International Airlines Group

Portfolio strength underpins resilience

International Airlines Group's (IAG's) Q326 results demonstrate the value of its long-haul network and growing Loyalty business against higher fuel prices and operational disruption. Management remains confident of delivering a FY26 operating margin of at least 12%, within its 12–15% through-the-cycle target range. Demand remains supportive, particularly across the Atlantic, while financial strength allows continued investment and shareholder returns. The increased interim dividend and ongoing buyback reflect this confidence, although containing disruption and recovering higher fuel costs remain important to earnings delivery.

Strong pricing partly offsets higher costs

Q326 revenue increased to €9.74bn, with passenger unit revenue increasing by 4.1%, or 4.3% at constant currency, on broadly unchanged capacity. The pre-exceptional operating profit of €1.73bn, a margin of 17.7% versus Q325's 22.0%, compares with the company complied consensus range of €1.54–1.96bn. Unit revenue increased across all geographic markets and all airlines reported lower operating profit, although their margins remained healthy, ranging from 14.4% to 23.8%. Management reduced capacity in more competitive European markets to protect profitability and redeployed aircraft affected by Middle East route suspensions, although short selling windows and operational inefficiencies constrained the benefits. The €570m increase in fuel costs exceeded the €416m increase in group revenue, while non-fuel unit costs rose by 3.4%, reflecting disruption, lower-than-planned capacity and higher non-airline activity. Conversely, IAG Loyalty increased profit by c 8% to £152.0m at an 18.9% margin, demonstrating the benefit of its capital-light earnings stream.

Cash generation underpins further returns

Management continues to expect an FY26 operating margin before exceptional items of at least 12%, within its long-term target of 12–15%, supported by positive revenue trends. Versus H126, capacity is now expected to decline slightly and non-fuel unit costs to rise by c 1%, versus flat previously for both. Fuel costs are expected to reach €8.9bn (€8.6bn previously), while capex falls to €3.1bn (€3.4bn), partly reflecting delayed aircraft deliveries. Net leverage of 0.6x supports continued shareholder returns, with the interim dividend up 10% to €0.053/share and the final €500m tranche of the €1.5bn buyback underway.

Valuation: Attractive versus peers

IAG looks attractively valued versus the median FY26e peer P/E multiple of 8.3x.

Historical financials and consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EBIT (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/24	32,100.0	6,807.0	4,443.0	0.57	0.09	3.9	9.2	1.7
12/25	33,213.0	7,652.0	5,024.0	0.70	0.10	3.5	7.5	1.9
12/26e	34,223.0	7,163.0	4,286.0	0.64	0.10	3.7	8.2	1.9
12/27e	36,038.0	7,759.0	4,816.0	0.74	0.12	3.5	7.0	2.3

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

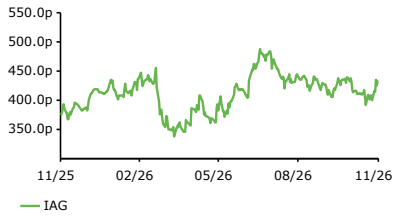
Industrials

9 November 2026

Price[1]	433.70p
Market cap	€22,555m

[1]€5.05

Share price performance



Share details

Code	IAG
Listing	LSE
Shares in issue	4,338.9m
Net cash/(debt) at 30 September 2026	€(4,220.0)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.

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