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Q3 2025 INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA
EARNINGS CALL

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the International Airlines Group third-quarter 2025 results call. (Operator Instructions) I would like to remind all participants that this call is being recorded.

I will now hand over to Luis Gallego, Chief Executive Officer, to open the presentation. Please go ahead.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you very much. Good morning, everyone, and welcome to the IAG third-quarter results. Today, I have with me Nicholas Cadbury, our CFO; as well as members of the IAG Management Committee.

This has been another good quarter for IAG, and we are on track for another very good year. Our strong fundamental is underpinned in our best-in-class value creation over the long term. We are continuing to see robust demand for travel across the group.

Our leading network and brands have helped to deliver a strong revenue performance in the quarter with PRASK broadly flat at constant currency against a record quarter last year. Our transformation initiatives are delivering effective cost control, supporting our competitive slot base on which we are delivering market-leading margins at 22% for the quarter and over 15% on a last 12-month basis.

As Nicholas will show you, every single one of our airlines has reported a margin over 20% this quarter. This was also one of the best summers operationally that -- with a better [half], which is also supporting positive NPS performance.

Our balance sheet continues to be strong, giving us optionality around our capital allocation, whether that is investing in the business at high rates of return or reducing our growth levels as we take and unencumbered aircraft deliveries or as we increase our dividends, as we are doing with this set of results for our shareholders. And we intend to announce further returns of excess cash to shareholders at full-year results in February. So for the short term, we are confirming that our outlook for this year is unchanged. And in the longer term, we are confident in our strategy to create value for our shareholders.

And on that note, I will hand over to Nicholas to take you through the details for the quarter.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Thank you, Luis. Good morning, everyone. I'm pleased to announce another strong set of results. On the left, you can see the breakdown of the key drivers of the profit increase we've delivered in Q3. These are shown on a constant currency basis, with the impact of FX shown separately.

We delivered a passenger revenue increase of EUR177 million or 2% up. Cargo revenue decreased slightly as we cycled over the elevated yields in the Red Sea disruption in 2024. And other revenue continued to perform well, with the increase including higher IAG loyalty revenues, together with increased third-party revenues from Iberia's MRO business.

As we guided, the performance of nonfuel costs continue to improve quarter on quarter, and the increase was partially offset by lower fuel prices. We split out the FX into a separate item, and you can see that we had an EUR8 million overall headwind from FX and profit, with benefits from the weaker US dollar more than offset by weaker sterling euro in the quarter. Overall, we increased profit by EUR40 million on the record performance in Q3 last year.

[By] OpCo, Iberia, Aer Lingus and Loyalty showed strong profit growth, whilst BA and Vueling profits were slightly down year on year. BA is shown in euros here, and so it was impacted by the depreciation of sterling against the euro, driving a larger reduction in euro terms than in sterling terms.

Now let's look at the operating company's performance in more detail. Aer Lingus increased its operating profit by EUR31 million to EUR170 million, and its operating margins by 3 percentage points to 21.6% despite competitor capacity growth in Dublin. Q3's performance was driven by the expansion of its networks, particularly on the North Atlantic and the impact of the industrial action of approximately EUR30 million in Q3 last year.

British Airways saw its operating profits declined slightly by 18 million, and its operating margins remain high at 20.2%. Unit revenues fell 1%, driven by the expected softer trading in US-sold North Atlantic economy leisure by 7% capacity growth in European short haul. Nonfuel unit costs increased by 3%, driven by employee pay deals and resilience costs not being fully offset by the transformational benefits.

Iberia continued to report strong results with operating profits increasing EUR56 million to EUR510 million, and its operating margin increasing 2.2% to 23.7%. Iberia also saw softness in the North Atlantic driven by competitive capacity into Madrid. However, it was fully more than offset by the continued strong demand in the South Atlantic routes. Nonfuel costs increased by 2.2% primarily due to resilience costs and higher ownership costs from the new aircraft.

Vueling operating profit was EUR20 million lower at EUR272 million but at a high operating margin of just over 25%. Good nonfuel unit cost performance was offset by a decline in unit revenue driven by slightly weaker demand, particularly in Benelux and Germany and the UK, as well as the effect of investing and strengthening some of its core markets, which was not fully offset by the strong demand in other markets. IAG Loyalty reported GBP141 million in operating profit, up GBP16 million year on year at a margin of nearly 19%.

Moving on to our revenue performance in more detail, overall demand for travel continues to be strong, driven by demand for our network and our strong brands. The performance was in line with the guidance we gave in an outlook at the interims. We grew capacity by 2.4% with unit revenue declining by 2.4% and around 2 percentage points of which was due to currency movements, so only marginally down on an underlying basis against a record quarter last year.

If we look at the performance by region, North Atlantic capacity increased by 2.9% with unit revenue decreasing by 7.1%. It's really important to note that around half of this was due to currency headwinds from both weak US dollar and sterling against the euro.

The trends were similar to those we reported at the interim results. We continue to see some softness in US point-of-sale economy leisure and an impact on our transfer flows of US direct capacity growth into secondary markets in Europe. Premium demand held up well.

[South] Atlantic continues to be the star performer in the network. Unit revenue increased 0.6% on a capacity increase of up 2.9%. Iberia's performance continues to be strong, with the routes of Argentina continuing to perform well, along with routes to Venezuela, Ecuador, and Colombia.

Europe unit revenues decreased by 6% on a capacity increase of 2.4%. I've already mentioned weak demand for Vueling, weaker demand for Vueling, and the additional capacity from British Airways. In addition, there are FX headwinds for the weak sterling euro, representing about 2 percentage points on unit revenue impact, with Iberia and Aer Lingus performing better. To finish off, Asia Pacific performed well and Africa and the Middle East and South Africa partly saw the impact of additional capacity to Saudi Arabia and South Africa.

Just turning to Q4, so far, we are pleased with the revenue performance with passenger route revenue held positively year on year, including the North Atlantic. We did have a particularly good month -- good in-month booking in December last year following the elections, so we do have some tougher comparatives over the next few weeks. Despite this, we are confident about the long-haul market in particular. And while it's a bit further away, H1 is so far booking positively.

Just to note, as you've seen the currency impact on PRASK in Q3 was minus 2%. In Q4, we currently see higher adverse FX on revenue of around 3.5 percentage points, most of which is usually the average sterling to euro rate, which was about EUR1.2 last year. And this year, it looks like it will be around about EUR1.15. Clearly, the majority of the translation FX impact on revenue is offset by a favorable impact on costs.

I guided last quarter that the increase in our nonfuel unit costs this year will be weighted to the first half of the year, and I'm pleased that we're broadly flat in Q3 compared to plus 4.6 increase in Q2. This is a good performance overall and in line with our expectations.

Currency benefited the unit costs by about 2%. Employee unit costs increased 2.9% due to agreed salary increases, which were only partially mitigated by productivity benefits for more punctual operations.

Supplier cost inflation was more than offset by procurement-driven transformation initiatives, part of our wider transformation program. Ownership unit costs increased by 9%, driven by investments in new aircraft, products, and IT. Fuel unit costs reduced by almost 11%, driven by lower commodity prices and the fuel consumption savings from the new generation aircraft we're investing in.

We continue to expect nonfuel unit cost to increase around 3%, in line with the guidance I gave you at the last quarter. And likewise, on fuel, we continue to expect fuel costs to be around EUR7.1 billion.

This slide shows our financial results for the nine months down to net profit. Operating profit increased by around 18%, and pre-exceptional profit after tax increased by approximately 20% to EUR2.7 billion, which, in addition to a lower share count from our share buyback program, drove a 27% increase in adjusted earnings per share.

I'm pleased to report that our balance sheet continues to strengthen. Gross leverage reduced to 1.9 times, down from 2.6 at this time last year, driven by the regular maturity of our aircraft financing and paying down of IAG bonds. Net debt was relatively flat year on year despite the shareholder returns and net leverage decreased to 0.8 times due to the year-on-year profit improvement. We still plan to give approximately two-thirds of our expected 25 new aircraft deliveries unencumbered, and we still expect to spend approximately EUR3.7 billion on CapEx this year.

This is my final slide. I want to remind you about how we think about capital allocation, which is core to how we create long-term value for our shareholders. Our first priority is to make our balance sheet strength, targeting net leverage below 1.8 times through the cycle, which is a proxy for investment grade.

Our second priority is to invest in the long-term strength of the business at high rates of return with a focus on rebuilding our fleet, improving our customer experience, and enhancing our digital capabilities and advancing our sustainability agenda. We're, of course, committed to a sustainable dividend return, and I'm delighted to announce an interim dividend of EUR220 million. This represents approximately 50% of the anticipated annual total dividend. And as with the earnings per share, the dividend per share will also benefit from the share count reduction.

Furthermore, with the current EUR1 billion share buyback program nearly completed, we intend to announce further returns of excess cash to shareholders at our full-year 2025 results at the end of February. We are confident of the strong end to the year and feel that this is a more appropriate time for the Board to make the decision in line with pre-covid practices.

And on that positive note, I will now hand back to Luis.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you very much, Nicholas. As usual, I would like to remind you of our strategy that focuses on three strategic imperatives. Firstly, our strong core. We are deploying our capacity in a disciplined focused way to leverage our market-leading positions. And we are building our brands by investing in new, more efficient aircraft and better cabins and services alongside more efficient operations.

Secondly, we are building up our complementary capital-light businesses, in particular, IAG Loyalty. And thirdly, we have a robust financial and sustainability framework. We, consistently, executing these imperatives, we can deliver and maintain targets that we think are both best-in-class and appropriate for our business through the cycle. As I mentioned earlier, we have now delivered a 15.2% margin over the last 12 months which is market-leading. Fundamentally, we believe that delivering earnings growth at these levels of margin and return on capital will create substantial value for our shareholders.

As usual, there are a lot of things going on around the group, and we have highlighted a few initiatives on this slide. Our network strategy is to focus on our core markets. With increasing scale in our hubs, we offer our customers more choice of destinations and frequencies. We focus on delivering improvements to the customer journey in our aircraft and on the ground and through a combination of the human touch and digital innovation.

A good example of this is our announcement yesterday that we are going to partner with Starlink to provide high-speed connectivity in all of our airlines with the rollout likely starting early in 2026. Our punctuality as a driver of both customer satisfaction and efficiency is amongst the best in the world, and in particular, has been excellent over the summer despite many external headwinds.

On-time performance improved across all airlines with British Airways achieving the best OTP at Heathrow since 2012, up by 10 points year on year. And NPS also continues to improve around the group, with Vueling NPS keeping a record high this summer. Finally, we are pleased to announce today that IAG Loyalty has signed a multi-year partnership extension with American Express.

Moving on to our outlook, our expectations for the 2025 full year are unchanged. As Nicholas has explained, we are booked positively so far for Q4, including the North Atlantic, so we are on track to deliver another very good year of revenue and earnings growth, margin progression, and strong shareholder returns. Demand for travel is strong and our fundamentals are proven. We have leading market positions, a great network, powerful brands, and an attractive customer base.

Through the transformation program, we are delivering the margins that we are reporting today. And we still have a significant number of initiatives to roll out gross revenue costs and operations. So we believe that we can continue to deliver strong value creation for our shareholders through the cycle.

So I will finish by summarizing those key elements of that business model and our long-term investment case: strong markets, strong execution, and strong value creation. And on that note, we will turn the call over to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Alex Irving, Bernstein.

Alex Irving *Sanford C Bernstein & Co LLC - Analyst*

Two for me, please. We heard from -- first of all, we have some of your peers about in less peaky summer, but with the summer extending into Q4. Does that match your assessment? If so, is that a 2025 factor or a lasting change? And what does that mean for how you manage the business?

Second, on the North Atlantic, we saw Alaska launch in Heathrow. Do they get that slot in your existing joint business? If so, why? And should we see that as a precursor potentially adding them into that joint business? Thank you.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Okay. So thank you. So for the Q4 and Q1, we currently have about 80% of the Q4 book. The wider revenue performance is good and the passenger revenue is held positively versus last year. And we need to take into consideration that last year was very strong with total PRASK up 3.1% in general and in North America was up 14%.

So performance is different by region. We see improving trends in North Atlantic. And currently, revenue is held positive. We see also a strong October and November in North Atlantic. South Atlantic, as we said in the presentation, continued to be strong. And in Europe, we continue seeing some softness in intra-Europe. But with lately, we have seen improving. Rest of World is also positive.

And what we can see for Q1 right now with revenues around 30%, the levels of revenue that we have are also above last year -- last year. So in general, the trend that we see is positive. So Q3 was a little weaker. As we said, North Atlantic point of sale, non-premium and transfer traffic had an impact in that. But we see that the situation is improving since then. A

And about Alaska, maybe you want to comment Sean.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Look, I think Alaska a very important part to America and BA and we have a very good connecting partnership over Seattle and to places in the West Coast where they've developed the network over recent years. It would be premature to talk about entry into any joint business, but we work with Alaska on a very constructive basis. And we would have helped them through the kind of slot process in advance of the next summer.

Operator

James Hollins, BNP Paribas.

James Hollins *Exane Bnp Paribas - Analyst*

One for Sean, please. Maybe if you could give us a quick update on the very sort of current news on the US shutdown. And clearly, international flights are protected, but whether you might perceive there's a little bit of reticence on late bookings on your transatlantic network. And while you're on, maybe update on your BA digital transformation. I think we're getting into the upcoming?

And then for Nicholas, full-year cost, I -- let me put it this way, is there a good chance you beat the 3% guide, particularly with FX and obviously, the performance you've had so far? Or is there anything specific on costs in Q4 that would mean you don't beat 3%? Thank you.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Just on shutdown, I think it's early stages. But right now, we're not seeing any impact. And I think one thing I would say is we have -- it's November. So there's lots of kind of ability to reaccommodate across networks if there is an impact, we fly to 27 points directly in the US. And we work with American closely and start selling over those networks. So I think right now, it's business as usual, and we're not seeing any effect.

But I think our direct network out of London, if there is any marginal impact on connecting traffic, we'll have plenty of capacity to kind of reabsorb any (technical difficulty). In relation to digital transformation, yes, we are entering an exciting phase. About 50% of our bookings on dot com, and we're going through what we call our new booking flow, and that's showing very encouraging results. We're happy with conversion. We're happy with the performance, and we're very happy with the CSAT.

We'll begin to scale the number of bookings we put through that platform as we head in towards the December-January sale period. So the vast, vast majority of bookings heading into next summer will have come through that new booking flow. And we're in a position that we start rolling out the app facing element of the digital transformation early in 2026. So yeah, it's exciting, and we're very encouraged by what we're seeing.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. Just on the cost side, James, we've got all the MC here. So thanks for putting them under a bit of pressure overall. We're sticking with our kind of 3% guidance at the moment. You can see FX is moving around quite a bit at the moment overall, but we think that's still -- we're holding on for that at the moment.

But we're pleased with the progress we've made, particularly with supplier costs overall, particularly the kind of process improvements we've put in and the kind of procurement savings we're doing. So we're pleased with how that's going.

Operator

Stephen Furlong, Davy.

Stephen Furlong *J & E Davy Unlimited Co - Analyst*

Maybe for Luis, just talking about or thinking about into next year, even into next summer. I'm just thinking about the competitive environment. Maybe you could talk -- maybe go through the regions again because I'm thinking about things like let's say, in LatAm, is there any change? Obviously, you have Turkish investing in Air Europa. I don't know on the other side.

In the US or North Atlantic, I'm thinking about like United or I think it's Delta expanding a lot of capacity. And then for yourselves in terms of capacity, maybe you'd be able to grow a bit more at Heathrow, if there's a bit of an improvement with the trends, et cetera. So just talk about the competitive dynamics as you see over the next 12 months in general terms. Thank you.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you. So I can't comment on the capacity that we see for the next quarters. We need to take into consideration that still the people that are working in the current (inaudible). But what we see, for example, for Q4 & first quarter of 2026, is that capacity from London Heathrow or North Atlantic, London Heathrow is going to decrease in comparison to previous year. So that's going to help.

We see that the other hubs, the traffic with North Atlantic are going to be more difficult. So Dublin for example, the people, they are adding a lot of capacity in winter that is not usual. So we see in the Q4, an increase of capacity of around 16% and in the first quarter, 15%. So we are going to have a very tough competitive environment there.

Madrid North Atlantic, Q4, we are going to have an increase in capacity of around 5% in the first quarter, 10%. So it's true that Q3, the increase of capacity was higher and other people, they are moving capacity from Madrid to other regions in Spain.

If we look at Latin America, from London, we see a decrease in capacity in the last quarter and also in the first quarter. Madrid is going to have an increase of around 4% in the Q4 and around 7% in the Q1. So -- but even with this increasing capacity, we are seeing strong yields and strong load factors.

And the intra-Europe is different in the different subs that we have. Heathrow Europe is going to be almost flat. Madrid Europe is going to be around 7%, Barcelona Europe around 4%. And Dublin Europe, again, high increase of capacity of around 12% in the fourth quarter and 15% in the first quarter.

So the competitive environment, North Atlantic, we see positive -- the trend. It's true that others are adding capacity. But in the joint business, we keep our market share and also in number of premium seats, we continue with a very good position.

And the other topics that you said, for example, Turkish with Europa, I think is going to be an investment of 26% in the company. I suppose they will try to develop the business, but we don't see an impact of that in the short and medium term.

Operator

Jaime Rowbotham, Deutsche Bank.

Jaime Rowbotham *Deutsche Bank AG - Analyst*

Two from me, please. First, almost certainly for Nicholas on buybacks. On slide 11, you reiterate the plan to return cash to maintain leverage of 1.2 to 1 times net debt to EBITDA. It's obvious question. But if we assume you're still at 0.8 times by year-end, it would imply a quite staggering EUR3 billion to EUR5 billion of potential headroom. Is it as simple as that, Nicholas, and presumably, at the lower end of that range, you could leave some buffer for potential M&A opportunities like TAP?

Second question is just really on short haul. Could you remind us what the plan is for Vueling next year? I think there were some clues there in what Luis said about capacity out of Barcelona. It seems like the short-haul environment is a little bit tougher for you. You talked about weaker demand -- Benelux, Germany, UK, not offsetting strength in other areas. So some comments, please, on short-haul outlook and the plan for Vueling. Thanks very much.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yes. So just start with shareholder returns. So this year, we'll have returned -- by the time we get to the year-end, we have returned EUR1.2 billion of share buybacks and EUR400 million of dividends over EUR1.6 billion in total. We haven't quite finished the share buybacks, and we'll finish that over the next month or so overall. We've kind of held back kind of doing the next shareholder return to year-end just to get it back into a normal process. We did an exceptional one that we did last year was because it was the beginning of the process, but we'll just get back into the normal swing of it. It's a normal year-end decision that we have overall.

But hopefully, we've kind of said in our statement that we're confident in going to give you further returns later on in the year overall. Just in terms of the kind of way we think about it, as you said, we've got that range of 1.2 to 1.5 net leverage below that overall. I think kind of right at the moment, we've got some increasing capital coming over the next few years. And as you say, the TAP, so we'll probably manage more towards the bottom end of that range rather than the top end of that range overall, but that still gives us kind of quite a lot of flexibility overall.

We've had one or two analysts kind of saying that not giving shareholder buybacks for this quarter may show kind of lack of confidence in the kind of future trading. I think, kind of after the strong quarter we just had and the fact that we've just said that we're booked positively for the year-end as well and kind of confidence in our overall strategy, we kind of find that that's obviously a personal statement, but it's to reflect the confidence we have in our own business.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

About the short-haul and maybe Carolina can expand on Vueling. But the Q3, the point-to-point traffic was okay. We suffered in the transfer traffic, as I said previously. In the Q4, what we see is that competition is high. In Q4, intra-Europe capacity is going to raise around close to 6%.

But we have different performance in different countries. And for example, there are markets that are working very well for us. We need also to take into consideration the impact of the FX in the Q4 that is going to be relevant. But maybe Carolina, if you can comment on Vueling.

Carolina Martinoli *International Consolidated Airlines Group SA - Chief People, Corporate Affairs, and Sustainability Officer*

Sure. If we look at Q3, I think it's a mixed bag, as you can see. So some markets work very well, domestic worked very well for us. As Nicholas said before, we had some specific markets with a weak performance. Germany, UK, Netherlands -- Netherlands very linked to the tax situation there.

But we have a very strong position in Barcelona, and we offer from there over 100 routes, it's a constrained airport, and we have one-third of domestic traffic. So we are very used to face the strong competition, but we are positive about our ability to compete.

If you look at our PRASK, a good part of that is self dilution. So we have decided cautiously to invest in some markets. Canaries is as a good example. We have grown over 30% in Canary, but we are already seeing the results of that investment. So although you are right, it's going to be very competitive. I think we have a good position to compete in our core markets.

Operator

Savi Syth, Raymond James.

Savi Syth Raymond James - Analyst

Maybe for Nicholas, I'm not looking for guidance or anything like that, but I was wondering if you could talk a little bit about as you look out to 2026 just across the kind of the main cost items. Just generally, what you are expecting in terms of inflation and anything, any kind of offsets or headwinds or tailwinds that we should think about.

Nicholas Cadbury International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer

Yeah. We're not giving guidance for 2026 overall at the moment. I think all I'm going to say just on the cost base as well, we've given kind of clarity the last kind of two quarters on this year, which we're confident is living. We've just delivered a good quarter on the cost base overall. So that will be up about 3% year on year on nonfuel cost. I'm expecting kind of the transformation program and also with kind of some -- hopefully, some kind of easing inflation overall that that kind of number should moderate into next year overall.

Savi Syth Raymond James - Analyst

That's helpful. And if I may just also ask just on the demand side, if you could kind of give a little bit more color between just kind of corporate versus premium versus kind of maybe the economy leisure.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

Yes. I think that if we look at the business traffic, year to date, we have volumes around in total at group level of around 70% of the volumes that we had in 2019 and revenues close to 87%, so situation is improving but slowly and with a very different performance in the different airlines. So, for example, in British Airways 62%/63%, 82% in revenue; in Iberia, close to 80% in volume and above 100% in revenue; and in Aer Lingus close to 100% in volume similar in revenue. So with this, we expect to finish 2025 with business revenue above what we had last year.

If we look at the volumes in Q3, we saw a decline in comparison with last year. But what we see now in the Q4 is positive. For example, in British Airways we are seeing now growth in North Atlantic, both the UK and North Atlantic point of sale. So we think that this is going to help to that recovery. But in any case, as I said, in some way, we are in a stable situation and the improvement is slowly.

In any case, when COVID had started, we said that we were expecting to come back to levels of revenue of around 85% of the revenues up in 2019, and we are above that. And the good news is that we are delivering these strong results with this percentage of business traffic. What it means that our model is very -- is working very well also with the premium lesser traffic.

Operator

Harry Gowers, JPMorgan.

Harry Gowers JPMorgan Chase & Co - Analyst

Two questions, if I could. The first one, just if I could ask on your positively booked revenue comments in Q4, if you could maybe clarify how positively booked we're talking. And could we end up seeing RASK higher year over year for Q4 versus last year?

And then the second question, I was just wondering if you could go into some color on the UK point of sale on transatlantic and also UK point of sale on short haul as well and if we're seeing any demand weakness or price sensitivity. Thanks a lot.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yes. So just -- Harry, I'd love to give you more detail, but that's about as much as we can give you on this, booked positively overall, I mean, we're currently -- we've had a good October and November, particularly seen actually point of sale in North America being good on both sides, actually from UK and from the US as well and actually the US leisure point of sale in the last few weeks has been a bit better as well, which is good to see.

The only thing we're just calling out is we had a particularly strong December last year across the Atlantic -- across the Atlantic, it was a bit of kind of pent-up demand. And if we saw it very strong. So we're just about to enter those weeks, but we're feeling pretty positive about it overall. So I think that's all we can say. And ASKs are going to be about 2.3% in the quarter as well.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Yeah, just on the UK segments in terms of the booking profile, Q3, we were positive across both business and premium and non-premium leisure. And in Q4, it's a little bit more positive, but we don't commit to the specifics. So yeah, we're seeing stable demand as the best way we describe it, and that's relevant, I think. it's prevalent in both Europe and/or US markets, as Nicholas said.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Does that answer your question, Harry?

Harry Gowers *JPMorgan Chase & Co - Analyst*

Yeah. Thanks a lot.

Operator

Conor Dwyer, Citibank.

Conor Dwyer *Citibank - Analyst*

I'd just to come back a little bit to the buyback question. Nicholas, you already talked a little bit about managing towards the lower end of that range of 1.2 times to allow for some potential M&A, things like that. But obviously, that still implies basically you can pay out actually more than your free cash over the next few years. Is that really how we should be thinking about this? Or are there other things in there that might, let's say, move that leverage number away from that kind of level?

And second question was especially on the Loyalty. So growing revenue by 10%. Obviously, that growth has been extremely high in recent years. I'm just kind of wondering, are you now kind of viewing that business as a bit more mature? Should we be really kind of thinking that as a kind of mid-single-digit percentage growth business? Thank you very much.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. Just on the share buyback. I mean, we set out the guidelines where we want to manage our balance sheet to, overall. And I think when we did that, we kind of said the things that we'll be looking at for it's a forward-looking thing rather than a backwards necessarily. So we'll be looking forward to how does the outlook look. We're feeling pretty positive about that at the moment.

We also looked at what M&As on the horizon, TAP maybe potentially overall. And there's also kind of CapEx, what's our CapEx commitments looking forward as well.

Now CapEx, as we know, is about EUR3.7 billion this year, next year, probably more about EUR4 billion. But we know over the next few years after that, it starts to ramp up. And that's why we could be managing towards the bottom end of that and making sure we've got some good headroom and ready for that overall.

Adam Daniels *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty*

On the loyalty side, just to come back on that specifically, yeah, we are continuing to see -- if you look at the year-to-date performance because there are some specifics around promotions around particularly on issuance offer the points. So if you look at it across the year, we're still seeing double-digit growth in terms of the currency that's being issued and thereabouts on usage of those points on how those points redeemed. So I think we're seeing a continued growth and the continued double-digit growth that we see over the previous years.

Operator

Ruairi Cullinane, RBC Capital Markets.

Ruairi Cullinane *RBC Capital Markets Inc - Analyst*

First question on cargo revenue decline. Should we expect similar dynamics in Q4, given another strong prior year comp? And then just sort of coming back to the unit revenues, do you think North Atlantic trends you've seen is suggestive of the Liberation Day headwind, which may now be fading, given the improvement looking forward? Thank you.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. On cargo, yes, you're right. I think we're seeing actually the supply -- the demand for cargo is still relatively good. And you can see that our weight -- we're carrying is still up overall. But we're just seeing some softness in yields.

And as we said in the call, that's really based on the fact that we're anniversarying the high yields we had as there was a lot of disruption over the Red Sea last year -- they will -- and that's just -- the supply chain around that is just kind of normalizing overall, and you'll see that probably into Q4 as well.

The North Atlantic, I'm not sure we can -- anything else we can really say about that overall. I mean, Liberation Day was in April overall.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Yes, as we said in Q3, we were below what we expected. But since then, we see a recovery. And as Nicholas said before, we see an improving trend, which is strong October and November, and we are booked positively. So I think the effect of the Liberation Day is far away.

Operator

Andrew Lobbenberg, Barclays.

Andrew Lobbenberg Barclays Services Corp - Equity Analyst

Can I ask two questions. One on what labor relations lie ahead? I think there is some at BA, but perhaps you can correct me on that and whether there are any elsewhere in the group.

Second question, I'd quite like to hear your thoughts around the situation at AENA where I mean, obviously, you want low airport charges, as I can imagine. But it appears that the airport companies becoming something the political football in Spain, and its plans to develop the infrastructure are potentially being threatened.

So where do you sit -- obviously, you do want beautiful facilities for very low cost. But how do you think about your key partner providing infrastructure in Spain being such a political football?

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

So about the labor situation, I think we have closed the most important agreements at group level. We are still negotiating some places like Iberia, with the ground staff. Maybe, Marco, you can comment on that later.

We have now situation -- a difficult situation in Manchester, where, as you know, we have a strike and is probably that we are going to continue with a strike. And in Aer Lingus, they need to negotiate agreements with the different collectives. And in Vueling also, some of the agreements, they expire at the end of this year and they are negotiating. So maybe you can comment maybe in the situation in Manchester.

Lynne Embelton Aer Lingus – Chief Executive Officer

Yeah. The -- just about Manchester in context, first of all, it takes two aircraft there -- the Manchester base applies transatlantic. We're managing through the strike. We've been accommodating, reaccommodating more than 90% of our customers in strike date so far. We reached agreement with Unite on two separate occasions. And they've got the recommended deal to their members, which the members rejected. So we've benchmarked there. We've been working through ACAS.

I think the key thing here is we need to be cost competitive. Notice we need to be able to perform financially. We need to justify asset allocation. We're part of a group where capital is constrained and distributed where returns can be made the most, and I'm very conscious of that when we look into our industrial relation situations.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

Okay. Maybe, Marco, you want to comment on the ground staff.

Marco Sansavini International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia

Yeah. Indeed. In terms of the labor relations in Iberia last year, there was a major milestone that was achieved. It was to set the new collective are with our pilots that, as you know, is a system where we share the benefits of the results of the company, not only linking the pay evolution and the one-off evolution and a payment to the EBIT results of the group, but also to the productivity of our staff to the NPS and the OTP, so the capability to deliver to our customers.

And the same has been achieved this year with our cabin crews. And we're just starting now the process of opening the negotiation with our ground personnel, and we are confident that the same scheme and system, of course, with the nuances for the specific collectives can be applied also there. It is very beneficial also for the people.

And one remark, as you know, we also introduced the possibility for people to buy shares and become shareholders. And more than 1,000 of our staff currently have subscribed to that. That is another element of sharing the benefits of the resource of the company.

And maybe a comment in terms of the AENA situation. Of course, our strategic plans implied the necessity of an alignment with AENA and we have a common view of bringing to the full potential of the Spanish, both operating companies and infrastructure. Of course, that needs to be done at an affordable price. It is the same news that the group has with regard to the UK so and we are in close contact with AENA to ensure that that will happen.

Andrew Lobbenberg *Barclays Services Corp - Equity Analyst*

Can I just check? Is everything done inducted on CLAs at BA? Or are there any --?

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Yeah. Our collective agreements go to the end of '26 and mid- '27. So we concluded those over the last 18 months.

Operator

Patrick Creuset, Goldman Sachs.

Patrick Creuset *Goldman Sachs Group Inc - Analyst*

Just coming back to your comments on Q4 trading, please. When you say booked passenger revenue for Q4 is up year-on-year including on the Atlantic. Just double checking that that is after the FX headwind that you flagged or is this constant currency?

And then secondly, if we look at your ASK guide of 2.3% for the quarter, again, coming back to the comment on increasing passenger revenue overall, and that would imply RASK at least somewhere around flat year on year, consensus standing at minus 2% for the quarter. So is that a fair interpretation?

And then on the basis of that, looking at consensus expectations of somewhere around EUR5 billion -- just shy of EUR5 billion op. profit for the year, do you sort of feel comfortable with that? Thanks.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Just -- you're right. The guidance we've given on the positive booking includes the FX. So it's not in constant currency overall. That takes account of the currency impact as well. I'm afraid I can't give you -- I'm not going to give you PRASK guidance for North Atlantic for Q4 overall, except, I think we said we were positive overall. I mean, that's taking account the ASK growth as well, but we've got positive momentum on that overall.

And so the last question on consensus, yeah, you're right, consensus is just under EUR5 billion. And if we weren't happy with that, we'd have to say something, and we're not saying anything.

Operator

Muneeba Kayani, Bank of America.

Muneeba Kayani Bofa Merrill Lynch Asset Holdings Inc - Analyst

I just wanted to touch on this new Amex partnership extension. How should we be thinking about it in terms of impacting the Loyalty top-line margins? And then just related to that, overall margins into next year, you're very much at the top end of your midterm guide. You talked about possibly unit cost inflation being better next year. You're seeing good demand trends. Like, how are you thinking about that margin into next year, please? Thank you.

Adam Daniels International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty

Yeah. Just starting on the Amex agreement. Yes, so we're very pleased that we've recently agreed with a long-term agreement with American Express. That continues the good work that we've done previously in terms of -- that agreement includes the British Airways co-brand, the Membership Rewards business, and the acceptance of Amex across the different airlines this time to include Level as well. So we're delighted that we have this multi-year agreement, and that will help the Loyalty business as we go through the next few years to have that agreement in place, and we look forward to working with Amex in the years to come.

Nicholas Cadbury International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer

And just on guidance, we're not giving guidance yet, but I mean, I think kind of with the dynamics that we're seeing, we still see strong demand for travel. We still see a constraint in supply of aircraft into the market next year overall. We've got our transformation program, which is both driving our own revenues and also the kind of costs under control, which I said should moderate overall.

So if you put those dynamics together, there's no reason why we shouldn't be at the top end of our guidance and sustain there overall. Of course, it depends on where fuel is and inflation ends up overall. But I think we're feeling confident in that.

Operator

Gerald Khoo, Panmure Liberum.

Gerald Khoo Panmure Liberum Capital Ltd - Analyst

Two, if I can. There's been a lot to talk about the sort of ongoing strength in premium leisure. I was just wondering whether you could give an indication as to the relative importance of premium leisure within the premium cabin. I know you probably won't give an exact figure, but just something to give a rough indication of how important that is proportionately. And what -- in terms of that trend of growth, what could derail it? What could cause the premium leisure strength to reverse or soften?

And certainly, I think there was some talk about strong short-haul capacity growth at British Airways. So I just wanted to kind of understand where that was and why that was done, please?

Nicholas Cadbury International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer

Yeah. Just in kind of premium leisure, yeah, we don't disclose the kind of precise mix we've got on premium leisure premium seats. If you look at it's different by different airlines, of course, if you look at British Airways, we've got about 45% of our seats are premium overall. A significant part of that is leisure. We've got about 20% of our overall customers and corporate customers. And more of that when you look at SME businesses overall, but they're important part of our growth.

And you can see that in terms of corporate customers overall, they're still down year on year, but actually that's been filled very successfully by the demand for leisure, particularly at the front end of the plane. So it still continues to be strong.

In terms of derailing, one of the concerns we had as you get up to the -- we're approaching the UK election, which feels like it could be targeted more at the -- our customers at the wealthier end of the line. So you would expect maybe some slowdown, but we're seeing the opposite of that at the moment as well. So the people who have got money, have got money at the moment.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

In terms of short-haul capacity, there's probably two dimensions driving it. One is we have been replacing A319s with A320s and 321s Heathrow. So that's a chunk of gauge. We've also been reorienting the network to fly to probably more of the Southern European leisure markets, which gives us a stage length effect, which increases ASKs. And we've been continuing to build back our Euroflyer business at Gatwick

So that's operating kind of 25/26, which is probably where it was back in 2017, '18. So there are kind of three drivers of that capacity increase. And we've had some gauge benefits as well at London City, where again, we're adding some ASKs, but again, primarily into longer sector leisure markets, which were robust on its own.

Operator

Goodall, Rothschild.

James Goodall *Redburn Partners LLP - Analyst*

So just firstly, following up on Muneeba's question on Amex. Has there been any changes in commercial terms with Amex as a result of the new agreement? And how should we think about the cash remuneration element going forward?

And then secondly, given the strong on time performance in Q3, can you quantify what the benefit was to both revenue and costs from lower disruption in the quarter, please? Thank you.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. I mean, on the Amex, it's a commercially sensitive agreement, so we can't really give any details in terms of the specifics overall, both in terms of -- kind of be it on margin & cash at the moment (inaudible) anything.

Adam Daniels *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty*

No, I just have to say, I think that's right. But clearly, we're very happy with that agreement. It works for both us and American Express, and we're going very pleased to extend it for the long term.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

And about the disruption cost, in the case of this year, the costs were almost half, 45% less than the cost that we've had last year.

Operator

Jarrold Castle, UBS.

Jarrold Castle UBS AG - Analyst

Two as well. It seems like the MRO business is doing pretty well. So if you could just give a little bit more color in terms of pipeline of work and what you're seeing there.

And then just secondly, I mean, a lot of attention to loyalty. And obviously, the changes happened, I think, it was April this. Loyalty members, they're going to get their tier status, I would imagine sometime in March next year. Just interested you know within the different tiers: gold, silver, bronze. At BA, has the mix changed, i.e., are some of the gold members as a percent of total mix slipping down or some of the silver going up? And what are signings like into the loyalty program at the moment? So any color on how you see that evolving going into March? Thanks.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

Maybe, Marco, you want to comment on MRO, mainly the engine business?

Marco Sansavini International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia

Yeah. The engine business is still cycling over the post-COVID phase. So indeed, as you say, is recuperating. You see that a lot of the non-airline revenue growth has been driven by the growth of maintenance. So it's coming back to pre-COVID levels of profitability. And we are currently in the phase of setting the stages of the next -- a longer-term view of the strategic opportunities there. So I think we will come back in time on that.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

In relation to the club and the relaunch, I think it's performing as we would expect. I think the tier sizes are broadly tracking the way they were last year. But we are hearing anecdotes of people who are higher-value customers getting their tier quicker. So we don't expect to see much movements in terms of tier sizes. But we do think that the club tiers will be rewarding our higher revenue customers more quickly and more fairly.

Adam Daniels International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty

Yeah. And I think I'd add to that, just in terms of the club, you asked about where the numbers are. We are still seeing some good growth in terms of people joining the club, both in terms of BA Club and the Iberia Club. Active members, so that's somebody who's done something in the last 12 months, is up double digits. So we're seeing a lot of activity.

And we're also starting to see, which we talked about last quarter, people increasingly using their holiday as a method of obtaining tier point. So that's another trend that we're seeing.

Operator

Alex Paterson, Peel Hunt.

Alexander Paterson Peel Hunt LLP - Analyst

Yeah. So just continuing that theme of holiday sales to BA Club members. Has that really benefited the third quarter? And if I look ahead, your -- the number of ATOLs that you have paid for is flat year on year. So if I think about then where is the growth in IAG Loyalty going to come from? If it's not from the number of holidays, is it -- are you going more upscale? Or is it the growth is going to come from more Avios issuance?

Adam Daniels International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty

Yeah, Alex, thanks for that. Yes. In terms of club, yes, we are seeing more revenue coming from club members. That's up on where we were in terms of if you look at it year to date. And we are expecting that to continue. So -- and you're right in thinking that the quality of revenue that come from those members tends to be strong. And so that's definitely where we're seeing some of the growth.

In terms of ATOLs, I've always said that ATOLs are a bit of an art rather than a science. And so we certainly plan to grow the business into '26. And in Q3, we definitely saw that growth in a lot of areas. I would highlight Greece is probably the region that's had its strongest summer certainly for us. So yeah, that growth continues.

Operator

There are no further questions. I will now hand back to Luis Gallego for final remarks.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

Okay. So thank you very much. Thank you very much, everybody, for being here today. As we said at the beginning, a strong set of results, positive trend in bookings for the third quarter and first quarter. So we continue -- we are going to continue executing our strategy that is delivering better results than average. Thank you very much.

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