HollAnd Advisors

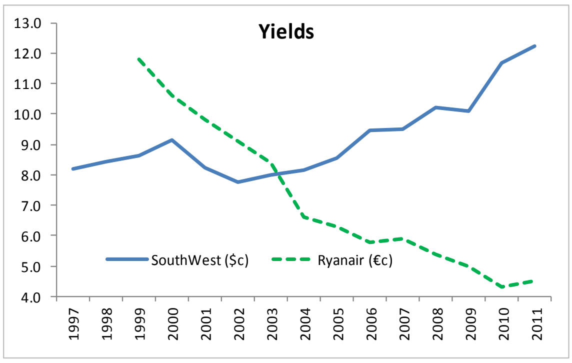
Holland Views – Ryanair (Price: €4.56, MCap: €6.5bn) Buy

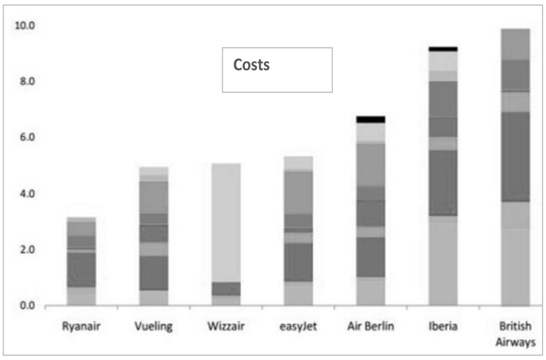
War of Attrition

It is all too easy to dismiss stocks based on preconceived notions. Ryanair is a great example of a business that, were it in any other sector, would be deemed a clear ‘Buy’. Of particular note is:

- A unique business model with structural cost advantages: Ryanair’s unit *prices* are -23% below EasyJet’s unit *costs.* Compounded sales growth of 21% and average ROEs of 15% since 2002 demonstrate the power of the Ryanair model thus far.
- The relentless (and self-imposed) suppression of Ryanair’s prices in recent years point to *some* untapped pricing power today: Yields have been below unit costs since 2009.
- Our initial concern that slowing capacity growth (highlighted by the 2010 special-dividend) might have been an indication of a business model that is ‘cashing in’ were unfounded. The business model and management team seem as robust as ever.
- We conclude that the dominant and most successful businesses – especially those within commoditised sectors - employ similar business tactics and strategy even across sectors. Our work on retailers like Colruyt thus provided helpful parallels.
- Given the relative youth of Ryanair’s business, SouthWest’s 25-year head-start suggests that further organic growth is very plausible. Few companies have this organic growth and return prospects at a starting P/E of 11.5x historic earnings.

Fig.1: The extent of Ryanair’s yield and (especially) cost suppression might surprise you





Source: Capital IQ, EasyJet analyst presentation

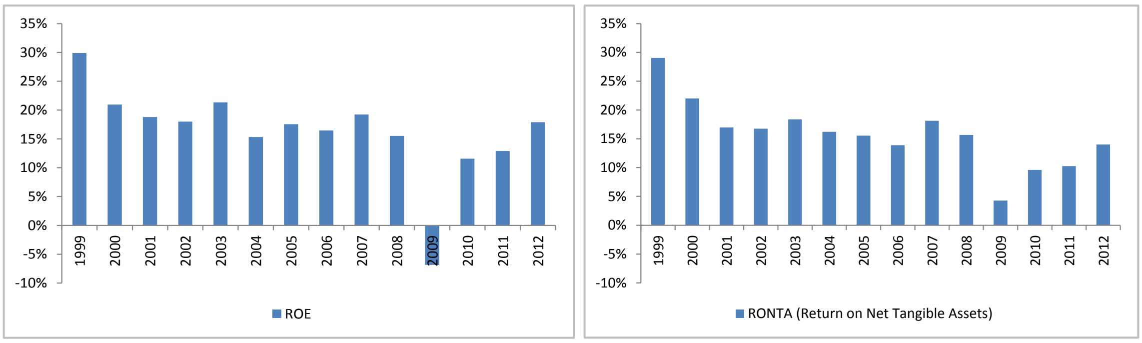
Ought We Be Admitted to AA (‘Airlines Anonymous’)?

Are we mad? Buffett’s caustic views on the airline industry are well known and yet we dare to consider one. In the interests of opening client eyes to would be franchises on this side of the Atlantic however we must allow ourselves some latitude. Additionally our previous work on JD Wetherspoon showed that it is indeed possible to find good franchises in sectors which, on aggregate find it tough to make compelling returns.

It is with such pragmatism that we approached Ryanair - a disruptive but innovative business with impressive returns that dominates what is unarguably a gruesome industry. Whilst Ryanair is a well-known and ought to be a well-analysed business, our experience in identifying quality franchises across diverse industries allows us, we hope, to put Ryanair's business model in a new and possibly more useful context for investors.

SouthWest Airlines is deemed an obvious comparison and with a twenty-five year head-start, possibly offers comfort to Ryanair's growth prospects over the next decade. Less obvious perhaps are the similarities with some of the great high-volume global retail franchises – in particular our favourite European discounter, Colruyt and JD Wetherspoon. Structurally lower capacity growth in the European airline industry does not mean that Ryanair's business model is broken or has peaked, as its valuation (EV/EBIT of 9.3x) might imply. Rather it is Ryanair's relative growth prospects - effectively its market share of traffic - that will determine the sustainability of its business moat we believe. In short this is a business that ticks an awful lot of the boxes we look for : It has wide moat, allocates capital very well and is run by a hugely capable founder who is highly incentivised - if it were in any other sector, it would be a 'Buy'.

Fig.2: Ryanair's Return on Capital – not bad at all (especially for an airline)



Source: Holland Advisors

Ryanair – A Diamond In The Rough

"Ryanair is probably the most robust airline model we have encountered"

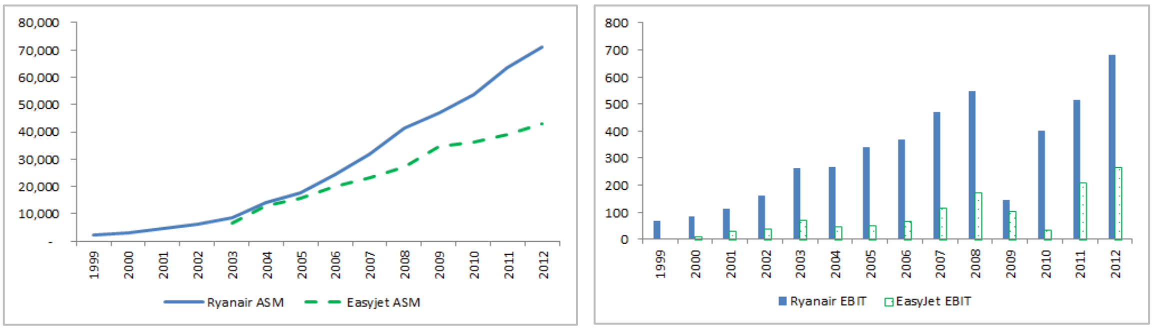
- Eric Hild, Boeing's Director of Sales (UK & IRL), 1998

Ryanair's dominance of its sector and its good returns come from a savvy understanding of how to thrive in a commodity business. Just like Belgian retailer Colruyt, it runs the business for volume whilst keeping costs low in absolute terms and importantly prices always lower than competitors in relative terms. The virtuous circle of greater traffic that results from such a strategy is very clear from the company's historic financials (see appendix).

Consequently, the question foremost on our mind (post the 2010 special dividend announcement and capacity slowdown) was: What is happening to the Ryanair business model? Does a greater cash payout and slower growth imply a weakening of it? Interestingly the current 11.5x PE when compared to its past valuation and most likely growth implies Mr Market is questioning the model too.

Might a mature Ryanair now become less aggressive in pricing and become more mellow (and therefore less attractive due to the likely reduced industry dominance that would result)? Might a slowdown in capacity growth ultimately narrow its business moat? Having looked at the business closely, the answer it seems to us is, "far from it". In contrast, we suggest the Ryanair franchise remains a formidable one to compete against and its moat of industry beating prices have not diminished despite the capacity growth slowdown. Meanwhile both returns for shareholder and growth remain impressive.

Fig.3: Volume (ASM[1]) growth is key to building the moat.



Source: Capital IQ, Holland Advisors

Enjoys the characteristics of a great franchise

Ryanair shares many of the basic characteristics of the best business franchises that we have identified over the years. In essence, it is:

- **Customer-focussed**: admittedly not in the classic sense(!), but certainly in the sense of low prices. As we show later, the extent to which Ryanair is slashing its fares (ie passing-on its cost reductions) is unparalleled in the industry and is central to its dominant position.
- **Competitor-focussed**: dominating what is a commodity business, Ryanair focusses exclusively on volume market-share to reduce unit costs and seems consistently willing to forego margin in the short-term to squeeze out competitors whose cost positions are clearly far less favourable.
- **Returns-focussed**: it has a good record in capital allocation and like many of our favourite stocks enjoys substantial negative working capital inflows boosting 'shareholder earnings' and returns further by reducing the cost of growth.

Furthermore, as we discuss later, Ryanair continues to demonstrate its innate ability to thrive in a cyclical downturn. In the past, this was in clear evidence through the notorious Boeing deal in 2002. The counter-cyclical dealmaking prowess of O Leary is also in evidence today not least in the aggressive expansion in Eastern Europe but also in the Aer Lingus bid wrangling and more recently with the attempt by Ryanair to take a stake in Stansted (BAA have now excluded them from the sale process). We suspect that O Leary has one more big aircraft deal left in him as CEO and the announced memorandum of understanding with a fledgling Chinese manufacturer last year maybe part of that process.

A unique business in a commodity industry

Ryanair's business stands-out a mile in the airline industry for many reasons: its price positioning, its aggression, its 'lack of frills', its media presence and innovation. Virtually all of these attributes continue to serve shareholders well but most interesting to us is its business model. The chart above shows the extent of Ryanair's volume growth – especially notable in the context of close competitor Easyjet. We show later that it has been this focus on volume growth that has facilitated Ryanair's unparalleled low-cost position, which in turn drives high load-factors leading to a virtuous circle and ultimately the profile of profit growth seen on the right-hand chart above. Munger's 'Northern Pike' model seems particularly appropriate again.

[1] ASM: Available Seat Miles = (number of seats available) * (number of miles those seats were flown)

Given our understanding of what drives Ryanair's competitive advantage, we had initially been uneasy that yield growth in the last two years might indicate less price aggression and therefore a narrowing of Ryanair's competitive positioning. It is a big comfort to us that in fact the company continues to have no qualms in selectively slashing prices dramatically where it is facing new competitive pressures. Paradoxically, this continued pricing aggression might seem worrying to some observers who are not tuned-into a discounter business model and are looking for price rises to compensate for slowing traffic. For us, such aggression is evidence of the sustainability/growth of their market share and ultimately the Ryanair franchise.

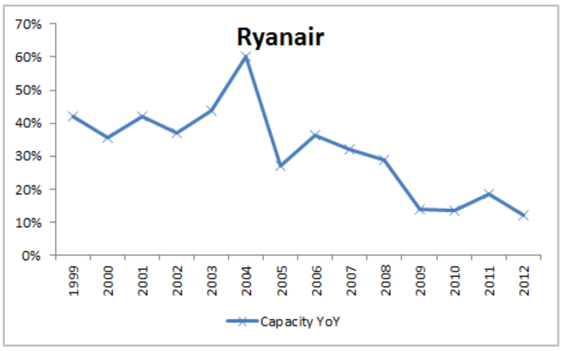
But Perhaps The Ryanair Model Is Now Broken?

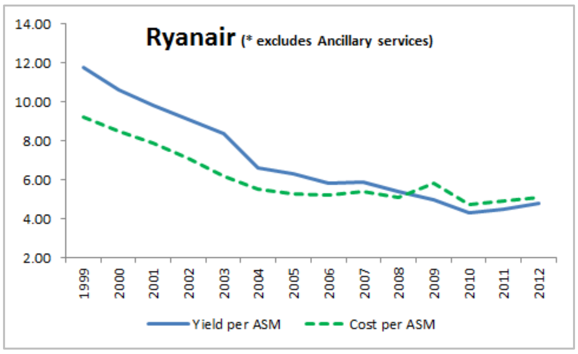
> *"Ryanair doesn't put prices up, what we do is we manage our load factors. We want to fill 85% of our seats on a year-round basis."* – ***Michael O Leary, January 2012 (emphasis ours)***

The second leg-down in capacity growth this decade (shown below on the left) had caused us to question how the Ryanair business model – which centres on volume growth – might be being adapted to such a new operating environment. One apparent consequence (seen on the right) is that yield deflation has recently moderated (even turning into inflation) prompting many to suggest that a new period of fare and yield growth might persist. Context is important here however given that Ryanair's yield deflation was -10% per annum compounded from 2000 to 2010 (with 2010 marking the low-point for yields): 2012 yields (+11% YoY) bring yields back to just 2009 levels.

Note that current unit yields (per ASM[2]) are actually below equivalent unit costs – notwithstanding the excellent profits shown above. This would suggest that scheduled flights (excluding ancillary services) have lately become lossmaking! Fuel prices have played a part in this but the extent to which Ryanair has resisted major fare increases is very notable.

Fig.4: Capacity growth has slowed (left). Have flights become a 'loss-leader' (right)?





Source: Capital IQ, Holland Advisors

On the point of the recent yield inflation, it is important to be clear – there is a big difference between raising prices (and dangerously allowing your moat to narrow) and flexing pricing according to the elasticity which arises from slower capacity growth and higher price competitor offerings. Ryanair's recent yield growth trends are in our opinion not indicative of a business getting greedy but of one adapting to reduced industry capacity growth. What remains important is that Ryanair continues to outgrow the competition in traffic (maintaining or further improving its *relative unit cost* advantage to competitors). Whilst is it hard to define Ryanair's addressable market (European traffic excluding the major hubs), we can see on a micro-level that Ryanair is not allowing low-cost operators to gain traffic on new routes.

[2] ASM: Available Seat Miles "represents the number of seats available for passengers multiplied by the number of miles those seats were flown" (source: Ryanair)

A pragmatist (and an innovator)

Our sense is that the management has pragmatically adapted to the new environment of consolidation and capacity reductions across Europe by *passively* allowing yields to trend upwards (off a low base) but remaining aggressive versus the competition where appropriate. The very recent yield inflation is a function of the market capacity situation easing as opposed to a change in the Ryanair strategy.

We note the analogy with cruise-line business Carnival – another market leader in a fuel-intensive industry – sometimes it is logical to allow prices to nudge upwards as long as the relative edge is retained over the competition. The consensus view seems to be holding-out for a medium-term structural uplift in yields as a compensation for the aforementioned slowing traffic growth. What would make us worried is if the reduced capacity expansion in the industry caused Ryanair to allow fares to rise excessively. The early signs of this would likely be traffic market share stagnation or losses – crucially, neither are in evidence.

Intriguingly, while Ryanair reported an average 14% EBIT margin and 14% ROE's from 2010-2012, the company's cost disclosures, as shown in Fig.4 and Fig.5, suggest that it has actually been losing money in its scheduled flights business with all of its group profits technically coming from its 'Ancillary Services' which is enjoying stellar growth (below). This is partly due to accounting definitions (for example, Ryanair currently only allows one 10kg piece of luggage so that revenues from 'excess luggage' are logically much higher today than five years ago when they would have been included in scheduled flight revenues), but this remains a key insight into the business strategy – fill the seats and aggressively drive revenue per passenger. This is not unique to Ryanair of course – EasyJet employs similar tactics, but crucially EasyJet achieves this via much higher flight prices. Unlike Ryanair, EasyJet does not disclose the operating costs of its ancillary business. our point remains that Ryanair has been very successful innovating and driving new revenue streams that didn't exist some years ago. Phil Fisher would be impressed.

Fig.5: Innovation or Accounting Gimmick? A bit of both: 'Ancillary Sales'[3] drive profits.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Scheduled Sales	271	330	433	550	732	928	1,123	1,424	1,886	2,239	2,352	2,332	2,823	3,456
Ancillary Sales	25	40	54	74	110	146	196	269	351	474	590	656	807	934
Group Sales	**296**	**370**	**487**	**624**	**843**	**1,074**	**1,319**	**1,693**	**2,237**	**2,714**	**2,942**	**2,988**	**3,630**	**4,390**
Scheduled profits	59	65	83	118	190	158	179	161	156	131	-380	-181	-282	-172
implied Ancillary profits	9	19	31	45	73	110	162	208	316	417	524	583	798	855
Group EBIT €m	**68**	**84**	**114**	**163**	**263**	**269**	**341**	**369**	**472**	**548**	**144**	**402**	**516**	**683**
ancillary as % total	13%	23%	27%	28%	28%	41%	48%	56%	67%	76%	363%	145%	155%	125%
ancillary margins	36%	49%	58%	60%	67%	75%	83%	77%	90%	88%	89%	89%	99%	92%

Source: Ryanair, Capital IQ, Holland Advisors

Yet for all the analysis of yields, the man at the top or the organisation itself has not it seems lost an ounce of the brutality that defines their dominance within the sector. This is evidenced by this comment on how it it is dealing with competition in Eastern Europe:

> *"one of the kind of the unique features of the last quarter has been we've opened up some new air -- we've moved into bases like Budapest and Hungary. 2 weeks ago, we opened up in Warsaw Modlin. Over the news, I think in both of those airports is that Wizz Air, which has kind of seen itself as being central Europe's low-fare airline, has for the first time decided it wants to go toe to toe with us at those airports, so be it. Everybody's entitled to make some stupid decisions, but it means that we're having some very low-fare competition*

[3] Ancillary Sales: 1) **Non-Flight Scheduled** (excess baggage, credit card fees, rail/bus tickets, travel insurance, car rental), 2) **In-flight** & 3) **Internet** (commissions from website sales)

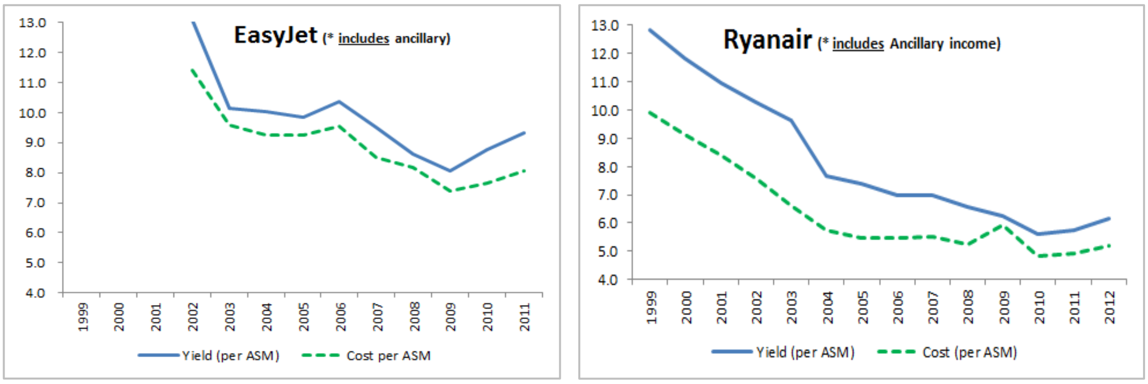
with Wizz Air over there. That is resulting in very high-load factors. *But our competitive position at both Warsaw and Budapest is -- our fares will be 50% cheaper than Wizz Air's. It means we're offering some routes in Poland from Warsaw at the moment at the fare of PLN 1"* **– Michael O Leary,August 2012 (emphasis ours).**

Scope for upside to yields: Ryanair's yields are -23% below EasyJet's costs!!

Whilst we are very clear on the importance of Ryanair retaining its relative pricing policy, we also have to acknowledge that the company possibly has some untapped pricing power that could allow yields to continue to trend upwards. This is more obvious when one puts the Ryanair unit yield and costs in the context of a peer such as Easyjet.

The charts below show this clearly (note that in this chart the Ryanair yields in this chart *include* ancillary services for comparison purposes). For context, EasyJet has an average yield-cost spread of [€9.32c-€8.05c] compared to Ryanair's [€6.2c-€5.2c] on a LFL basis (i.e. including Ryanair's Ancilliary revenue). As a reminder, Ryanair's headline unit *yields* (€6.2c on this basis) are -23% below Easyjet's headline unit *costs* (€8.05c). We suggest that few commodity industries have a dominant business within it that enjoys such a marked cost advantage, JD Wetherspoon excepted maybe.

Fig.6: Scope for upside to Ryanair yields[4] – without getting greedy (or reducing the moat)



Source: Ryanair, Capital IQ, Holland Advisors

The Market Leader, But Yet A Price Follower….Sound Familiar?

Most great businesses are actually little more than clones of other great businesses. We see evidence of this insight in many of the best franchises that we find. It makes sense to us that the dominant and most successful businesses especially within commoditised sectors might employ similar business tactics and strategy. In that sense, investors in many of the best high-volume retailers such as Wal-Mart, Costco, Tesco, Wetherspoon or Greggs will see many commonalities within Ryanair. But it is with Belgian hard-discount retailer Colruyt where we see the greatest similarities to the Ryanair model – especially in their pricing strategies.

As we wrote in our first research piece on Colruyt:

> *"The group's culture is very simple... offer the lowest prices to customers and be as efficient as possible. In this way it is very similar to the great retailers... Colruyt's promise to have the lowest prices vs. their competitors for every item they sell in every store"* **– Holland Views, October 2011**

[4] EasyJet and Ryanair data both in €c

This is nothing extraordinary for a great retail business you might say. But it is the strategy of relative pricing, that of being a price follower that we thought was particularly notable and is very relevant context for understanding Ryanair's pricing model.

> *"The first thing long-term readers of ours will notice from the chart above is that Colruyt does not have a margin profile like Wal-Mart and Tesco. i.e. virtually the same margin every single year. Prior to speaking to the company we were a little concerned with this. It appeared that the policy of passing on all operational efficiency to the customer was maybe not a priority as margin increased from 4.5% in 1994 to 7% in 2005. However on further investigation we conclude the difference is purely just in the way they operate. Colruyt promise customers the lowest prices of any retailer they compete against."* - **Holland Views, October 2011**

Ryanair – a price follower

As the market leader, you would be forgiven for thinking that Ryanair is inevitably a price leader in the industry. We too would have found the comment below from O Leary odd if we had not already come across the Colruyt model.

> *"I keep stressing, we're not price setters. We are very much load factor and traffic active and price-passive" – Michael O Leary, May 2012*

In practically all of the best discounters that we follow, most of them *lead* the competition in dictating prices, yet Colruyt (and now it seems Ryanair) employ a subtle difference – both companies focus on *relative* pricing, ensuring that their prices are constantly below the competition. If O Leary had said he was "price-passive" 20 years ago, we'd have said this will never work. But in fact it is maybe a highly pragmatic way of optimising pricing in what is a highly commoditised business. By focussing on volumes, minimising absolute costs as aggressively as possible (to ensure a consistently lower per unit cost) then ensuring that prices are sufficiently lower than the competition to win business and fill planned capacity – The only difference now is that with less capacity being added, less price discounting is required to fill it.

As an aside, it is easy perhaps to forget just why volume and scale matters so much. Here is Munger to remind us:

> *"The very nature of things is that if you get a whole lot of volume through your joint, you get better at processing that volume. That's an enormous advantage. And it has a lot to do with which businesses succeed and fail…."* Charlie Munger

The central point to understand with Ryanair is that their key lever is not really pricing, it is volume. The core objective is to fill seats. This leads to a virtuous circle of increased volume, leading to new routes (with lower airport charges facilitated by higher volumes), leading to lower costs leading to squeezed competitors. This volume, in turn, now drives ancillary revenue opportunities. Obviously the price at which those seats get filled will be a function of the supply/demand balance, competitor rationality, and the amount of planned new capacity to fill. Having reviewed the company's performance since 2010, it is clear to us that Ryanair simply has not changed this successful model, just adjusted it for slower capacity growth.

> "***We trash a lot of our own yields*** *in a lot of our own markets because you take for example a base like Girona that has six aircraft and we show up and then lob another four aircraft into it. Now it goes to 10 aircraft, all of the routes and fares out of Girona get trashed as a result, but we lock in a much more lower -- I'm using Girona,*

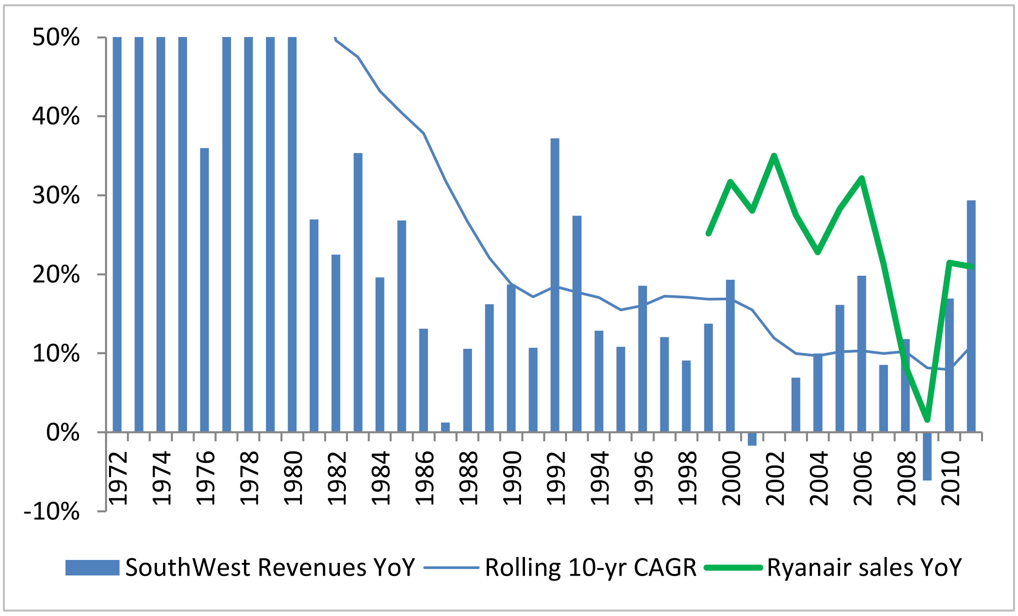
obviously, just as an example -- ***we lock in a much lower cost base at the airport*. *We blow away the competition. We think we can leverage off that as capacity slows*.**"

– Michael O Leary, May 2012

SouthWest – The 'Elder Statesman' of the Low-Cost Airline Model

O Leary describes his trip to meet Herb Helleher, founder of SouthWest Airlines 25 years-ago as a 'Road to Damascus' moment[5]. Much has been made of the inspiration that O Leary derived from SouthWest in the early days but in fact, Ryanair was quite selective in which parts of the SouthWest model to copy and which to ignore. The decision to use a single aircraft model, point-to-point routes, an obsession about costs and possibly even the advertising tactics were all pioneered by SouthWest. We suggest however that Ryanair refined the SouthWest model slightly by insisting on a more aggressive treatment of employee and union relations and drastically lowered customers' expectations for customer service.

Fig.7: SouthWest Revenue Growth – 40 years old, but there's life in the old dog yet



Source: Holland Advisors

Whilst revenue is arguably not the most relevant performance indicator for an airline (given the low marginal costs, irrational pricing can boost revenues often at the expense of margins and ultimately industry returns) – nevertheless, over a long-term basis it gives useful context for Ryanair's growth prospects. In the context of a 40-year history it is quite extraordinary the level of revenue growth that SouthWest has managed to maintain. It is important also to note that it continued to grow after its policy of allowing yields to rise in 2001-2002.

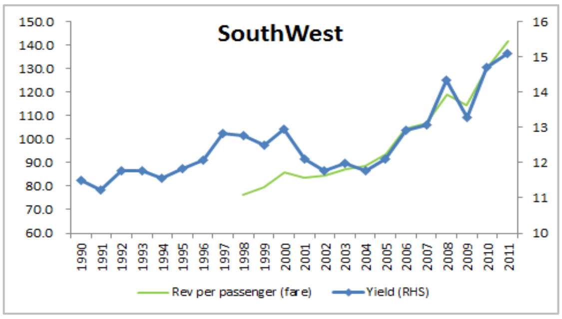
Admittedly, SouthWest did spend $3.4bn acquiring AirTran in 2010 which boosts the recent growth, but nonetheless, we still take comfort from this longevity and suggest that it is far too early to suggest that Ryanair is ex-growth. (For the record, Ryanair's €700m bid for Aer Lingus is much more modest in comparison and equates to about one year of Ryanair EBIT).

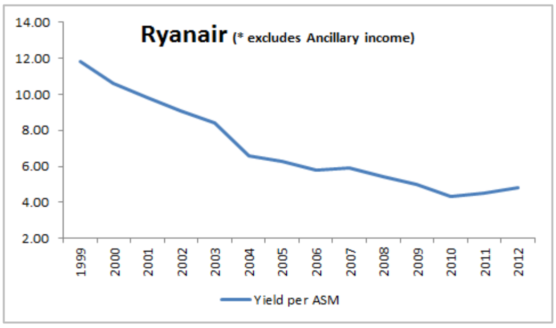
[5] And we've always suspected a predecessor of Terry Leahy made a similar trip to Arkansas

Different Attitudes to Pricing?

So far Ryanair and SouthWest have taken a markedly different attitude to pricing particularly in the last decade.

Fig.8: SouthWest vs. Ryanair: 10 years of rising yields v's two years of rising yields





Source: Holland Advisors

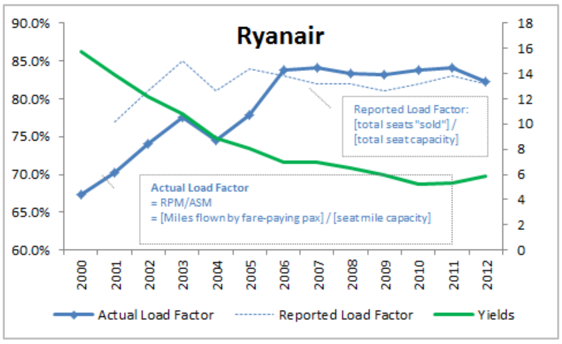
This may be a result of structural issues in their respective home markets[6] or the difference in maturities of both businesses but nevertheless it seems clear to us that while SouthWest deliberately allowed yields to increase (via "revenue management"), Ryanair stayed true to its long-standing strategy of running the business for volume and maintaining relative pricing differentials resulting in the aforementioned -10% compounded annual yield deflation. This clearly suggests that there may be untapped pricing power at Ryan today. O Leary's response to a specific question on this point (whether there is untapped pricing power) is noteworthy and confirms the relative pricing aspect of the recent yield strength:

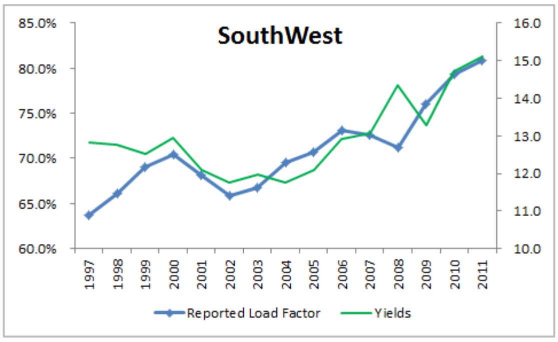
> *I think over the medium term, our* ***revenue per passenger*** *will rise. I think we're very much in the same situation Southwest was in 10 or 12 years ago where they enjoyed, I think, 12 or 14 years of yield growth. I think where we're tempered though in our caution at the moment is we've come off 3 years of double-digit yield increases, admittedly from a very low base. A lot of that -- remember in our model, we are load factor active, price passive. A lot of the yield growth in the last 12 months has been by virtue of the fact that the European flags have been cutting capacity, raising fares, raising fuel surcharges. I think that will continue, but I think there's a limit to even their ability to slap on fuel surcharges and raise short haul fares."* **– Michael O Leary, May 2012 (emphasis ours)**

Finally, a distinction between Ryanair and SouthWest's attitude to pricing can be really seen from the two charts below. In any industry, one would expect prices to rise as utilisation (or load factors) rises as has clearly been the case for SouthWest (right). Again confounding conventional business wisdom, Ryanair seems to have kept a lid on pricing despite the rise in its underlying load factor – and without, it is important to add - a major drop in shareholder returns. Why did it do this? We suggest for two reasons, to keep customer loyalty and to fill the 20-30% annual new capacity previously being added. Future less capacity added and stable load factors thus likely point to higher sustainable yields (and possible higher shareholder returns too).

[6] Notably, the 'natural attrition' of some European airlines was not replicated in the US due to Chapter 11 derived reincarnations.

Fig.9: Ryanair suppresses yields despite Load Factor growth





Source: Holland Advisors

The 'Key Man' (and his straight talking)

Given his track record on execution, capital allocation, the extent to which his interests are personally aligned with shareholders, (not to mentioned the hugely entertaining array of quotations from him), we feel it is worth devoting a few bullets to the man at the top, Michael O Leary. The following quotes are largely self-explanatory but, as ever, very insightful.

- O Leary (who owns about 7% of the equity of the business) clearly understands the power of capital allocation and compounding well.

  "Anybody who's investing in Ryanair for the dividends needs their heads examined. We intend to deliver capital growth. Speaking personally, I have no interest in dividends. I am very interested in getting the share price of this airline up. And we will use the cash and manage it sensibly the next year to try to deliver that result for the benefit of all of our shareholders. And I will be one of the principal beneficiaries by way of a dividend. So you're not getting one in FY '12" **– Michael O Leary, January 2011**

- While he has been instrumental in defining the Ryanair culture, it is interesting to hear his own opinion on where his focus lies within the business. We are not convinced that Ryanair is about to morph into a more "caring, sharing" business any time soon!

  "...I think I'm important to Ryanair in terms of Our growth and airport deals are handled by the wider management team. cost reduction, breaking up the Dublin Airport monopoly, breaking up the BAA monopoly, doing another aircraft deal. That doesn't need me anymore. <u>I think that at a certain point, once you've got those last big conquests: Dublin, Stansted, aircraft, it's the right time for me to go because Ryanair needs to change from being a cost-aggressive, confrontational airline into being a more corporatey, caring, sharing company by getting rid of the hated chief executive</u>." – **Michel O Leary, December 2009 (emphasis ours)**

- "*We need a recession. We have had 10 years of growth. A recession gets rid of crappy loss-making airlines and it means we can buy aircraft more cheaply."* **– Michael O Leary 2008**

- *"Screw the share price, we are in a fare war"* **– Michael O Leary, 2004**

- *"Our strategy is like Wal-Mart, we pile it high and sell it cheap"* **– Michael O Leary, 1994**

- *"Air transport is just a glorified bus operation"* **– Michael O Leary, 2002**

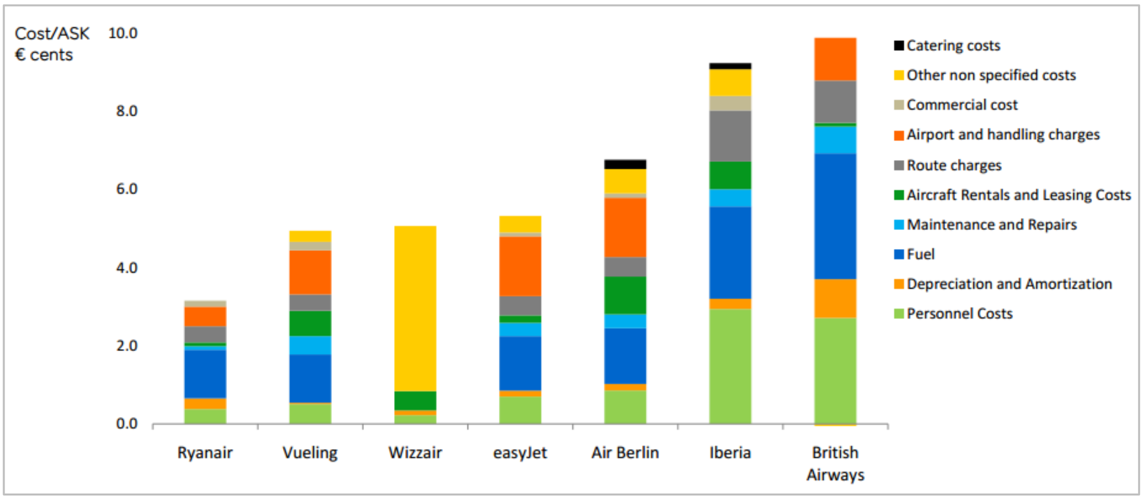
- *"Free tickets. In a decade or so, airlines will pay travellers to distribute people around Europe. The airline industry is Tesco, is Ikea, is network TV in the way viewers watch for free and advertisers pay for access to them, is the internet in the same way that websites earn money for delivering click-through traffic to other sites."* **– Michael O**

Leary, *2004* (in response to a question on what the ultimate goal of Ryanair is). Our section earlier showing that the group is now loss making excluding ancillary revenue suggests this quote was not as 'mad' as it maybe appeared at the time.

Summary + Conclusion

Some investors may observe a quality disparity between the companies we first commented on when identifying great franchises and say Wetherspoon or Ryanair.

Fig. 10: Detailed Cost Comparison (courtesy of Easy Jet!)



Source: EasyJet Investor day 2012 presentation

Our reason to look at such companies in more commoditised markets is firstly to show investors that they have (perhaps surprisingly) many of the characteristics we seek and secondly because we have found their cost leadership position over competitors so striking. This we assess is the core strength that sits behind these possible powerful compounding machines and the more we study each of these companies cost advantages and the reason for them, the less we believe that others will be able to displace them. This is shown quite powerfully in the case of Ryanair in the preceding chart. Interestingly this data came from an Easyjet presentation!

We summarise our assessment of Ryanair as a franchise thus:

- Ryanair ticks most of the 'operate', 'generate' and 'allocate' boxes that we seek-out in a franchise: it has the lowest unit costs by far in the industry, a commensurately wide moat, is innovative, enjoys material working-capital inflows and allocates capital like an owner.
- The valuation of 11.5x P/E (9.3x EV/EBIT) arguably gives a pretty good margin of safety in that it pessimistically implies the recent capacity slowdown will structurally dilute Ryanair's future returns. We argue the business is as aggressive as ever and its relative strength remains intact.
- After closer consideration we are relaxed about the recent uptick in yields and do not see the business model as diminished in any way as a result. In fact we would not be surprised to see the business in time pragmatically allow yields to rise further. For investors, such upside is, in effect, 'optionality' given the structural cost advantages of the business that already exist and the reasonable return it already generates for investors

- However this investment does come with the major health warning that its industry and our great inspirer suggests. Does the fact that it is an airline negate all of appealing traits listed above, we think not. Never say ‘never’.

Mark, Andrew, Ramsey **firstname@hollandadvisors.co.uk**

*For those interested ‘War of Attrition’ was the name of Micheal O’Leary’s winning racehorse

Appendices:

Appendix 1– Ryanair Model

RYANAIR HOLDINGS PLC (ISE:RY4B)											
Year End	**European Union Euro (EUR)**										
31 March 2012	**10 year Avg / CAGR**	**FY2012**	**FY2011**	**FY2010**	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**
Key Metrics												
ROE	**14.1%**	17.9%	12.9%	11.6%	-6.9%	15.5%	19.2%	16.5%	17.6%	15.3%	21.3%	18.0%
RONTA	**9.7%**	10.3%	7.5%	6.9%	2.9%	10.8%	10.9%	10.3%	11.6%	12.1%	13.7%	13.0%
Goodwill as % Total Assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%
EBIT Margin	**19.3%**	15.6%	14.2%	13.4%	4.9%	20.2%	21.1%	21.8%	25.8%	25.0%	31.3%	26.1%
Net Debt / Equity		0.04	0.25	0.07	0.20	0.18	-0.03	-0.05	0.01	-0.21	-0.08	-0.34
Holland Calculated Working Capital		(623)	(461)	(576)	(480)	(486)	(403)	(141)	(142)	(86)	(66)	(111)
BVPS	**13.1%**	2.27	1.98	1.93	1.65	1.68	1.64	1.29	1.14	0.96	0.82	0.66
Shares Outstanding	**-0.4%**	1,456	1,490	1,479	1,473	1,491	1,547	1,542	1,524	1,519	1,510	1,510
Operate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Sales	**21.5%**	4,390	3,630	2,988	2,942	2,714	2,237	1,693	1,319	1,074	843	624
Sales Growth		*21.0%*	*21.5%*	*1.6%*	*8.4%*	*21.3%*	*32.2%*	*28.3%*	*22.8%*	*27.5%*	*35.0%*	*28.0%*
Sales Per Share	**21.4%**	3.0	2.4	2.0	2.0	1.8	1.4	1.1	0.9	0.7	0.6	0.4
Gross profit		1,173	941	782	501	852	744	593	550	463	414	280
Gross margin		26.7%	25.9%	26.2%	17.0%	31.4%	33.3%	35.0%	41.7%	43.1%	49.2%	44.9%
R&D as % Sales		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Depreciation Years (Gross assets / Dep	**22.19**	*20.24*	*21.78*	*21.88*	*21.01*	*25.43*	*23.76*	*23.33*	*23.33*	*19.56*	*21.57*	*20.02*
EBIT		683	516	402	144	548	472	369	341	269	263	163
EBIT Margin	**19.3%**	15.6%	14.2%	13.4%	4.9%	20.2%	21.1%	21.8%	25.8%	25.0%	31.3%	26.1%
Net Income	**14.1%**	560	375	305	(169)	391	436	307	280	207	239	150
EPS (diluted Incl. Extra.)	**14.1%**	0.38	0.25	0.21	-0.11	0.26	0.28	0.20	0.18	0.14	0.16	0.10
WC % Sales		-14.2%	-12.7%	-19.3%	-16.3%	-17.9%	-18.0%	-8.3%	-10.7%	-8.0%	-7.9%	-17.8%
WC % Net Income		-111.1%	-123.2%	-188.6%	283.6%	-124.4%	-92.6%	-46.0%	-50.6%	-41.5%	-27.7%	-73.8%
Unlevered Assets - Total LT Assets+WC-GW	**18.1%**	4,456	4,610	3,878	3,318	3,408	2,904	2,393	1,976	1,491	1,286	841
Total LT Assets	**18.3%**	5,125	5,118	4,500	3,845	3,940	3,354	2,581	2,165	1,621	1,352	952
Gwth rate in Lterm assets	**16.1%**	0.1%	13.7%	17.0%	-2.4%	17.5%	30.0%	19.2%	33.5%	19.9%	42.1%	55.1%
Generate		FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
Taxed EBIT/Unlevered NTA	**9.7%**	**10.3%**	**7.5%**	**6.9%**	**2.9%**	**10.8%**	**10.9%**	**10.3%**	**11.6%**	**12.1%**	**13.7%**	**13.0%**
Taxed EBIT/Total LT assets	**8.7%**	**8.9%**	**6.8%**	**6.0%**	**2.5%**	**9.3%**	**9.4%**	**9.6%**	**10.5%**	**11.1%**	**13.1%**	**11.5%**
ROE	**14.1%**	**17.9%**	**12.9%**	**11.6%**	**-6.9%**	**15.5%**	**19.2%**	**16.5%**	**17.6%**	**15.3%**	**21.3%**	**18.0%**
Allocate		FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
Dividends including Specials	**#DIV/0!**	-	(500.00)	-	-	-	-	-	-	-	-	-
Buybacks		(125)	-	-	(46)	(300)	-	-	-	-	-	-
Total Payout Ratio [(divs+buyback)/net inc]	**21%**	**22%**	**133%**	**0%**	**-27%**	**77%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Balance Sheet	0.0	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
BVPS	**13.1%**	2.3	2.0	1.9	1.6	1.7	1.6	1.3	1.1	1.0	0.8	0.7
TBVPS	**12.9%**	2.2	2.0	1.9	1.6	1.6	1.6	1.3	1.1	0.9	0.8	0.7
Gwill as % of Total assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%
Gwill + intang as % Total assets		0.5%	0.5%	0.6%	0.7%	0.7%	0.8%	1.0%	1.2%	1.5%	0.0%	0.0%
Net Debt		144.7	751.7	210.6	496.6	448.9	-77.1	-90.2	13.2	-304.0	-100.8	-343.3
Net Debt to Equity		0.0	0.3	0.1	0.2	0.2	0.0	0.0	0.0	-0.2	-0.1	-0.3
EBIT/Interest		10.5	8.0	8.3	2.6	40.9	23.7	10.4	12.1	11.3	-552.4	-20.5
Pension Liab as % of Mcap	**0.2%**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
PBO as % Of Mkt Cap	**0.7%**	1%	1%	1%	1%	0%	1%	1%	1%	0%	0%	0%
Capex		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Capex as % of sales	**31.4%**	7.2%	24.7%	33.4%	23.9%	34.5%	23.5%	32.3%	47.9%	30.9%	55.8%	59.7%
Capex as a percentage of Depreciation	**406.9%**	102.7%	323.1%	423.9%	343.3%	566.6%	366.5%	439.1%	572.7%	319.7%	611.3%	631.4%
Valuation	Today	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
EV/EBIT	**9.3**	7.9	12.2	12.6	32.4	14.1	14.3	14.1	11.0	15.9	17.4	24.4
Average Annual PE ratio	**11.6**	12.3	18.8	64.5	28.0	16.3	19.2	19.0	15.9	19.0	27.4	37.2
P/B	**2.0**	1.6	1.9	1.7	1.7	2.9	2.7	2.7	2.2	3.1	3.8	4.3
Dividend Yield	**0.0%**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Capital IQ Holland Advisors

Appendix 2– Easyjet Model

EASYJET PLC (LSE:EZJ)												
Year End	**British Pound (GBP)**											
30 September 2011	**10 year Avg / CAGR**	**FY2011**	**FY2010**	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**	**FY2001**
Key Metrics												
ROE	**8.6%**	14.0%	8.6%	5.5%	6.8%	14.3%	10.2%	7.1%	5.3%	4.4%	9.4%	19.8%
RONTA	**10.5%**	8.8%	7.9%	1.5%	6.3%	11.4%	10.8%	11.0%	10.1%	10.2%	27.4%	13.2%
Goodwill as % Total Assets		8.2%	9.1%	9.9%	11.8%	12.3%	14.1%	19.0%	23.4%	29.3%	32.8%	0.6%
EBIT Margin	**6.5%**	7.7%	7.0%	1.3%	4.4%	9.5%	7.2%	5.1%	4.6%	5.2%	12.6%	10.7%
Net Debt / Equity		-0.06	0.03	0.03	-0.18	-0.34	-0.39	-0.52	-0.49	-0.35	-0.49	-0.51
Holland Calculated Working Capital		(256)	(266)	(148)	(136)	(33)	(53)	(10)	5	(2)	(21)	(21)
BVPS	**12.6%**	4.34	3.82	3.37	3.31	3.01	2.61	2.35	2.16	2.10	2.03	1.33
Shares Outstanding	**5.1%**	393	393	388	386	383	376	367	366	361	359	239
Operate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Sales	**25.5%**	3,452	2,973	2,667	2,363	1,797	1,620	1,341	1,091	932	552	357
Sales Growth		*16.1%*	*11.5%*	*12.9%*	*31.5%*	*11.0%*	*20.7%*	*23.0%*	*17.1%*	*68.9%*	*54.6%*	*35.3%*
Sales Per Share	**20.3%**	8.8	7.6	6.9	6.1	4.7	4.4	3.7	3.0	2.6	1.8	1.4
Gross profit		628	550	272	294	353	288	217	162	157	139	91
Gross margin		18.2%	18.5%	10.2%	12.4%	19.7%	17.8%	16.2%	14.8%	16.8%	25.1%	25.6%
R&D as % Sales		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Depreciation Years (Gross assets / Dep	**21.20**	*29.36*	*30.15*	*29.62*	*23.17*	*27.22*	*24.49*	*20.13*	*8.95*	*7.92*	*10.96*	*11.03*
EBIT		265	208	35	104	171	117	69	51	48	70	38
EBIT Margin	**6.5%**	7.7%	7.0%	1.3%	4.4%	9.5%	7.2%	5.1%	4.6%	5.2%	12.6%	10.7%
Net Income	**19.5%**	225	121	71	83	152	94	59	41	32	49	38
EPS (diluted Incl. Extra.)	**15.1%**	0.57	0.31	0.18	0.21	0.39	0.25	0.16	0.11	0.09	0.15	0.14
WC % Sales		-7.4%	-8.9%	-5.6%	-5.7%	-1.9%	-3.3%	-0.7%	0.4%	-0.2%	-3.9%	-5.8%
WC % Net Income		-113.8%	-219.8%	-208.3%	-163.2%	-21.9%	-56.3%	-16.1%	11.9%	-6.5%	-43.7%	-54.2%
Unlevered Assets - Total LT Assets+WC-GW	**26.5%**	2,024	1,770	1,595	1,105	1,005	725	418	336	319	170	193
Total LT Assets	**28.8%**	2,731	2,488	2,191	1,686	1,350	1,088	739	640	651	541	217
Gwth rate in Lterm assets	**20.4%**	9.8%	13.6%	29.9%	24.9%	24.0%	47.3%	15.4%	-1.6%	20.2%	150.0%	5.5%
Generate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Taxed EBIT/Unlevered NTA	**10.5%**	**8.8%**	**7.9%**	**1.5%**	**6.3%**	**11.4%**	**10.8%**	**11.0%**	**10.1%**	**10.2%**	**27.4%**	**13.2%**
Taxed EBIT/Total LT assets	**5.8%**	**6.5%**	**5.6%**	**1.1%**	**4.1%**	**8.5%**	**7.2%**	**6.2%**	**5.3%**	**5.0%**	**8.6%**	**11.8%**
ROE	**8.6%**	**14.0%**	**8.6%**	**5.5%**	**6.8%**	**14.3%**	**10.2%**	**7.1%**	**5.3%**	**4.4%**	**9.4%**	**19.8%**
Allocate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Dividends including Specials	**#DIV/0!**	-	-	-	-	-	-	-	-	-	-	-
Buybacks		(8)	(1)	(2)	(5)	(5)	(1)	-	-	-	(2)	-
Total Payout Ratio [(divs+buyback)/net inc]	**2%**	**4%**	**1%**	**2%**	**6%**	**3%**	**1%**	**0%**	**0%**	**0%**	**4%**	**0%**
Balance Sheet	0.0	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
BVPS	**12.6%**	4.3	3.8	3.4	3.3	3.0	2.6	2.4	2.2	2.1	2.0	1.3
TBVPS	**9.3%**	3.2	2.7	2.2	2.2	2.2	1.8	1.5	1.3	1.2	1.1	1.3
Gwill as % of Total assets		8.2%	9.1%	9.9%	11.8%	12.3%	14.1%	19.0%	23.4%	29.3%	32.8%	0.6%
Gwill + intang as % Total assets		10.1%	11.3%	12.2%	14.4%	12.4%	14.2%	19.1%	23.4%	29.3%	32.8%	0.6%
Net Debt		-108.0	40.0	33.0	-235.6	-393.4	-381.0	-449.7	-390.5	-262.6	-358.2	-161.2
Net Debt to Equity		-0.1	0.0	0.0	-0.2	-0.3	-0.4	-0.5	-0.5	-0.3	-0.5	-0.5
EBIT/Interest		16.6	12.2	3.0	-7.0	-9.7	-9.2	-3.6	-4.4	-4.0	-6.6	-19.0
Pension Liab as % of Mcap	**0.0%**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
PBO as % Of Mkt Cap	**0.0%**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Capex		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Capex as % of sales	**15.6%**	15.9%	15.9%	19.3%	13.7%	15.2%	20.0%	17.7%	5.7%	18.8%	13.6%	15.2%
Capex as a percentage of Depreciation	**717.9%**	662.7%	646.6%	913.1%	718.4%	800.9%	1151.1%	1427.7%	146.0%	367.5%	345.0%	290.7%
Valuation	Today	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
EV/EBIT	**9.0**	5.7	8.4	37.1	14.5	11.9	9.5	6.5	11.2	12.4	6.4	15.5
Average Annual PE ratio	**10.8**	18.1	24.5	21.5	13.4	30.9	43.8	22.1	25.5	17.9	30.6	46.5
P/B	**1.4**	1.0	1.1	1.0	1.4	2.1	1.5	1.0	1.2	1.1	1.1	2.4
Dividend Yield	**1.9%**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Capital IQ Holland Advisors

Appendix 3– SouthWest Airlines Model

SOUTHWEST AIRLINES CO. (NYSE:LUV)

Year End	US Dollar (USD)											
31 December 2011	10 year Avg / CAGR	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Key Metrics												
ROE	**6.0%**	2.7%	7.9%	1.9%	3.0%	9.6%	7.6%	7.9%	4.1%	9.3%	5.7%	13.7%
RONTA	**4.4%**	4.8%	6.6%	2.2%	2.9%	4.6%	6.3%	5.1%	2.8%	4.5%	4.3%	7.4%
Goodwill as % Total Assets		5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT Margin	**6.9%**	5.3%	8.2%	3.2%	4.1%	8.0%	10.3%	9.6%	5.6%	7.9%	7.2%	11.1%
Net Debt / Equity		0.11	-0.02	0.17	0.38	-0.10	-0.01	-0.08	0.10	-0.06	-0.03	-0.11
Holland Calculated Working Capital		(1,033)	(997)	(923)	(926)	(881)	(911)	(789)	(527)	(631)	(571)	(862)
BVPS	**5.5%**	8.90	8.34	7.34	6.69	9.45	8.23	8.33	7.04	6.40	5.69	5.23
Shares Outstanding	**0.1%**	773	747	743	740	735	783	802	785	789	777	767
Operate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Sales	**10.9%**	15,658	12,104	10,350	11,023	9,861	9,086	7,584	6,530	5,937	5,522	5,555
Sales Growth		*29.4%*	*16.9%*	*-6.1%*	*11.8%*	*8.5%*	*19.8%*	*16.1%*	*10.0%*	*7.5%*	*-0.6%*	*-1.7%*
Sales Per Share	**10.8%**	20.2	16.2	14.0	15.0	13.0	11.4	9.6	8.3	7.6	7.1	7.3
Gross profit		3,421	3,042	2,281	2,433	2,626	2,629	2,398	1,893	1,898	1,845	2,028
Gross margin		21.8%	25.1%	22.0%	22.1%	26.6%	28.9%	31.6%	29.0%	32.0%	33.4%	36.5%
R&D as % Sales		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Depreciation Years (Gross assets / Dep	**25.01**	*25.13*	*25.66*	*25.39*	*25.86*	*26.19*	*25.49*	*25.26*	*26.08*	*22.55*	*22.55*	*23.36*
EBIT		827	996	328	449	791	934	725	367	470	396	618
EBIT Margin	**6.9%**	5.3%	8.2%	3.2%	4.1%	8.0%	10.3%	9.6%	5.6%	7.9%	7.2%	11.1%
Net Income	**-10.0%**	178	459	99	178	645	499	484	215	442	241	511
EPS (diluted Incl. Extra.)	**-9.6%**	0.23	0.61	0.13	0.24	0.84	0.61	0.60	0.27	0.54	0.30	0.63
WC % Sales		-6.6%	-8.2%	-8.9%	-8.4%	-8.9%	-10.0%	-10.4%	-8.1%	-10.6%	-10.3%	-15.5%
WC % Net Income		-580.3%	-217.2%	-932.3%	-520.2%	-136.6%	-182.6%	-163.0%	-245.1%	-142.8%	-236.9%	-168.7%
Unlevered Assets - Total LT Assets+WC-GW	**7.5%**	11,565	10,127	9,988	10,489	11,448	9,948	9,594	8,638	6,934	6,151	5,615
Total LT Assets	**7.8%**	13,723	11,184	10,911	11,415	12,329	10,859	10,383	9,165	7,565	6,722	6,477
Gwth rate in Lterm assets	**8.2%**	22.7%	2.5%	-4.4%	-7.4%	13.5%	4.6%	13.3%	21.2%	12.5%	3.8%	10.9%
Generate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Taxed EBIT/Unlevered NTA	**4.4%**	**4.8%**	**6.6%**	**2.2%**	**2.9%**	**4.6%**	**6.3%**	**5.1%**	**2.8%**	**4.5%**	**4.3%**	**7.4%**
Taxed EBIT/Total LT assets	**4.0%**	**4.0%**	**6.0%**	**2.0%**	**2.6%**	**4.3%**	**5.8%**	**4.7%**	**2.7%**	**4.2%**	**3.9%**	**6.4%**
ROE	**6.0%**	**2.7%**	**7.9%**	**1.9%**	**3.0%**	**9.6%**	**7.6%**	**7.9%**	**4.1%**	**9.3%**	**5.7%**	**13.7%**
Allocate		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Dividends including Specials	**0.0%**	(14.00)	(13.00)	(13.00)	(13.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(14.00)	(13.00)
Buybacks		(225)	-	-	(54)	(1,001)	(800)	(55)	(246)	-	-	-
Total Payout Ratio [(divs+buyback)/net inc]	**65%**	**134%**	**3%**	**13%**	**38%**	**157%**	**163%**	**14%**	**121%**	**3%**	**6%**	**3%**
Balance Sheet	0.0	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
BVPS	**5.5%**	8.9	8.3	7.3	6.7	9.4	8.2	8.3	7.0	6.4	5.7	5.2
TBVPS	**3.6%**	7.4	8.3	7.3	6.7	9.4	8.2	8.3	7.0	6.4	5.7	5.2
Gwill as % of Total assets		5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gwill + intang as % Total assets		6.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt		739.0	-154.0	922.0	1866.0	-688.0	-70.0	-536.0	541.0	-327.0	-131.0	-438.1
Net Debt to Equity		0.1	0.0	0.2	0.4	-0.1	0.0	-0.1	0.1	-0.1	0.0	-0.1
EBIT/Interest		4.8	7.3	2.2	5.7	31.6	-133.4	20.1	13.1	13.8	7.6	103.0
Pension Liab as % of Mcap	**1.6%**	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
PBO as % Of Mkt Cap	**0.0%**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Capex		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Capex as % of sales	**12.6%**	6.2%	4.1%	5.7%	8.4%	13.5%	15.4%	15.1%	26.1%	20.9%	10.9%	18.0%
Capex as a percentage of Depreciation	**205.1%**	135.4%	78.5%	95.0%	154.1%	239.8%	271.7%	244.3%	396.1%	285.9%	150.0%	276.5%
Valuation	Today	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
EV/EBIT	**8.2**	10.6	9.2	20.8	24.8	13.5	14.0	15.3	33.4	26.1	31.2	21.7
Average Annual PE ratio	**38.0**	22.6	53.3	60.4	17.3	22.9	22.9	31.7	32.6	43.1	34.0	23.3
P/B	**1.0**	1.2	1.5	1.1	1.9	1.6	2.0	1.7	2.1	2.5	2.8	3.5
Dividend Yield	**0.4%**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Capital IQ Holland Advisors

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