

# International Airlines Group

**Industrials**
**22 August 2025**

## Resilient growth

International Airlines Group's (IAG's) H125 results show strong profit growth, expansion in industry-leading margins and solid shareholder returns. Revenue growth is being driven by its premium brands, hub and route positioning, and investment in modernising its fleet and in customer experience, while transformation efforts are unlocking operating efficiencies.

## Q225 well above consensus expectations

IAG's operating profit before exceptional items grew by c 35% to €1,680m in Q225, well ahead of the consensus range for estimates of €1,304–1,602m. This took H125 profit to €1,878m, growth of c 44%. Across H125, IAG saw growth in all revenue streams to give total growth of c 8%. Lower fuel costs in absolute terms, and by 10% per unit capacity (ie per available seat kilometre), and forex offset the c 7% per unit increase in non-fuel costs that arose from fleet renewal and expansion, investment in customer experience and economy-wide inflationary pressures. As a result, the operating margin increased by 2.9pp to 11.8%, and was industry leading at 15.1% over the last 12 months (LTM). All brands, except Vueling, enjoyed revenue and profit growth in H125, with capacity increases across all brands and passenger load factors lower across the brands, except Iberia, broadly reflecting the growth in their fleets. Over the LTM, the c 10% increase in adjusted EBITDA and c 27% reduction in net debt meant net debt/EBITDA was 0.7x versus 1.1x at the end of FY24.

## Changes to FY25 guidance

Management has adjusted elements of its FY25 guidance. With respect to revenue, capacity is expected to grow at 2.5% (3.0% previously). On the positive side, non-fuel unit costs are expected to grow at 3% (4% previously); fuel costs are forecast at €7.1bn (€7.5bn previously) and forex is expected to represent a small tailwind. On the negative side, management expects a small increase in underlying costs due to the lower capacity growth and higher resilience costs. Consensus forecasts c 4% revenue growth for IAG in FY25 and FY26 and growth in adjusted operating profit of c 3% and 8%, respectively. Consensus is forecasting higher revenue growth for the European peers (median of 7% in FY25), off a low base versus IAG's record FY24, but IAG is much more profitable (FY25e EBIT margin 14.3% versus 6.4% peer median).

## Discount to peers, attractive dividend yield

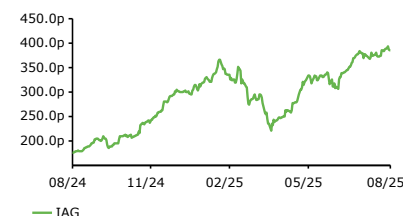
IAG's FY25e P/E multiple of 6.6x is at a discount to the European peer median of 7.9x and offers an attractive dividend yield, with many peers not paying a dividend.

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	1.4	8.8	N/A
12/24	32,100.0	4,443.0	0.57	0.09	1.1	7.9	2.0
12/25e	33,450.0	4,799.0	0.68	0.11	1.0	6.6	2.5
12/26e	34,644.0	4,998.0	0.72	0.13	1.0	6.2	2.9

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

**Price<sup>1</sup>** 385.80p  
**Market cap** €21m  
<sup>1</sup>€4.46

### Share price performance



### Share details

Code	IAG
Listing	LSE
Shares in issue	4,632.2m
Net cash/(debt) at 30 June 2025	€(7,517.0)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.

### Analysts

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