

Air France-KLM pins hopes on summer after huge COVID losses

May 6 2021, by Tangi Quemener



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Air France-KLM posted huge first-quarter losses on Thursday, pinning

its hopes on a better summer to recover as it sees little improvement in global travel for now due to COVID restrictions.

With passenger numbers in the quarter down 73 percent compared with a year earlier, the French-Dutch group is pinning its hopes on mass vaccinations allowing global travel to kickstart again later in the year.

The Franco-Dutch group saw 1.5 billion euros (\$1.8 billion) evaporate after tax in the first quarter—worse than forecast by analysts polled by Bloomberg News—while revenues were down 57 percent on a year earlier.

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"A year into the COVID crisis, lockdown measures and travel restrictions in our home markets and around the world continue to strongly impact the group's activity," chief executive Benjamin Smith said in a statement, describing the environment as "ever-challenging".

Chief financial officer Frederic Gagey warned that the start of the second quarter was also "not showing any notable improvement" so far, with international flights still heavily restricted across much of the planet.

Smith, however, insisted the company was looking forward "to the summer season with greater confidence, hoping that the progress of the vaccination roll-out worldwide and the implementation of travel passes will allow borders to reopen and traffic to recover".

In the meantime, the airline is continuing with cost-cutting measures, including voluntary redundancies.

The French and Dutch governments provided 10 billion euros in loans to Air France-KLM last year.

In April, the French state doubled its stake in the company to nearly 30 percent. The airline also raised just over one billion euros in a share issue.

But like long-haul rivals including Lufthansa and IAG, which operates British Airways and Iberia, it remains highly vulnerable.

Despite the rollout of vaccination campaigns, "we are not yet in a situation where every person can travel freely," Gagey said.

"We will obviously have to wait many months before getting to a situation comparable to 2019 (before the pandemic)," he added.

CEO pay dispute

This quarter, Air France-KLM—which operates low-cost airline Transavia as well as the French and Dutch flag carriers—used just 48 percent of the capacity used in the same period in 2019, measured in available seat kilometres.

This is expected to edge up to 50 percent in the second quarter.

With many governments eyeing a return to international tourism in the crucial summer season, the group expects to raise capacity to between 55 and 65 percent of pre-pandemic 2019 levels in the third quarter, it said in a statement.

Air France-KLM booked a bottom-line net loss of 7.1 billion euros in 2020.

A controversy erupted in the Netherlands last month over a two-million-euro bonus payout to Smith in 2020 despite the losses.

Dutch lawmakers backed a motion demanding the withdrawal of the payment to the Franco-Dutch company's boss and threatening to block any future aid to the group.

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Citation: Air France-KLM pins hopes on summer after huge COVID losses (2021, May 6)
retrieved 2 May 2024 from

<https://techxplore.com/news/2021-05-pandemic-air-france-klm-deep-red.html>

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