

International Consolidated Airlines Group

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IGAG's reported plans to buy Norwegian Air Shuttle adds fuel to M&A fire

International Consolidated Airlines PLC (LON:IAG), the parent company of British Airways, is understood to be approaching Norwegian Air Shuttle with a third takeover offer.

But it is not the only European airline group trying to taking a bigger chunk of market share through acquisitions.

READ: British Airways parent IAG reportedly plans to offer €1.52bn for Norwegian Air Shuttle

Budget airline EasyJet PLC (LON:EZY) became the largest carrier in Berlin after snapping up some assets from collapsed airline Air Berlin.

The €40m deal, cleared by the European Commission in December, included some operations at Tegel airport, leases for up to 25 A320 aircraft and the taking on of about 1,000 of Air Berlin's pilots and cabin crew.

READ: EasyJet confirms acquisition of Air Berlin assets

Ryanair PLC (LON:RYA) in March agreed to buy a 75% stake in Vienna-based Laudamotion - formed out of insolvent carrier Niki, which used to be part of Air Berlin and was founded by former motor racing champion Niki Lauda.

The deal followed attempts by Lufthansa and IAG to secure Laudamotion.

In December, the UK's Competition and Markets Authority approved Lufthansa's deal to buy Air Berlin's regional carrier Luftfahrtgesellschaft Walter (LGW) after agreeing to purchase fewer landing slots at Düsseldorf airport than originally planned.

There is also speculation that Lufthansa is considering taking on Italy's struggling carrier Alitalia.

Rising oil prices and tough competition

The consolidation in Europe underlines the pressures airlines are facing from fierce competition and rising fuel costs.

"Investors will be hoping that the airlines resist the temptation to start adding substantial amounts of fresh capacity to help keep load factors and pricing tight, especially at a time when fuel costs are rising," said Russ Mould, investment director at AJ Bell.

Ryanair today cut its guidance for 2019 profits, blaming higher fuel and staff costs.

READ: Ryanair on the 'pessimistic side of cautious' as it cuts profit guidance

It also warned of "limited" visibility on air fares in the first half and "zero" visibility for the second half after lowering prices by 3% in 2018 to attract passengers in a competitive market.

Despite tough competition and higher fuel costs, global demand remains strong.

Price: 270.3

Market Cap: £5.37 billion

1 Year Share Price Graph



June 2019 November 2019 June 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 global economic upturn since 2009 may have been tepid at best but global air travel demand continues to surge, helped by improved economic conditions and a trend toward spending on 'experiences' and away from buying 'stuff'," said Mould.

"Some economists are starting to fret that the current economic environment is 'as good as it gets' and in the past demand for air travel has tended to be sensitive to the overall economic growth."

'Hard Brexit' fears

However, airlines remain wary about the impact of a so-called 'hard' Brexit that could lead to the loss of flying rights between the UK and the European Union.

The UK government has proposed a transition deal after Brexit to soften the blow for businesses but nothing has been set in stone yet.

The UK's vote to leave the EU has already weakened consumer confidence and many politicians and economists have warned that a 'hard' Brexit could have a much bigger impact on the economy.

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