

# International Consolidated Airlines Group

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## BROKERS - IAG shares fly higher after UBS upgrade

Swiss broker UBS is bullish on British Airways owner IAG (LON:IAG) and has flown the shares up to 'buy' from 'neutral'.

It also ramps up the price target to 700p from 580p previously.

Last week, the nine year battle for Irish carrier Aer Lingus was clinched by IAG as rival Ryanair (LON:RYA), the budget carrier, finally said it would accept the £1bn takeover bid and sell its 29.8% stake.

"Since achieving a share price high of 617p in April this year, the shares have fallen nearly 20% and in our view represent an attractive entry point," said UBS.

The broker reckons investors will go back into the "best of breed" airlines once concerns over Greece have alleviated.

Elsewhere, Deutsche Bank looks at rival Ryanair (LON:RYA) and says the €480mln from the sale of its 29.8% stake in Aer Lingus could "easily be returned to shareholders".

It rates the shares a 'buy' and lifts the target price to €12.70 from €10.50 ahead of first quarter results on July 27.

"We remain excited by the medium-term prospects for Ryanair. Growth opportunities appear plentiful and Ryanair's scale gives it the firepower to legitimately scrap yields in areas of localised overcapacity."

The same broker - Deutsche - looks at the UK's clothes shops today and repeats a 'buy' on Marks (LON:MKS) and a 'hold' on High Street darling Next (LON:NXT). The Marks target is lifted to 600p from 580p while Next moves to 7,100p from 6,950p.

It reckons Marks retains "greater potential" to deliver higher earnings growth and cash returns.

"Over the next five years we forecast Next able to generate 31% of its current market capitalisation in cash, versus 44% at M&S," noted analyst Charlie Muir-Sands.

Elsewhere, heavyweight JP Morgan has the red pen out for chip designer ARM Holdings (LON:ARM), and downgrades the shares to 'underweight' from 'neutral' previously.

The target gets clipped to 900p from 950p too.

Barclays, analyst for Alton Towers owner Merlin Entertainments (LON:MERL), said it expected a "more muted" Q2 as a result of the tragic incident at the park near Birmingham and has downgraded profit expectations by 2%..

**Price:** 202.3

**Market Cap:** £4.02 billion

### 1 Year Share Price Graph



April 2019 September 2019 March 2020

### Share Information

**Code:** IAG

**Listing:** LSE

**52 week High Low**  
684 5.58404

**Sector:** Transport

**Website:** www.iairgroup.com

### Company Synopsis:

*International Airlines Group is one of the world's largest airline groups with 525 aircraft flying to 255 destinations and carrying 96.9 million passengers each year. It is the third largest group in Europe and the sixth largest in the world, based on revenue.*

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The so called 'Smiler' ride has been closed for over a month since two carts collided injuring five, with one passenger later losing her leg.

According to Barclays, Merlin is on course to generate earnings for the first half of £123m compared to £120m last year.

The year's profits are expected to be £273m compared to £249m a year earlier, reckons Barclays.

In small caps, grade control drilling ahead of initial mining at Hummingbird's (LON:HUM) 1.8 million ounce Yanfolila gold project in Mali has delivered a strong indication that the overall grade in the pit might improve, the firm said today.

Cantor Fitzgerald repeated a 'buy' and targets 99p based on the net present values of the Yanfolila and Dugbe projects and in-ground resource metrics drawn from HUM's peer group of West African gold development companies.

"Away from the drilling, plant earthworks are continuing at the project as the company works towards its target of first production in 2016," noted analyst Asa Bridle.

Investec added: "A positive development for the company that is looking to start production next year from Yanfolila."

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