British Airways parent IAG logs vast loss on virus

October 30 2020

British Airways' parent company IAG dived into the red in the third quarter

IAG, the owner of British Airways and Spanish carrier Iberia, dived into a net loss of 1.76 billion euros ($2.1 billion) in the third quarter on coronavirus fallout, it said Friday.

The loss after taxation in the three months to September contrasted with net profit of 1.0 billion euros a year earlier, IAG announced in a statement.

IAG added that its losses so far this year totalled 5.6 billion euros as a result of the worsening Covid-19 crisis that has decimated demand for global air travel.

The company resumed flights over the summer, following the national lockdown, but still only operates a greatly reduced volume of services.

Revenue plunged 83 percent to 1.2 billion euros in the reporting period, according to IAG which had already outlined its dire quarterly performance last week.

The group repeated on Friday that it suffered an operating loss before exceptional items of 1.3 billion euros, after profit of 1.4 billion euros a year earlier.

"These results demonstrate the negative impact of Covid-19 on our business but they're exacerbated by constantly changing government restrictions," said IAG Chief Executive Luis Gallego.

"This creates uncertainty for customers and makes it harder to plan our business effectively."

IAG urged governments worldwide to embrace pre-departure testing to enable safer air travel.

"We are calling on governments to adopt pre-departure testing using reliable and affordable tests with the option of post flight testing to release people from quarantine where they are arriving from countries with high infection rates," said Gallego.

'Pent-up demand'

"This would open routes, stimulate economies and get people travelling with confidence. When we open routes, there is pent-up demand for travel. However, we continue to expect that it will take until at least 2023 for passenger demand to recover to 2019 levels."

New British Airways chief executive Sean Doyle has already urged the UK government to end the quarantining of passengers arriving from abroad.

BA, which is slashing thousands of jobs, earlier this month announced the sudden departure of Doyle's predecessor Alex Cruz.

The European travel giant, whose portfolio also includes Aer Lingus, Level and Vueling, is in the process of axing 13,000 jobs or more than a quarter of its workforce.

IAG's massive jobs-slashing efficiency drive, launched in response to collapsing demand, is in line with other major carriers like Air Canada, American Airlines and Lufthansa.

"The group has made significant progress on restructuring and we continue to reduce our cost base and increase the proportion of our variable costs," added Gallego.

"We have also successfully completed a 2.74-billion-euro capital increase in the quarter. It strengthens our financial and strategic position and makes IAG better placed to take advantage of a recovery in air travel demand."

Turning to the outlook, IAG warned that demand continues to be "adversely affected" by "volatile government restrictions and quarantine requirements".

The company is not providing profit guidance for the current financial year due to chronic uncertainty on the impact and duration of the coronavirus health emergency.

IAG predicts however that it will take until at least 2023 for passenger demand to recover to pre-pandemic levels.