such as Frankfurt and Munich, Germany's largest.

"I therefore think it's unlikely Ryanair will quickly reach such a strong position in Germany as it has in Britain," said Gerald Wissel from Airborne Consulting.

He pointed to Air Berlin, which has posted operating losses in four of the last five years, as an example of how tough competition in Germany is.

Ryanair, which also plans to grow in Scandinavia, Italy and Spain, this month started its first domestic route in Germany since 2011, five-times-a day between Cologne and Berlin. O'Leary said bookings were "phenomenal" thanks in part to an offer for fares from EUR€10, while Business Plus tickets were selling well.

He said growth in Germany would mainly be through routes to and from the country, rather than domestic services. Airports were approaching Ryanair, he added, asking the carrier to set up routes as others such as Air Berlin cut back on capacity.

'BLOWN UP'

His new emphasis on customer service, an expanding route network and the carrier's low prices led Ryanair to raise its full-year profit forecast by 25 percent.

Analysts expect low-cost carriers such as Ryanair, easyJet, Wizz and Vueling to continue to take share from established carriers such as Lufthansa and Air-France-KLM which are reducing costs so they too can compete on price.

In the short-term, the low-cost carriers are growing quickly. UBS analysts published in a note this month data showing planned capacity growth for the fourth quarter of 2015, with Ryanair increasing seats by 12.5 percent, easyJet by about 9 percent and Wizz by about 23 percent.

That compares with a predicted drop of 2 percent for Air France, growth of under 1 percent for Lufthansa and 7 percent for IAG, which also owns Vueling, alongside British Airways and Iberia.

"If easyJet happens to be in a market we enter, they get blown up, if British Airways, Lufthansa are in a market that we happen to enter, they get blown up. They're not able to compete with us on price," O'Leary said, highlighting easyJet's decision to cut the number of flights it operates from Italy's busiest airport Rome Fiumicino.

Bolstered by the growing passenger numbers and the sale of its stake in Aer Lingus to IAG, Ryanair is considering another share buyback, and a special dividend, following a EUR€400 million (USD$453 million) buyback earlier this year.

"There's a strong likelihood we'll do another share buyback," O'Leary said. "If we were to do another EUR€400 million, that would be EUR€800 million this year alone in buybacks and then next year probably back into special dividend territory."

The buyback would likely be on the agenda at the carrier's annual shareholder meeting on

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September 24, O'Leary said.

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