

Air France-KLM and Lufthansa submit two separate bids for Air Europa



I Letter from François Robardet

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

N°1008, March 17, 2025

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Monday's letter

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> Air France-KLM and Lufthansa submit two separate bids for Air Europa

(source AFP) March 11, 2025

My comment: Air France-KLM and Lufthansa, the main contenders for Air Europa, are also interested in TAP Air Portugal.

However, the political crisis in Portugal, which led to the resignation of Prime

Minister Luis Montenegro last week, has prompted the interim government to suspend the sale of TAP Air Portugal.

The sale can only be resumed once a new executive has been formed, probably after the early elections in May.

Under Portuguese law, the current government can only manage current affairs, which could delay the transaction by six months to a year.

Against this backdrop, Air Europa remains the only European airline still available for takeover by the sector's major groups.

The IAG group had initially proposed a bid valuing Air Europa at around one billion euros, but withdrew in the face of restrictions imposed by the European Commission, which feared a weakening of competition and higher prices.

Air France-KLM and Lufthansa are now the latest candidates in the running. Their bids are in line with that of IAG, also valuing Air Europa at around one billion euros.

However, the suspension of the privatization of TAP Air Portugal is likely to intensify competition and drive up the price of Air Europa.

Read the article:

Air France-KLM and its rival Lufthansa are speeding up their bid for Air Europa. The two groups have submitted two separate bids to acquire a stake in the airline, for €300 million and €240 million respectively, reports the Spanish online media El Confidencial on Tuesday. Contacted by AFP, neither Air France-KLM nor Air Europa would comment on this information.

According to El Confidencial, **Air France-KLM has offered to acquire 51% of the Spanish airline from its main shareholder, the Globalia tourism group, controlled by the Hidalgo family. The Franco-Dutch group, advised by Société Générale, also undertook to assume Air Europa's debt to the Spanish state during the Covid-19 crisis. This state aid amounted to a total of 475 million euros**, of which 240 million in the form of a loan convertible into capital with an interest rate of almost 9%, and 235 million in the form of an ordinary loan, with an interest rate of 2%.

If this operation goes ahead, the Hidalgo family, which currently owns 80% of Air Europa, would only own 29%, compared with 20% for IAG, parent company of British Airways and Iberia, according to El Confidencial.

According to the online media, **Lufthansa has offered to inject 240 million euros**

into the Spanish airline, via a 25% capital increase, which should also enable it to repay the loan granted by the Spanish state.

Air Europa, which currently has a fleet of some 50 aircraft, operates not only domestic flights within Spain, but also European and long-haul routes to Latin America and the Caribbean. The company carried 12 million passengers last year, with sales of 2.9 billion euros, up 6% on the 2.76 billion recorded in 2023.
(...)

> **Delta Airlines: less hovering**

(source Les Echos) March 11, 2025

My comment: *The decisions taken by the new US President are having a negative impact on the prospects of US airlines, mainly in their domestic market.*

The fall in their share prices has led to a downturn in European airline shares, even though they are not active in the US domestic market.

This suggests that investors may be anticipating the start of a boycott of the USA by European tourists.

Read the article:

US airlines are less confident about demand across the Atlantic. **Delta Airlines is not alone in dampening the spirits of economic and financial prognosticators.**

Not so long ago, American airlines were hovering on the cloud of American exceptionalism. Delta Airlines boss Ed Bastian had the thankless task of cutting his first-quarter earnings target by more than half. And if his annual target is maintained, it's thanks to the anticipated drop in fuel prices. Fellow speakers at an industry conference also toned down their expectations. But they were less bullish in January.

Domestic demand is lacking, and this applies not only to private travellers, but also to business and public sector travel. It's a rather dark cloud for Wall Street's economic picture, already in the throes of doubt about its Trump Trade. The stock fell by one level (-6.6%), more than those of United Airlines (-3.2%) or American Airlines (-5.7%). Southwest Airlines still managed to play the air girl (+7.8%), announcing its conversion to baggage billing, although it remains to be seen whether the competition will take advantage.

Competition will redouble across the Atlantic, but capacity will probably adjust. **However, the situation was deemed serious enough to cast a pall over European airlines**, including Ryanair (-1.6%), as if fewer starry-eyed visitors to the Old Continent were to be expected. In any case, the Irish low-cost carrier remains a model of value creation compared with its American rivals, including the most resilient, United Airlines.

> **IndiGo Airlines in the SkyTeam alliance, a possibility for the future**

(source Air Journal) March 17, 2025

***My comment:** IndiGo Airlines is, along with Air India, the leading airline in India.*

The strong potential for growth in traffic to and from India is likely to encourage IndiGo Airlines, headed by Pieter Elbers, to move closer to Skyteam.

Its competitor, Air India, has been a member of Star Alliance since 2014.

Read the article:

The European expansion of low-cost carrier IndiGo Airlines and the development of its partnerships point to the possibility of joining the SkyTeam alliance, thereby strengthening its global network.

India's largest low-cost airline, IndiGo, is preparing to launch its very first direct routes to Europe in July 2025. (...) This major step demonstrates IndiGo's determination to extend its global presence beyond Asia and the Middle East, with its first European routes redefining its international network strategy.

The launch of IndiGo service to Manchester does not appear to be a coincidence. **By aligning its Delhi-Manchester flight schedules with Virgin Atlantic's transatlantic departures from Manchester, IndiGo is laying the foundations for a strengthened partnership with the British airline.**

(...)

This foray into Europe, coordinated with fluid schedules, suggests a strategic decision to boost load factors and revenues through transcontinental connectivity, even if IndiGo's core business model remains low-cost point-to-point service. It may also be seen as a possible move towards a longer-term integration into the SkyTeam alliance, which includes, in addition to Virgin Atlantic, Air France-KLM, Delta Airlines, Korean Air, SAS, Air Europa, Saudia...

Although Indigo has long prided itself on operating independently as a low-cost airline, **the development of its network, the future growth of its fleet** with 68 A321XLRs and 30 A350-900s on order (not to mention over 800 aircraft in the A320neo family), **and the strengthening of its partnerships point to a more integrated international strategy.**

> **Ryanair leaves Vatry airport, taking 85% of traffic with it**

> **Paris-Beauvais: legal action to halt airport expansion**

***My comment:** The two articles below illustrate Ryanair's double standards.*

On the one hand, Ryanair is leaving Vatry (as well as Limoges, Perpignan and Carcassonne, a non-exhaustive list), citing the increase in the Solidarity Tax on airline tickets.

On the other hand, it encourages investment to expand Beauvais airport, where Ryanair accounts for over 90% of business.

In the end, both decisions follow the same logic: faced with a shortage of aircraft (the B737 Maxes are taking a long time to be delivered), Ryanair is positioning its planes in the most profitable locations.

Out go the less profitable airports, not only in France but also in other countries such as Germany. Ryanair has announced that it will no longer serve Dortmund, Dresden and Leipzig.

Read the article: Ryanair leaves Vatry airport, taking 85% of traffic with it

(source L'Union) March 14, 2025

The Marne département deploras "catastrophic news". The Irish airline Ryanair, which serves Porto and Marrakech from XCR Airport, Vatry, has announced that it will cease these routes at the end of March.

In a letter to the airport, shared by L'Union, Ryanair defends its decision by blaming the increase in an "already excessive" solidarity tax on airline tickets (TSBA), and criticizes a "short-sighted" decision, forcing it to leave many provincial airports, such as Limoges, Perpignan and Carcassonne, but also Vatry.

This decision is particularly brutal for Vatry, since Ryanair accounts for 85% of the airport's passengers, i.e. 74,000 of the 86,500 passing through the airport in

2024. It is also particularly sudden, as the airline will be ceasing services from March 29.

This announcement poses a major threat to the airport's future. "If it goes ahead, the closure of these two routes will have harmful consequences for the whole of our region and for the people of the Marne," deplores the Département in a press release. It also points to a financial loss of 500,000 euros in 2025.

The département considers Ryanair's routes to be "indispensable in a rural and isolated region", and is concerned about the impact of this decision on jobs, particularly those dedicated to passenger traffic and security. Despite this, he assures us that he is "working to ensure that the closure will not have an impact on jobs in our infrastructure".

(...)

Read the article Paris-Beauvais: legal action to halt airport expansion:

(source L'Écho touristique) March 11, 2025

A number of associations have announced that they have filed an appeal to request the cancellation of the concession contract for Beauvais airport, awarded to Bellova in 2024, and thus curb the expansion of air traffic. The associations Notre Affaire à Tous, Sauvez le Beauvaisis and Adera (Association de Défense de l'Environnement des Riverains de l'aéroport de Beauvais-Tillé) announced in a press release that they had filed an appeal with the Amiens administrative court, which was finalized in mid-February.

In October 2024, the concession for the fast-growing Beauvais airport was awarded to Bellova, a company made up of Egis and Bouygues Construction, for a 30-year period. Bellova announced its intention to invest 190 million euros in a project to "modernize" the airport, banking on an increase in traffic. Among other things, the project called for 2,000 additional parking spaces.

"Negotiated with the utmost opacity, the concession contract is based on a very sharp increase in air traffic: **from 3.9 million passengers in 2019, it should reach 7.2 million passengers in 2030 (+85%), before rising to 9.4 million passengers at the end of the concession (+141%)**", write the associations in their press release.

Denouncing "the lack of any real consideration given to health and climate issues in the region", they express particular concern about the increase in ultra-fine particle emissions and noise pollution for local residents.

"It is appropriate to attack the concession because it constitutes a form of planning

for the next thirty years", the associations' lawyer, Pierre Heddi, told AFP, saying he hoped the case would set a precedent.

(...)

> Ethiopia: AfDB and Ethiopian Airlines sign agreement for Africa's largest airport

(source RFI) March 16, 2025

My comment: *The project to build a new airport near the capital Addis Ababa is in line with forecasts for air traffic growth in Africa.*

According to the OECD, demand for air transport in Africa will increase more than ninefold by 2050. It would then be identical to current demand in Europe+Turkey.

This new airport could ultimately provide an alternative to the hubs of the Gulf States. It would connect Africa to Asia.

Similar projects exist in Senegal and Kenya.

Senegal has launched an ambitious project to modernize its Blaise Diagne International Airport in Dakar, with the aim of doubling its capacity and making the country a regional hub for air transport.

Similarly, Nairobi airport in Kenya is undergoing significant expansion, supported by the government and public-private partnerships.

Read the article:

It is to become the largest airport on the continent... **The African Development Bank (AfDB) and Ethiopian Airlines have signed a letter of intent to develop a new international airport in Ethiopia. With this mega-project, the country is asserting its ambitions in air transport.**

The future airport, estimated to cost nearly \$8 billion (...). The airport will be located in Bishoftu, some forty kilometers southeast of the capital Addis Ababa.

With this project, the Ethiopian authorities intend to meet "the strong growth in national and international demand" for freight and passenger transport.

The current Bolé international airport, which is reaching its limits, handles 17 million passengers a year. The authorities' aim is to triple the country's

capacity to 60 million passengers by 2040.

This mega-project, in the pipeline since 2018, illustrates the ambitions of Ethiopian Airlines, Africa's number-one national airline. It should also reinforce Ethiopia's status as the continent's air transport hub.

Although the press release does not mention the commissioning date, the Ethiopian authorities had mentioned in August their intention to have the first aircraft take off in 2029.

Stock market press review

> Airlines plunge after a series of warnings in the U.S.

(source Reuters) March 11, 2025

***My comment:** According to the author of the article, "investors fear that the US economy is heading for a recession". If this were to happen, airlines would undoubtedly be affected.*

Indeed, specialists have often observed that airline activity is closely linked to economic growth.

Historically, air traffic has tended to grow faster than GDP, with an elasticity sometimes estimated at around 1.5 to 2. This means that a 1% increase in global GDP is generally associated with a 1.5% to 2% rise in air traffic.

However, a more recent study has estimated that a 1% increase in GDP is associated with an increase of around 1.3% in air traffic, this relationship being stable over time and similar between developed and developing countries. (source "PSE Working Papers" n°2016-09).

According to the author of the article, "investors fear that the US economy is heading for a recession". If this were to happen, airlines would undoubtedly be impacted.

Read the article:

US airlines are expected to fall sharply on Tuesday [March 11] at the opening of the New York Stock Exchange, and their European counterparts are also

retreating after several groups in the sector issued profit warnings, due in particular to the economic uncertainty they are facing in the United States.

Delta Airlines halved its first-quarter earnings estimates on Monday evening, the first major U.S. carrier to admit that economic concerns among consumers and businesses are hurting demand for domestic travel.

The American group's shares **plunged 11% in pre-market trading, while rivals Southwest Airlines and American Airlines fell 3% and 7% respectively after their own outlooks were lowered on Tuesday.**

In their wake, United Airlines lost 8% before the stock market opened.

American Airlines said on Tuesday it expected a larger-than-expected loss for its first quarter, amid fears that tariffs and uncertainties over government spending would dampen travel demand.

Southwest Airlines, meanwhile, cut its unit sales growth forecast, citing the same reasons.

These announcements come as markets fell sharply on Monday, with investors fearing that the US economy is heading for recession.

For the airline industry, **uncertainty could lead to a reduction in discretionary spending, prompting travelers to be cautious and abandon or scale back their travel plans.**

(...)

In Europe, the airline industry is also suffering from the doubts of its American rivals:

(...) IAG, Lufthansa and Air France-KLM are down between 3.4% and 5.9%.

End of press review

> Air share price trend

Air France-KLM shares closed at **9.89 euros** on Friday March 14. Over the week, it is **down sharply (-14.45%)**.

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

The analysts' 12-month average (consensus) for AF-KLM shares is 9.41 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 better-than-expected annual results, the share price climbed over 30%.

The various decisions taken by the new President of the United States have worried US airlines. They revised their forecasts for 2025 downwards.

This led to a fall in the share prices of most of the world's major airlines (Delta -19%, IAG -11%, Lufthansa -8%).

Air France-KLM's share price fell by 14% last week, before recovering 3% in the last few days.

> Fuel price trends this

The price of a barrel of Jet Fuel in Europe is down (-\$1) to \$89. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down (-\$2) to \$71.

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: Over the past two months, oil prices have shown little change. It is at a two-year low.

The price of jet fuel had bottomed out at \$85 in mid-December. For the past month, it has been stable at around \$95, a fair price for airlines.

> 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 is 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 employee shareholding funds are managed, please visit the [Air France-KLM employee shareholding 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.

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| 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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