British Airways owner IAG says return of US travel will help get it back to profits

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ritish Airways owner IAG is banking on Monday's "pivotal" USborder reopening to turbocharge its recovery and help fuel a return to profitability next summer after reporting further heavy losses.

The group, which also owns airlines including Vueling, Iberia and Aer Lingus, today forecast a €3 billion (£2.6 billion) full-year loss, with passenger capacity expected to be around 60% of 2019 levels this quarter.

But IAG chief executive Luis Gallego said that Monday's full reopening of the transatlantic travel corridor is a "pivotal moment for our industry".

The CEO said by next summer he expects the group to be able to operate at up to 90% of 2019 capacity – and that if that happens "we will come back to profitability".

The US has banned UK and EU travellers for more than 18 months, with companies having to secure complicated visas to allow employees to enter the country. BA traditionally relies heavily on the profitable North Atlantic market and its frequent business travel, and its long suspension has helped lead to IAG's huge losses.

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Gallego told reporters nearly all IAG transatlantic flights are sold out for Monday, with November and December pre-bookings above 2019 levels.

He said US new booking rates have soared by 167% since the November 8 reopening was announced, with new North Atlantic bookings already at 96% of 2019 levels.

Business and first class “premium” travel has recovered faster, with “some corporates expressing a preference” for splashing out on these more expensive tickets, the CEO said.

BA slashed around 10,000 jobs – roughly a third of its workforce – in 2020. Gallego today confirmed reports that British Airways has begun the process of recruiting more cabin crew for next summer, to meet the expected demand.

The CEO said: “Demand is there. What we see for next summer is that we can operate at up to 90% of the capacity we were flying in 2019, and we are pretty sure that if we can operate that amount of flights we will come back to profitability.”

“In British Airways we have enough pilots, but we are going to hire cabin crew, and have started the process so that we can have the ability to fly all the capacity,” he added.

Bosses told reporters long-haul flights are seeing a “healthy” pricing environment and are leading revenues. But it is facing pressure to slash ticket prices for European short-haul flights over winter as budget carriers including Ryanair and Wizz Air both discount in a bid to fill planes.

Both those airlines reported turning a profit in the third quarter, while IAG has a long way to go.

The group generated cash for the first time since Covid hit in the three months to end September, but still reported a €452 million loss for the quarter – an improvement on the €1.9 billion loss reported for the same period last year.

Its net debt stood at €12.1 billion at the end of October, including access to €10.6 billion in liquidity. The company said this cash buffer will allow the company to withstand any further restrictions coming back in over winter.

Shares fell 2.6%, or 4.4p, to 165.4p in early trading on the update. IAG shares have risen sharply in 2021, but remain down by around 53% on 2019.

Analysts at Liberum said they “still see IAG as a structural winner, with a clear recovery path”. They argued: “The relative underperformance compared with profitable peers reflects IAG’s greater exposure to markets with tight restrictions.”

Interactive Investor’s Richard Hunter said: “The situation is slowly improving at IAG, but investors still need to buckle up for the long haul.”