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# International Airlines Group

## Resilience through a more challenging quarter

**International Airlines Group's (IAG's) H126 results and management's outlook for the rest of the year demonstrate the resilience of the group's business model. Following a strong Q1, Q226 bore the brunt of the disruption from the Middle East conflict, which manifested itself in lower-than-expected capacity and higher fuel prices. However, the combination of resilient demand, particularly in premium long-haul markets, a diverse network and continued operational improvements enabled IAG to deliver industry-leading profitability. Management is confident of delivering an operating margin within the 12–15% target range, generating significant cash to fund shareholder returns and maintain a strong balance sheet.**

## Industry-leading margin despite the headwinds

Q226 revenue increased by 0.2% as continued yield strength, which increased by 1.6% or 4.6% at constant currency, offset a 0.5% decline in capacity. Operating profit before exceptional terms fell by c 16% to €1.41bn, c 4% above the company-compiled mean consensus forecast. 60% of the increase in fuel costs, which increased year-on-year by almost €500m, was recovered through pricing and cost actions, while non-fuel unit costs remained well controlled, declining 1.7% on an underlying basis. Given the scale of the increase in fuel costs, it is no surprise that all the airline brands saw a year-on-year decline in operating profit. Conversely, IAG Loyalty grew its operating profit despite some weakness in holidays, so that the overall group operating margin was 15.0% in Q226 (19.0% in Q225). For H126 as a whole, pre-exceptional operating profit declined by c 6%. Despite the lower profit, free cash flow generation rose to €2.9bn versus €2.1bn in H125, with a number of factors driving an improvement in operating cash flow, in addition to lower capex.

## Confident in full-year margin delivery

Reflecting the ongoing Middle East conflict and aircraft availability constraints, management has reduced its expectations for capacity to be flat versus FY25. Demand remains supportive with H2 booked revenue standing at 57%, which is broadly unchanged from last year, and long-haul markets outperforming more competitive short-haul markets. The lower capacity growth is accompanied by estimated lower fuel costs for the year of €8.6bn (€9.0bn previously). Capital expenditure is also expected to be modestly lower at €3.4bn (€3.5bn previously).

## Valuation

IAG trades at a modest premium to the FY26 median peer multiple of 7.0x, despite generating industry-leading margins.

Consensus estimates

| Year end | Revenue (€m) | EBIT (€m) | EBITDA (€m) | EPS (€) | DPS (€) | P/E (x) | Yield (%) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|---|---|
| 12/24 | 32,100.0 | 4,443.0 | 6,807.0 | 0.57 | 0.09 | 8.9 | 1.8 | 4.0 |
| 12/25 | 33,213.0 | 5,024.0 | 7,652.0 | 0.70 | 0.10 | 7.3 | 1.9 | 3.5 |
| 12/26e | 34,530.0 | 4,422.0 | 7,322.0 | 0.66 | 0.11 | 7.7 | 2.1 | 3.7 |
| 12/27e | 36,025.0 | 5,055.0 | 7,996.0 | 0.77 | 0.12 | 6.5 | 2.4 | 3.4 |

Source: IAG, LSEG Data & Analytics. Note: EBIT, EBITDA and EPS are adjusted for exceptional items.

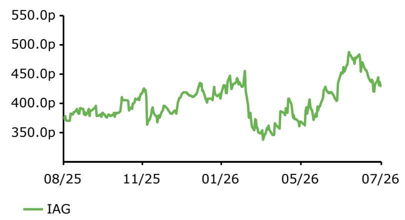
**Industrials**

**3 August 2026**

| | |
|---|---|
| **Price[1]** | **431.90p** |
| **Market cap** | **€22,231m** |

[1]€5.05

### Share price performance




### Share details

| | |
|---|---|
| Code | IAG |
| Listing | LSE |
| Shares in issue | 4,403.8m |
| Net cash/(debt) at 30 June 2026 | €(4,692.0)m |

### Business description

International Airlines Group is a European multinational airline company that provides passenger, cargo and adjacent services. Its airlines include Aer Lingus, British Airways, Iberia and Vueling, alongside IAG Loyalty.

### Bull points

- The aviation sector enjoys secular growth in demand, supported by a shift in spend to services and experiences from goods, and favourable demographics.
- The industry has seen more rational capacity development and constraints on new aircraft production are expected to support pricing for some years to come.
- IAG operates in some of the world's largest and most attractive travel markets.

### Bear points

- The airline industry is vulnerable to changes in economic growth and consumer spending.
- Volatile fuel and rising labour costs (41% of FY25 sales) can put pressure on profitability.
- Free cash flow generation has been volatile and low (relative to sales) as swings in profitability can be compounded by capital investment.

### Analysts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