Sale of Air Europa: Air France and Lufthansa afraid of the price

Letter from François Robardet

Air transport in France, Europe and the rest of the world

N°1017, May 19, 2025

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Editorial

Dear readers,

I would like to remind you that the Annual General Meeting of Air France-KLM will be held on Wednesday June 4, 2025 at 2.30pm at the Van der Valk Paris CDG Airport Hotel - Zone Industrielle Paris Nord II - 351 avenue du Bois de la Pie, 95700 Roissy-en-France. It will be webcast live on the Group's website.

All documents relating to the Annual General Meeting are available on the Air France-KLM Group website, on the Shareholders page, under Annual General Meeting. These include the resolutions that will be put to the vote of shareholders.

As in previous years, I invite those of you who are Air France-KLM shareholders to give me your proxy.

You will find the procedure in my Flash n°104.

Thank you for your confidence and loyalty.

Happy reading!
François

The weekly newsletter

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> Sale of Air Europa: Air France and Lufthansa afraid of the price

(source Preferente) May 19, 2025

My comment: *In November 2019, IAG, already owner of Iberia, British Airways, Aer Lingus, Vueling and Level, had announced its intention to buy the Spanish private airline Air Europa, for €1 billion according to the agreement reached between the two parties.*

However, the Covid-19 pandemic upset these plans. In November 2020, Air Europa received 475 million euros in financial support from the Spanish state, in the form of loans. Against this backdrop, IAG revised its offer downwards, valuing Air Europa at 500 million euros.

In August 2022, the transaction took a new form: IAG activated an option to convert a 100 million euro loan granted to Globalia, Air Europa's parent company, into a 20% stake in the company. This transaction confirmed Air Europa's valuation (500 million euros).

The European Commission was quick to express concern about the competitive consequences of a merger between Iberia and Air Europa, fearing excessive market concentration to the detriment of consumers.

In an attempt to address these concerns, IAG proposed to divest up to 40% of the flights operated by Air Europa in 2023. Despite this, the combined market share of Iberia and Air Europa in Madrid on long-haul flights would have reached 64%, which remained too high in the eyes of the Commission.

Faced with these regulatory obstacles, IAG finally gave up in August 2024 on acquiring the remaining 80% of Air Europa. An indemnity of 50 million euros was *then paid to Globalia for the termination of the agreement.*

The current estimate of Air Europa's value at one billion euros is exaggerated: it doubles the amount previously accepted by IAG, and does not take into account the 475 million euros debt that the company still has to repay to the Spanish state.

Read the article:

Air France and Lufthansa, the preferred groups to take a stake in Air Europa, **have broken off negotiations with the Hidalgo family. The reason, according to El Confidencial, is their disagreement over the price**. They consider the owners' valuation of **1 billion euros** to be excessive (Plan Hidalgo: new partners without losing control of Air Europa).

The two airline giants consider that the Hidalgo family's €1 billion valuation of the airline, identical to the amount agreed with Iberia in the first sale agreement, is far higher than its real value. While it's true that **Air Europa** has bounced back, posting the highest profits in its history last year, it is heavily in debt. It **has**, for example, **until November 2026 to repay the 475 million euros of the state rescue plan. In addition, it owes 210 million euros to the subsidiary which, in 2023, lent the same amount to the parent company, maturing in 2027.**

On the other hand, reports of possible irregularities in obtaining the state bailout have caused concern among the management bodies of both the French and German airlines, who fear that they may be tainted by the judicialization of this affair (the Hidalgo family is accused of having paid over 500,000 euros to Ábalos for the rescue of Air Europa).

As reported by Preferente, negotiations have not progressed for some time due to the fact that **Air France and Lufthansa want to take a larger stake than Globalia is willing to cede**. Both are seeking a majority stake in Air Europa. The Hidalgo family, on the other hand, are keen to retain control, willing to cede only 25% (Hidalgo jr. is leading the search for partners for Air Europa).

In spite of everything, the parties seem doomed to come to an agreement. **The Hidalgo family needs the entry of an industrial partner to meet the repayment of the government bailout**, while for Air France and Lufthansa, the partial acquisition of Air Europa represents a unique opportunity to expand in Latin America.

> Minister Madlener withdraws a sentence from Schiphol's downsizing plan, so that aviation can grow faster again

(Source: Volkskrant) May 9, 2025

My comment: *The Dutch government seems at last to be following the recommendations of the European Commission. It will include the contribution of new aircraft to reducing noise pollution.*

KLM's investment policy to replace its older aircraft, which are noisier than the latest models, has been confirmed.

Environmental organizations, who had hoped that only the reduction in the number of flights would be taken into account, have had their work cut out for them.

Read the article:

The project to narrow Schiphol, where air traffic causes too much noise for local residents, has been under discussion since 2022. Schiphol is one of Europe's largest airports, and is currently licensed to operate 500,000 flights a year.

The downsizing plan has been amended several times over the years. Most recently, it was the current Minister for Infrastructure and Water Management, Barry Madlener (PVV), who in December increased the maximum number of flights to 478,000. He did this to satisfy the airlines, he said at the time. "Aviation is not an easy business, they spend billions of euros to buy new aircraft."

It seems the minister is helping the airlines again. **According to the original reduction plan, noise pollution around Schiphol is to be reduced by 20 percent**, "**in addition to annual autonomous development**". This means that the required 20 percent noise reduction is independent of the fact that new aircraft are becoming quieter and quieter.
(...)
But **Madlener will now delete the phrase "in addition to annual autonomous development"** from Schiphol's environmental noise reduction plan and action plan. This is according to the answers given by a spokesman for the Ministry of Infrastructure and Water Management (I&W) to the Volkskrant when asked.

This is a major change of direction (...). From now on, there will be a single objective: the government wants noise pollution to fall by 20 percent.
(...)
This means that **Schiphol will be further reduced to 478,000 flights** from

November, the minister told the House of Representatives on Wednesday. **This will reduce noise pollution by 15 percent**. It is estimated that little or no action will be needed to achieve the 20 percent reduction: **new aircraft from KLM and other airlines will do the rest**. And the sooner the noise target is met, the sooner Schiphol will be able to grow again. According to the Ministry, there will once again be room for "controlled growth" "around 2028".

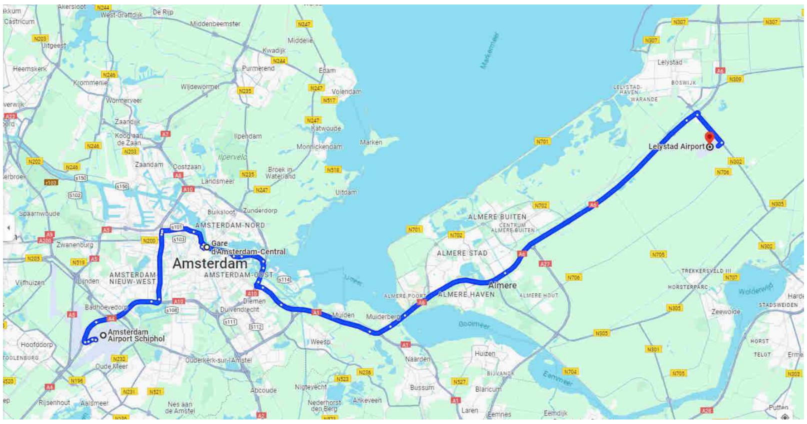
Minister Madlener is deleting the sentence because of "many factors", explains an I&W spokesman, but **mainly because the minister "is not deaf to the importance of the aviation sector".** "All investments in the sector must contribute to meeting noise targets." According to the ministry, Madlener can delete the sentence independently, which is striking, because according to his predecessor Mark Harbers (VVD), the objective was "legally established".
(...)
For Schiphol's neighbors, this decision is a "slap in the face". So says Khadija Arib, president of the Schiphol Social Council (MRS), which represents the interests of local residents. Environmental organizations, including Milieudefensie and Greenpeace, are also unhappy. They now say they will go to court.
(...)
KLM, which has been trying for months to convince Madlener to modify its downsizing plan, **calls this decision a "good step"**. The company is not yet willing to say whether it will now also renounce further legal action against the state.

Schiphol, which had a strong position in the debate on airport capacity reduction before the arrival of airport director Pieter van Oord, is now keeping a lower profile. "For us, the decision is practically feasible," said a spokesman, "and the hub function will continue to exist."

> Environmental organizations furious at possible opening of Lelystad airport, airport manager satisfied

(source ANP) May 15, 2025

My comment: *The opening of Lelystad airport, located 70 km east of Amsterdam-Schiphol, is a sea snake.*



I first wrote about this issue in 2019. Here are a few article titles from my letters.

September 2019: Amsterdam, clarification needed on Lelystad and nitrogen emissions
August 2020: WizzAir and Transavia interested in Lelystad airport
January 2022: Schiphol wants to decide this year whether to open Lelystad airport.
April 2022: Future of Lelystad "ghost airport" uncertain

January 2024: The Lower House (Members of Parliament) wants Lelystad Airport not to be used for commercial air traffic.

Often presented to the airlines as a compensatory measure in the face of restrictions imposed on Schiphol-Amsterdam airport (whose annual flight ceiling would be reduced from 500,000 to 470,000), this project is drawing the ire of environmental organizations and Lelystad residents alike, as well as the airlines themselves.

If the information mentioned in the previous article is confirmed, the opening of this new airport could be called into question.

Read the article:

Environmental organizations continue to regard the opening of Lelystad airport to vacation flights as "irresponsible and unacceptable", while the airport manager is pleased that the knot has finally been tied. According to insiders, the cabinet will decide within two weeks whether to authorize a maximum of 10,000 passenger flights a year and to station F-35 fighter jets there.
(...)
"This decision means more emissions, more noise and more pressure on sensitive natural areas," say Greenpeace and Friends of the Earth. "Together with local residents, experts and organizations concerned about the future of the climate and

nature, we will firmly oppose it. **The organizations believe that aviation should actually be reduced in order to achieve climate and nature objectives**.

Lelystad Airport manager Jan Eerkens, on the other hand, is "positive and hopeful". "After years of firms not daring at the last minute every time, this firm now seems to want to go ahead. At a time when we often hear that politicians are no longer capable of making big decisions, the fact that they are moving forward really shows vision and courage. He describes the arrival of travelers as a "tremendous prospect".
(...)
The maximum of 10,000 flight movements per year for wholesale flights means that 14 to 15 return flights could soon be departing daily from Lelystad airport. This represents between 1.5 and 2 million passengers a year, slightly less than at Rotterdam-Hague airport. The exact opening date is not yet known.

> Ryanair: annual profit weighed down by lower fares, anticipates a solid summer

(source Reuters) May 19, 2025

My comment: *The decline in Ryanair's annual profit needs to be put into perspective.*

On the one hand, it is in line with expectations, and on the other, it is at a level with which Air France-KLM would have been content, having posted net income of 484 million euros in 2024.

Read the article:

Ryanair on Monday reported a 16% drop in annual profit as average fares fell, but Europe's largest low-cost airline pointed to strong demand for the coming summer, with modestly higher prices.

Net profit for the year ended March 31 came in at 1.6 billion euros, in line with analysts' expectations, according to a consensus survey carried out by the company.

"We see strong travel demand for summer 2025 across our network," said CEO Michael O'Leary in a statement.

"While we cautiously expect to recover most, but not all, of last year's 7% fare cut, which should lead to reasonable net profit growth for FY26, it is far too early to provide meaningful guidance," he added.

Ryanair carried a record 200 million passengers over the last twelve months, after lowering its initial target of 205 million due to delivery delays at Boeing.

The company expects to carry 206 million passengers in the year ending March 2026.

> Tariffs: Boeing to resume deliveries to Chinese airlines

(source Les Echos) May 13, 2025

My comment: *In response to the tax increases decided by the President of the United States, retaliatory measures were taken by the states concerned.*

Little by little, bipartisan negotiations are leading to a new balance, including with China, which was particularly targeted.

Read the article:

It was perhaps one of the most telling symbols of the trade war between Washington and Beijing: **in mid-April, several Boeing aircraft destined for Chinese airlines were returned to the manufacturer**. At issue was Beijing's decision to prohibit national airlines from taking delivery of the aircraft they had ordered.

This ban was lifted following the agreement reached by Chinese and American negotiators last weekend in Switzerland, according to Bloomberg. Citing anonymous sources, the news agency reports that **Beijing officials began informing Chinese companies and government agencies as early as this week that deliveries of US-made aircraft were once again authorized**.

A decision which, if confirmed, is bound to put a smile back on the face of the American aircraft manufacturer, which had found itself in the role of collateral victim in the tug-of-war between Washington and Beijing. In April, Boeing admitted that it had been forced to repatriate three aircraft ready for delivery to its Chinese customers.

In addition to repatriating new aircraft, **the situation** also **forced the manufacturer,**

which had just gone through several years of crisis, to rethink its production, both for aircraft already built, for which new customers had to be found, and for those in the pipeline but not yet put into production.

Boeing was facing the spectre of a serious loss of earnings, since the company exports a great deal to China. At the end of March, before Donald Trump's "Liberation Day", Boeing's order backlog officially stood at 130 aircraft for Chinese customers (airlines, cargo, leasing companies, etc.).

But this number could actually be five times higher, as some customers prefer to remain anonymous when purchasing an aircraft. According to analysts at Bank of America, a "large" proportion of the unidentified customers who purchased 668 aircraft are in fact Chinese.

> Qatar Airways places historic order with Boeing for 130 787s and 30 777-9s

(source Journal de l'Aviation) May 15, 2025

My comment: *The total value of the order, before rebates, is estimated at between $43 and $53 billion.*

The record is still held by Airbus, with 500 A320neo Family aircraft ordered by IndiGo in June 2023. The contract value was then estimated at $55 billion.

Once again, I agree with APNA:
== beginning of quote
Qatar's order from Boeing, coupled with the gift of a VIP B747 to Donald Trump, demonstrates the political opportunism of Qatar, which orders its aircraft according to its strategic interests.

This is reminiscent of the Opensky agreement signed with Europe in exchange for a large Airbus order, with the help of members of parliament accused of bribing Qatar.

Europe was clearly duped, since it offered the market of its 500 million citizens to a country with just over a million, in exchange for a stated preference for Airbus, which has now been written off.

It would be to the credit of the members of the European Parliament to call into question this fool's bargain that is the Opensky Europe-Qatar agreement.
== end of quote

Read the article:

On the occasion of Donald Trump's visit to Qatar, **Qatar Airways has signed an order with Boeing that is historic in several respects. Providing for the acquisition of up to 210 wide-body aircraft, this is the largest order in the history of Qatar Airways**, the 787 program and wide-body aircraft in general for the American aircraft manufacturer.

The company has committed to acquiring 130 Dreamliners (787-9s and 787-10s) and 30 777-9s, with options for a further 50 aircraft of both families. All will be powered by GE Aerospace engines, GEnx and GE9X, representing a total of over 400 engines.

The aircraft will enable the company to continue its international expansion. But "after two consecutive years of record sales performance, and thanks to this historic order for Boeing aircraft, we're not just aiming for growth, we're building a force that will enable us to continue to offer unrivalled products and customer experience," comments Badr Mohammed Al-Meer.

For its part, Boeing claims that this order will support 400,000 jobs in the United States.

Qatar Airways was already expecting 60 firm 777-9s (with a further 50 on option) and 9 787-9s, plus 34 777-8Fs for freight. The company currently has a fleet of 191 wide-body aircraft (excluding freighters).

> Airbus secures $10 billion order for A330neo and A350 aircraft

(source La Dépêche) May 12, 2025

My comment: *IAG played the competition off against each other, buying ten billion euros' worth of Airbus and ten billion euros' worth of Boeing.*

Read the article:

IAG (International Airlines Group) **has just placed a major order for long-haul aircraft with Airbus and Boeing**. Based in London (UK), the holding company, which groups several airlines including British Airways and Iberia, has purchased over 70 aircraft.

On May 9, the airline group signed a contract with Airbus **for the purchase of 21 A330-900** (neo) **aircraft**. The aircraft will be operated by Aer Lingus, Iberia and Level. At the aircraft manufacturer's latest known catalog prices, this order is worth over $6 billion.

IAG has also converted options granted last March into firm orders for **six A350-900s and six Airbus A350-1000s**. The smaller version of the A350 will be used by the Spanish flag carrier, the larger by the UK flag carrier. In all, this order for 33 long-haul aircraft is worth over ten billion dollars.

38 Boeing jets ordered for British Airways
The American manufacturer has also received an order for **32 Boeing 787-10s** from IAG, which has also converted an option for **six Boeing 777-9s** into a firm order. All these aircraft will be operated by British Airways. According to data provided by the Statista platform, the value of these 38 aircraft exceeds $13 billion. In reality, however, the bill would be closer to $10 billion, as airlines benefit from significant discounts when buying in bulk.
(...)

End of press review

> **Air** France-KLM **share price trend**

Air France-KLM shares closed at **8.584 euros** on Friday May 16. Over the week, it **is up sharply (+5.61%).**

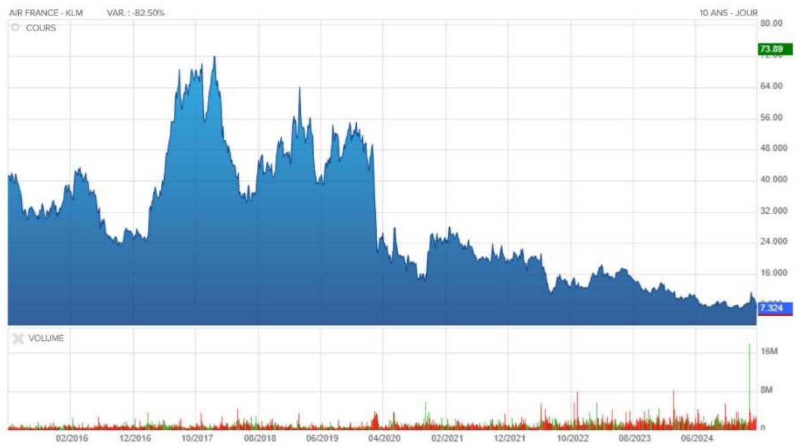
It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, and 7.604 euros on January 1, 2025.

The analysts' 12-month average (consensus) for AF-KLM shares is 8.88 euros (it was 17.50 euros at the beginning of January 2024). The highest price target is 12.50 euros, the lowest 7.00 euros.

I only take into account analysts' opinions after July 1, 2023.

You can find details of the analyst consensus on my blog.

Below is the share price trend over the last 10 years.



My comment: *Following the announcement of Air France-KLM's good quarterly results, the share price recovered (+12%).*

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is up (+$3) to $85. It was $94 at the end of June 2023, and $79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is **up ($1) to $65 a barrel.**

From mid-February 2022 to the end of July 2022, it was yo-yoing between $100 and $120. Since then, it has oscillated between $75 and $99.

My comment: *Decisions on tariffs in the United States led to a fall in oil prices.*

They then recovered slightly.

> Corporate Mutual Funds

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It's the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Partners for the Future, Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

My comment: *If you'd like to find out more about how the various Air France FCPEs are managed, please visit the Air France-KLM Employee Share Ownership section of my website.*

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will help me to keep you better informed.

By return, you can ask me any questions you may have about the Air France-KLM Group or employee share ownership.

See you soon.

To read my latest letters, click here

If you like this letter, please pass it on.

New readers can receive it by giving me the email address of their choice.

| François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow.
(Air France-KLM's raison d'être)

**I represented current and former Air France-KLM employees.
You can find me on my twitter account @FrRobardet and on LinkedIn.**

This newsletter deals with the airline industry around the world and topics related to Air France-KLM shareholding.

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