

# IAG SA

Promising earnings prospects and ability to deliver shareholder returns

16 March 2026

## Company Overview

International Consolidated Airlines Group, S.A. is an airline company that holds the interests in airline and ancillary operations. The Company's segments include British Airways, Iberia, Vueling and Aer Lingus, bringing together the flag-carrier airlines of Britain, Spain and Ireland but they continue to fly under their own brands. The Company, through its subsidiaries, is engaged in providing airline marketing, airline operations, insurance, aircraft maintenance, storage and custody services, air freight operations and cargo transport services.

## Investment Overview

One of the largest airline groups in the world with majority stakes in leading airlines in the European market. IAG leverages on its diverse portfolio of five airline brands, each with its own value proposition that caters to different customer segments. British Airways, the national carrier of the UK, commands a strong foothold in the premium leisure and business markets, while Iberia, Aer Lingus, Vueling and LEVEL are also under the group.

Bright earnings trajectory on robust premium-leisure demand and constrained capacity growth in Europe. We anticipate stellar earnings for IAG over the next two years as the core markets and premium segment of the group continue to deliver robust performance, despite some softening in pricing momentum in 3Q25 (-7.1% y/y decline in North Atlantic unit revenue). Consolidation and more selective capacity deployment in the region are expected to create a more balanced supply-demand dynamic.

Potential for more shareholder returns on the horizon. IAG's balance sheet remained strong, with net leverage at 0.8x and within target of <1.8x through the cycle as investment grade proxy. Capital returns remain a priority, with interim dividend of EUR0.048/share and near completion of its EUR1bn buyback programme. Management reaffirmed its intention to announce further returns of excess cash at FY25 results (targeting 1.2-1.5x net leverage), underscoring strong commitment to shareholder value and signalling confidence in its outlook.

Maintain BUY with higher TP of GBP5.0. Our TP is based on 4.0x forward EV/EBITDA, at a premium to regional peers, justified by IAG's comparatively promising earnings and free cash flow outlook. An increase in dividends given balance sheet strength could catalyse a re-rating for the stock, in our view.

## Risks

Macroeconomic weakness and geopolitical tensions could curb discretionary spending on travel while persistent cost inflation could weigh on margins.

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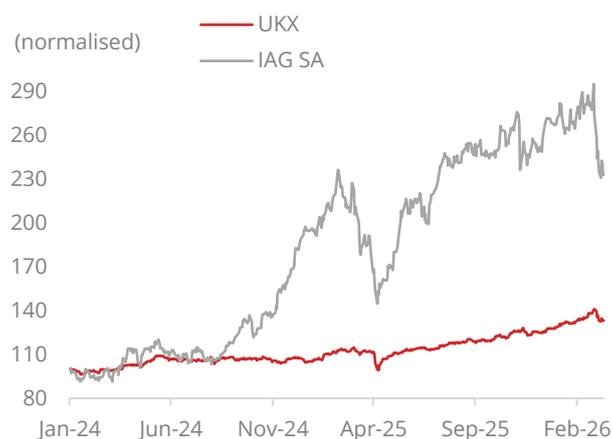
## Key Financial Data

Bloomberg Ticker	IAG LN
Sector	Industrials
Share Price (GBP)	361.10
DBS Rating	BUY
12-mth Target Price (GBP)	5.0
Market Cap (USD\$b)	22.0
Volume (m shares)	15.7
Free float (%)	70.4
Dividend yield (%)	2.6
Net Debt to Equity (%)	78.3
Fwd. P/E (x)	5.6
P/Book (x)	2.5
ROE (%)	48.6

Closing Price as of 12 Mar 2026

Source: Bloomberg, DBS

## Indexed Share price vs Composite Index Performance



Source: Bloomberg

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## Financial Summary

FY Dec (EURmn)	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	29,453	32,100	33,213	34,293	35,945
% y/y	27.7	9.0	3.5	3.3	4.8
EBITDA	5,570	6,807	7,652	8,053	8,420
% y/y	68.6	22.2	12.4	6.3	4.6
Net Profit	2,655	2,802	3,342	3,450	3,648
% y/y	564.2	5.5	17.2	3.4	5.8
FCF	1,320	3,556	3,146	3,124	2,418
% y/y	34.8	169.4	(11.5)	6.3	(21.7)
CAPEX	3,282	2,816	3,442	3,763	4,881
% y/y	(15.3)	(20.5)	22.2	7.2	30.4
EBITDA Margin (%)	18.9	21.2	23.0	23.5	23.6
Net Margin (%)	9.0	8.7	10.1	10.1	10.2
ROA (%)	6.9	6.9	7.7	7.7	7.5
ROE (%)	100.2	59.3	48.5	40.2	34.9
Tax Rate (%)	13.1	25.7	25.8	24.8	24.8

Source: Visible Alpha

## Valuation Metrics

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	7.0	6.6	5.2	4.8	4.4
P/B (x)	nm	3.9	2.8	nm	nm
Dividend Yield (%)	0.00	2.0	2.3	0.00	0.00
EV/EBITDA (x)	2.9	3.5	3.5	3.2	3.0
FCF Yield (%)	6.7	18.1	16.7	17.7	14.6
Dividend Per Share (DPS)	0.0	0.1	0.1	0.1	0.1

Source: Visible Alpha

## Credit &amp; Cashflow Metrics

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	490.6	280.8	187.9	157.5	132.7
Net Debt / Equity (x)	2.8	1.2	0.8	0.5	0.4
Debt / Assets (%)	42.7	39.6	33.3	32.4	31.5
Net Debt / Assets (x)	0.2	0.2	0.1	0.1	0.1
EBITDA / Int Exp (%)	5.0	7.4	8.9	10.3	11.7
ST Debt / Total Debt (x)	0.2	0.2	0.2	0.2	0.2
Debt / EBITDA (x)	2.9	2.5	1.9	1.7	1.7
[Cash + CFO] / ST Debt (%)	3.8	4.7	4.9	5.3	5.4
Receivables Days	19.3	20.2	14.8	17.6	17.8
Days Payable	69.3	69.9	62.9	64.7	64.7
Inventory Days	6.1	7.0	7.7	7.6	7.6

Source: Visible Alpha

## Target Price &amp; Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	01 Apr'25	260.80	3.50	BUY
2	12 Jun'25	339.50	3.80	BUY
3	12 Jan'26	4.24	5.00	BUY

Source: DBS  
Analysts: Tabitha Foo  
Jason Sum

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**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)  
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**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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