

International Airlines Group

Building Loyalty to a billion

International Airlines Group's (IAG's) investor day highlighted how IAG Loyalty has evolved to become one of IAG's core strategic assets and how management expects it to be one of the three key value creation drivers alongside the transformation of British Airways' and Iberia's growth. The medium-term plan to grow Loyalty's underlying operating profit from €593m in FY25 to €1bn in the medium term will be supported by customer growth, enhanced customer engagement and expanding into new and existing markets. Longer-term growth will include deeper monetisation through better use of data and other opportunities including potential M&A.

Strong assets in structural growth markets

The division sits at the intersection of two large and structurally growing global businesses: 1. Loyalty currency is the third-largest currency reserve globally; and 2. travel is ranked as the most important discretionary purchase in the world. IAG is favourably positioned to benefit from this given its large and growing active customer base with above-average affluence and its unique set of strategic assets. Its active customer base has grown at a CAGR of 13% from FY22–25, but with 10.6 million customers there is more to do to increase activity from its 46 million enrolled customers. Management believes IAG has a unique set of assets that are difficult to replicate: Avios is a trusted Loyalty currency that is used across seven airlines, including non-IAG brands, and has a strong network of partners, rich first-party customer data and direct customer relationships through proprietary digital platforms. These create a powerful ecosystem to attract customers, drive engagement beyond flying and enables the monetisation of customer activity across multiple product categories. The importance of engagement with customers is highlighted by a Loyalty member who collects Avios points through flying generating c 5x the profit of a non-Loyalty airline customer, which increases to c 11x if a member collects points through both flying and activities with partners.

Capital-light, high cash conversion

The division is large with revenue of c €2.7bn and a reported operating profit of €548m in FY25, the latter equivalent to c 11% of the group total. Loyalty's high margin (20.7% in FY25, expected to reduce to 18% in the medium term due to a greater contribution from lower-margin holidays) compares favourably to the airline brands and is important in IAG's operating margin target of 12–15% across the cycle. It provides relative stability as its revenue is less cyclical and less seasonal than IAG's airline brands. Limited fixed capital investment and favourable working capital lead to impressive, >100% conversion of operating profit to free cash flow.

Historical financials and consensus estimates

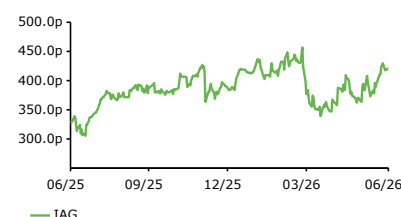
Year end	Revenue (€m)	EBIT (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)	EV/EBITDA (x)
12/24	32,100.0	4,443.0	6,807.0	0.57	0.09	8.6	1.8	3.8
12/25	33,213.0	5,024.0	7,652.0	0.70	0.10	7.0	2.0	3.4
12/26e	34,520.0	4,415.0	7,151.0	0.63	0.10	7.7	2.2	3.6
12/27e	36,079.0	5,023.0	7,928.0	0.76	0.12	6.4	2.4	3.3

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

Industrials
5 June 2026

Price 421.30p
Market cap €21,677m

Share price performance



Share details

Code	IAG
Listing	LSE
Shares in issue	4,451.4m
Net cash/(debt) at 31 March 2026	€(4,183.0)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 pressure 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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