

British Airways parent IAG swoops for more cash to survive crisis

31 July 2020, by Roland Jackson



IAG kept most of its aircraft parked during the coronavirus outbreak due to travel restrictions, leading to massive losses

Airline giant IAG, the owner of British Airways and Spanish carrier Iberia, on Friday logged a 3.8-billion-euro (\$4.5 billion) first-half net loss—and launched a capital-raising to help it navigate the demand-destroying coronavirus crisis.

The European travel giant, whose portfolio also includes Aer Lingus, Level and Vueling, said in a results statement that the loss after taxation in the six months to June compared with year-earlier profit of 806 million euros.

The airline conglomerate has been ravaged this year by COVID-19, which grounded planes worldwide as global lockdowns and border closures sought to halt the spread of the killer disease.

"The results ... were significantly impacted by the outbreak of COVID-19, which has had a devastating impact on the global airline and travel sectors, particularly from late February 2020 onwards," the company said.

Sales more than halved to just 5.3 billion euros in the first six months of the year, while it swung to a pre-tax loss of 4.2 billion euros after a profit of 1.0 billion euros last time around.

The London-listed titan has meanwhile embarked upon a massive jobs-slashing efficiency drive, in line with carriers like Air Canada, American Airlines and Lufthansa.

And on Friday, IAG announced it would seek to raise up to 2.75 billion euros in capital from investors.

'Substantial losses'

"All IAG airlines made substantial losses," said Chief Executive Willie Walsh, noting that second-quarter traffic collapsed by a staggering 98.4 percent as a result of government travel restrictions—and capacity shrank 95.3 percent.

"We have seen evidence that demand recovers when government restrictions are lifted," he said, adding that IAG had taken extra measures to reassure customers about health and safety.

But Walsh said "we continue to expect that it will take until at least 2023 for passenger demand to recover to 2019 levels."

The International Air Transport Association had warned earlier this week that global air traffic will not return to levels seen before the coronavirus pandemic until at least 2024, adding that new UK restrictions on travel with Spain had created a lot of uncertainty.

British Airways had already warned in April that it could slash up to 12,000 jobs, or a quarter of its workforce, in a drastic restructuring as the carrier grapples with fallout from the deadly pandemic.

Britain's BALPA pilots' trade union is meanwhile

consulting members over a provisional agreement with BA over plans to cut wages by 20 percent and potentially shed about 270 jobs. The ballot closes on Friday.

'Darkest hour'

In late morning deals on Friday, IAG's share price tumbled 9.3 percent to 164.21 pence as many investors took flight on the grim set of news.

London's FTSE 100 index, on which the group is listed, flatlined at 5,987.62 points.

"Who will back International Consolidated Airlines in its darkest hour?" asked AJ Bell investment director Russ Mould.

"The airline sector is in desperate need of cash to help see it through a very difficult period and investors will be taking considerable risk by participating in its rights issue."

While Mould said cash injection will give IAG a bit of breathing space, the pace of the airline sector recovery is out of its hands.

"It is dependent on the course of coronavirus and government decisions on travel restrictions, quarantines and lockdowns in case of new flare-ups."

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