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International Airlines Group

Industrials

10 November 2025

Compounding a strong Q324 comparative

International Airlines Group's (IAG's) Q325 results show the company is executing effectively its strategy of delivering peer-leading profitability through a focus on customer experience and operational transformation, while returning substantial capital to shareholders. With a favourable demand outlook, likely lower cost pressures and a strong balance sheet, management intends to announce further returns with the publication of FY25 results in February 2026, and has optionality to undertake M&A.

Q325 profit growth on strong comparative

IAG's adjusted operating profit increased by 2% in Q325, no mean feat against the tough comparative from Q324, when it increased by 15.4% on 7.9% revenue growth. On flat revenue in Q325, cost discipline (broadly unchanged (+0.2%) non-fuel costs) and more favourable fuel costs (down by 10.9%), both on a per-unit basis, led to the underlying operating margin increasing to 22.0% (21.6% in Q324). This gave an operating margin over the last 12 months of 15.2%. All of IAG's airlines reported an adjusted operating margin above 20%, although that for British Airways and Vueling slipped year-on-year. The flat revenue performance reflects flat passenger revenue (higher capacity offset by lower unit revenue, mainly due to forex) and growth by IAG Loyalty, offset by declines in cargo revenue as yields normalised following Q324's surge due to Red Sea-related disruption to supply chains. The strong financial performance continues to feed improving shareholder returns with an increased interim dividend of €0.048/share (€0.03 for H124), and the €1bn share buyback announced in February 2025 has almost been completed. The balance sheet is strong with net debt/EBITDA of 0.8x (1.1x at end FY25), well below the target of 1.8x across the cycle.

FY25 financial guidance unchanged

Management's maintained financial guidance for FY25, another year of revenue and earnings growth, includes no changes to the underlying assumption for capacity growth and operating costs from the H125 results. Looking to FY26, although there was no explicit guidance from management, its initial outlook for cost growth looks favourable with moderating cost inflation compared to FY25. Management foresees overall favourable travel demand with positive trends into Q425 and Q126, albeit there is some softness in certain European markets.

Valuation: Attractive discount versus peers

IAG's prospective P/E compares favourably with the median for its European peers of 8.0x for FY25 and 6.7x for FY26, as well as offering an attractive dividend yield.

Consensus estimates

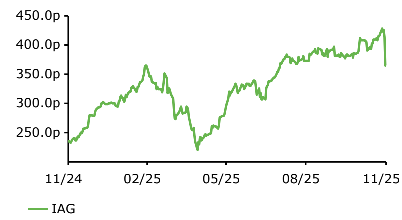
Year end	Revenue (€m)	EBIT (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/23	29,453.0	3,507.0	0.51	0.00	4.5	8.2	N/A
12/24	32,100.0	4,443.0	0.57	0.09	3.7	7.3	2.2
12/25e	33,395.0	4,891.0	0.68	0.11	3.4	6.1	2.6
12/26e	34,584.0	5,068.0	0.72	0.13	3.2	5.8	3.0

LSEG Data & Analytics. EBITDA, EBIT and EPS are adjusted for exceptional items.

Price[1]	366.20p
Market cap	€19,101m

[1]€4.46

Share price performance



Share details

Code	IAG
Listing	LSE
Shares in issue	4,585.2m
Net cash/(debt) at 30 September 2025	€(6,009.0)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 (43% of FY24 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.

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