



Ryanair CEO: Wizz Air and airBaltic Face Winter Risk

Description

Outspoken Ryanair CEO Michael O'Leary has forecasted that two major European airlines may cease operations by the end of winter, attributing this potential failure to the ongoing fuel crisis. He specifically highlighted Hungarian low-cost carrier Wizz Air and Latvian airline airBaltic as vulnerable, indicating they could deplete their cash reserves by the season's close.

In a report by Il Sole 24 Ore, O'Leary pointed out that Ryanair has already incurred an additional \$50 million in jet fuel costs this month. Furthermore, he warned that airlines have yet to experience the full impact of expected fuel shortages, projected to emerge in May, amidst tensions in the Middle East and the blockade of the Strait of Hormuz.

Ryanair typically hedges its fuel prices, securing 80% at \$67 per barrel, anticipated to last until March 2024. However, the remaining 20% has been subject to market fluctuations, escalating to over \$150 per barrel. This surge in costs poses substantial challenges for many airlines, leading to significant fare increases through additional fuel surcharges. O'Leary has expressed confidence that if oil prices remain high, bankruptcies could occur before winter concludes, with Wizz Air and airBaltic being particularly at risk.

The strife in the Middle East has exacerbated operational costs for various carriers, contributing to a decline in airline share prices. Ryanair's share price fell from €35 (\$37) to €25 (\$29) as the conflict impacted fuel expenses. Without appropriate fuel hedging, Wizz Air and airBaltic may exhaust their reserves by the fourth quarter, potentially grounding their operations.

Wizz Air, responding to O'Leary's remarks, emphasized its robust financial status and liquidity, arguing it could sustain operations for approximately 18 months. Conversely, airBaltic recently faced a credit rating downgrade from S&P Global, indicating financial strain despite receiving a short-term government loan. The airline's future hangs in the balance, relying on successful restructuring efforts to alleviate its debt situation.

Vocabulary List:

1. **forecasted** //ˈfɔːrkæstɪd// (verb): said something will happen in the future
2. **cease** //siːs// (verb): to stop happening or being done
3. **vulnerable** //ˈvʌlnərəbəl// (adjective): likely to be harmed or easily hurt
4. **deplete** //dɪˈpliːt// (verb): to use up a supply or resource
5. **incurred** //ɪnˈkʊəd// (verb): to have to pay or suffer costs
6. **hedges** //ˈhedʒɪz// (verb): protects against future changes in price



Comprehension Questions

Multiple Choice

1. Which CEO forecasted that two major European airlines may cease operations?
Option: Michael O'Leary
Option: Richard Branson
Option: Elon Musk
Option: Tim Cook
2. Which airline is highlighted by O'Leary as vulnerable due to potential cash depletion?
Option: Ryanair
Option: Wizz Air
Option: airBaltic
Option: EasyJet
3. How much has Ryanair incurred in additional jet fuel costs this month?
Option: \$20 million
Option: \$30 million
Option: \$40 million
Option: \$50 million
4. What percentage of Ryanair's fuel prices is typically hedged?
Option: 60%
Option: 70%
Option: 80%
Option: 90%
5. To what price per barrel has the remaining 20% of Ryanair's fuel prices escalated?
Option: \$100
Option: \$120
Option: \$150
Option: \$180
6. Which region's tensions are contributing to expected fuel shortages?
Option: North America



- Option: Europe
- Option: Middle East
- Option: Asia

True-False

- 7. O'Leary believes that bankruptcies could occur after winter concludes.
- 8. Wizz Air claims it can sustain operations for approximately 18 months.
- 9. airBaltic received a credit rating upgrade from S&P Global recently.
- 10. Ryanair's share price has decreased as a result of rising fuel expenses.
- 11. The fuel crisis is projected to have a full impact starting in April.
- 12. O'Leary predicts that airBaltic may exhaust its reserves by the second quarter.

Gap-Fill

- 13. Ryanair CEO Michael O'Leary has forecasted that two major European airlines may cease operations by the end of winter due to the ongoing fuel crisis and attributed this to the potential _____.
- 14. O'Leary pointed out that Ryanair has incurred an additional \$50 million in jet fuel costs this _____.
- 15. Wizz Air may exhaust their cash reserves by the _____.
- 16. Ryanair typically hedges its fuel prices, securing 80% at \$67 per barrel until _____.
- 17. Without appropriate fuel hedging, Wizz Air and airBaltic may ground their _____.
- 18. airBaltic recently faced a _____ rating downgrade from S&P Global.

Answer

- Multiple Choice:** 1. Michael O'Leary 2. Wizz Air 3. \$50 million 4. 80% 5. \$150 6. Middle East
True-False: 7. False



8. True 9. False 10. True 11. False 12. False

Gap-Fill: 13. failure 14. month 15. fourth quarter 16. March 2024 17. operations 18. credit

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. What is a common reason for companies to pursue a merger?
 - Option: To reduce competition
 - Option: To increase regulatory scrutiny
 - Option: To weaken market position
 - Option: To incur losses
2. Which body is usually responsible for enforcing regulatory compliance?
 - Option: The stock market
 - Option: Government agencies
 - Option: Business owners
 - Option: Shareholders
3. Which practice is typically seen as anticompetitive?
 - Option: Promotional discounts
 - Option: Collusion between firms
 - Option: Product differentiation
 - Option: Market segmentation
4. How would you describe someone who is noncommittal?
 - Option: Very decisive
 - Option: Indecisive or ambivalent
 - Option: Highly persuasive
 - Option: Informed and knowledgeable
5. What term describes events that can be predicted based on current evidence?
 - Option: Random
 - Option: Unlikely
 - Option: Foreseeable
 - Option: Improbable
6. What does a budget deficit indicate?
 - Option: Excess income
 - Option: Balanced budget
 - Option: Shortfall in income



Option: Surplus funding

7. What is the purpose of a forecasted budget?

Option: To reflect historical data

Option: To plan for future expenses

Option: To reduce current spending

Option: To evaluate past performance

8. What does it mean to cease operations?

Option: To expand the business

Option: To stop all business activities

Option: To hire more staff

Option: To increase production

9. Which areas are often considered vulnerable in economic terms?

Option: Fortified markets

Option: Stable industries

Option: Emerging markets

Option: Booming sectors

10. What happens when resources are depleted?

Option: They are conserved

Option: They are overused

Option: They are invested

Option: They are regenerated

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. The merger faced several _____ that delayed its approval.

12. She received a _____ award for her contributions to science.

13. The findings of the study were _____ in a comprehensive report.

14. The company has _____ strong relationships with its clients over the years.

15. Many _____ rely on public transportation for their daily travels.

16. Her _____ as a professor lasted over two decades.

17. The city experienced a _____ in tourism after the new attractions opened.



18. The new software has a _____ set of features catering to various users.
19. Stock prices have _____ since the announcement of the merger.
20. She is considered a strong _____ for the position of CEO.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. Investors often use hedges to protect themselves against market volatility.
22. The conference addressed several geopolitical issues affecting international trade.
23. There was a noticeable uptick in online sales during the holiday season.
24. Studies show that high stress levels can correlate with poor health outcomes.
25. The company's performance this quarter is expected to surpass previous records.
26. The two nations reached a ceasefire agreement after months of conflict.
27. Economic analysts released a forecast predicting growth in the upcoming year.
28. Community resilience is crucial in recovering from natural disasters.
29. The rapid innovation in technology continues to outpace regulations.
30. The budget deficit has raised concerns among policymakers.

Answer

Multiple Choice: 1. To reduce competition 2. Government agencies 3. Collusion between firms 4. Indecisive or ambivalent 5. Foreseeable 6. Shortfall in income 7. To plan for future expenses 8. To stop all business activities 9. Emerging markets 10. They are overused

Gap-Fill: 11. complications 12. distinguished 13. embodied 14. cultivated 15. commuters 16. tenure 17. resurgence 18. robust 19. surged 20. contender

Matching sentence: 1. hedges 2. geopolitical 3. uptick 4. correlate 5. surpass 6. ceasefire 7. forecast 8. resilience 9. outpace 10. deficit

CATEGORY

1. Business - LEVEL6



POST TAG

1. airbaltic
2. ESL learning
3. esl news
4. Level 6
5. winter survival
6. wizz air

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