

International Consolidated Airlines Group

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10:17 22 Oct 2020

IGAG continues to lose money and cuts expectations for fourth quarter due to COVID-19

International Consolidated Airlines Group (LON:IGAG) has reported another big loss for the third quarter and downgraded its capacity and hence cash flow expectations for the fourth quarter as the coronavirus (COVID-19) pandemic continues to squeeze the life out of international travel.

Unable to see clearly ahead due to ramped-up travel restrictions amid the second wave of coronavirus in the northern hemisphere, the British Airways and Iberia owner said it was now planning for capacity in the final three months of 2020 to be no more than 30% of what it was last year.

READ: IAG says British Airways boss to step down with immediate effect

As a result, IAG said it no longer expects to break even in terms of net cash flows from operating activities during the coming quarter.

But, having topped up its coffers last month with a **€2.74bn rights issue**, the airlines group boasts liquidity of €9.3bn, of which almost €8bn is in cash.

In its third-quarter trading update, released eight days earlier than scheduled, IAG swung to a €1.3bn operating loss from a €1.4bn profit last year as revenue plummeted 83% to €1.2bn from €7.3bn last year. This follows a €1.4bn loss in the second quarter and €535mln in the first.

Passenger capacity was down 78.6% compared to the third quarter last year, with traffic down 88% with a worse seat load factor of 48.9%, meaning what few planes were flying were less than half full.

"Recent overall bookings have not developed as previously expected due to additional measures implemented by many European governments in response to a second wave of COVID-19 infections, including an increase in local lockdowns and extension of quarantine requirements to travellers from an increasing number of countries," the group said in its statement.

It also bemoaned the lack of initiatives designed to replace quarantine periods and increase confidence in overseas travel, although some measures are starting to come in, such as Heathrow Airport this week launched pre-departure testing for COVID-19.

Shares in the company fell 2% to 98.54p on Thursday morning.

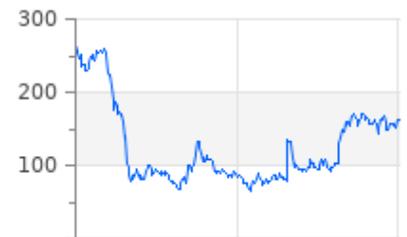
The results were "far worse than expected", said analysts at broker Peel Hunt, with the operating loss not only worse than a consensus forecast of a €920m loss but also the bottom of the range City estimate.

"Pro forma liquidity €9.3bn is good...but with ongoing cash burn and no sign of any improvement in trading, the outlook remains grim," they added.

Price: 159.65

Market Cap: £7.93 billion

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: IAG

Listing: LSE

52 week High Low
 269.904 0.94469

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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Neil Wilson at Markets.com said: "Passenger traffic not isn't coming through anything like as much as hoped back at the peak of the pandemic in April. By now we should all be confidently planning trips again but the second wave has done two things: restricts our movement and killed confidence to book.

"The capricious nature of quarantine rules has not helped. Management complain that initiatives designed to replace quarantine periods and increase customer confidence - like pre-departure testing and air corridor arrangements - have not been adopted quickly enough."

--Adds share price and comment--

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