

Finance: Is Air France-KLM doing better than Lufthansa or IAG?



## I Letter from François Robardet

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

N°1009, March 24, 2025

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## Monday's letter

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## > Finance: Is Air France-KLM doing better than Lufthansa or IAG?

(source TourMag) March 11, 2025

**My comment:** *A comparison of the three main European passenger transport groups reveals a less favorable position for Air France-KLM.*

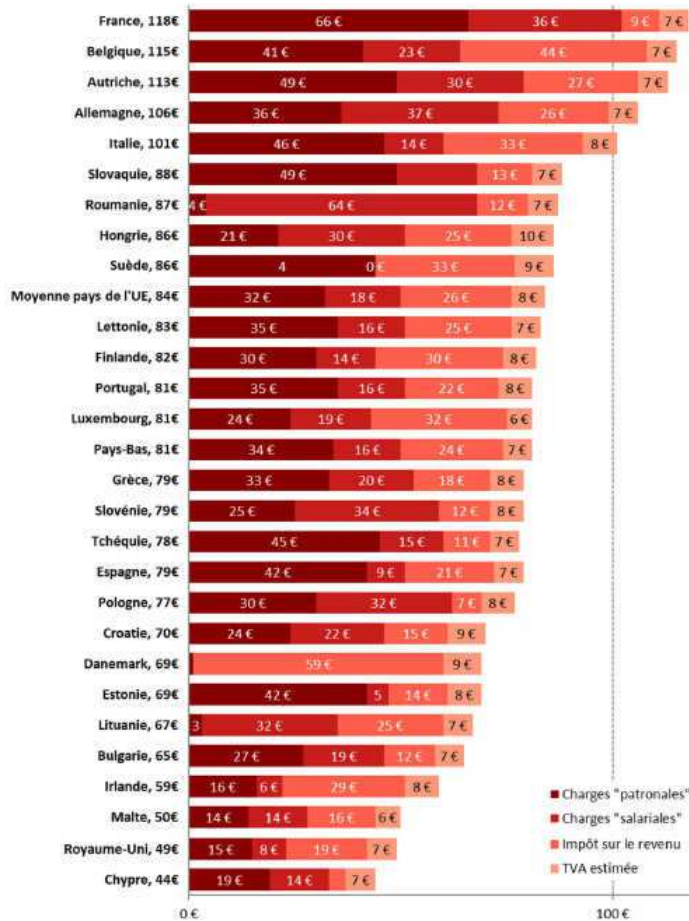
*However, a more in-depth analysis nuances this observation: the Group's performance is not as unfavorable as it first appears.*

**The impact of payroll and tax costs**

Differences in payroll between groups are significant, partly due to differences in taxation.

The annual study by the Institut économique Molinari, which publishes the "Table of the tax burden in Europe", enables us to refine this analysis.

Figure 4 : Charges et impôts pour 100 € de pouvoir d'achat réel en 2024



This table, based on average single employees without children, lists employer and employee charges, income tax and estimated VAT.

For a meaningful comparison :

- Lufthansa is valued on the basis of figures for Belgium, Austria and Germany.
- IAG uses data from Spain and the UK.
- Air France-KLM is analyzed on the basis of figures for France and the Netherlands.

Overall, France has the highest tax burden, just ahead of Belgium, Austria and Germany. Spain is in the second half of the table, while the UK has the lowest tax

*burden in Europe.*

### **Details of tax differentials**

- *VAT: Its impact is similar in all countries.*
- *Employee contributions: Compared with France, they are identical in Germany, slightly lower in Belgium and Austria, twice as low in the UK and four times lower in Spain.*
- *Employer contributions: Compared with France, they are lower in Belgium, Austria and Spain, twice as low in Germany and four times lower in the UK.*
- *Income tax: Contrary to popular belief, France has the lowest income tax in Europe. Compared to France, it is twice as high in the UK and Spain, three times as high in Germany and Austria, and five times as high in Belgium.*

### **comparisons**

*Comparing wage costs between companies in different countries remains a tricky business, not least because the cost of living is not taken into account.*

*However, Air France-KLM's charges and taxes are comparable to those of Lufthansa. On the other hand, there is a significant difference with IAG, where the difference is double.*

### **What conclusions can we draw from this?**

*If Air France-KLM applied the same average salaries as IAG, its payroll would be €2.5 billion lower, putting the Group on a par with IAG.*

*With the same wages as Lufthansa, Air France-KLM's wage bill would be reduced by 3 billion euros, putting it well ahead of Lufthansa.*

*However, adjusting salaries is an unrealistic option. To improve its results in the face of competition, the group must concentrate its efforts on optimizing its revenues.*

*That's why Air France-KLM is banking on an upmarket offering, particularly in Business class.*

### **Read the article:**

Last week, the giants of Europe's skies took to the stage to publish their accounts.

**From Air France - KLM to IAG, via Lufthansa, the 3 main airline groups lifted the veil on the year 2024.**

And while comments have been fairly positive about the French airline and its Dutch counterpart, we're going a little deeper to reveal what the figures really tell us.

**First, let's start with the Holy Grail of finance: EBITDA.** It measures gross profitability before depreciation, amortization, taxes and other accounting gimmicks, and reveals a few juicy truths.

On this subject, IAG (British Airways, Iberia, Vueling) dominates the air space with an EBITDA of 6.807 billion euros on sales of 32.1 billion, giving an impressive 21.2% margin.

Lufthansa follows at a distance, with EBITDA of 4.9 billion on sales of around 35.4 billion, or a margin of 13.8%.

Air France-KLM is slightly behind, with EBITDA of 4.244 billion on sales of 31.459 billion, representing a margin of 13.5%.

Clearly, **IAG turns every euro of revenue into 21 cents of gross profit, while Air France-KLM and Lufthansa only make 13-14 cents. So far, nothing dramatic for the French flag, but the gap is starting to widen.**

**Operating income:** who's staying the course between Air France-KLM, Lufthansa and IAG?

Moving down a notch in the accounts, operating profit offers a completely different perspective.

This indicator measures a company's economic performance, and is calculated by subtracting expenses from operating income.

IAG posted an operating profit of 4.283 billion euros, confirming its position as market leader.

Lufthansa posted 1.6 billion euros. Lufthansa turned in a solid performance, despite strikes, logistical problems and the greater-than-usual impact of the non-overflight of Russia.

Air France-KLM achieved 1.466 billion euros, a respectable figure, but below that of its competitors.

**For me, net profit (or profit after tax) is the true indicator of financial health.**

**While IAG achieved a net profit of 2.732 billion euros,** proving its highly efficient management and increased profitability, **Air France-KLM came painfully close to 490 million euros** (489 million euros).

This positive result underlines a very low margin for sales equivalent to those of IAG.

**Lufthansa posted a net profit of 1.380 billion euros**, confirming its better resilience than its Franco-Dutch rival.

Salary costs: who pays the most?

**The other major bone of contention is staff costs.**

Our three competitors show very different results when it comes to employee compensation. **IAG** pays €6.356 billion in salaries for 73,498 employees, or **€86,500 per employee**.

This represents 19.8% of sales.

**Lufthansa's** payroll is 24.29% higher than that of its Spanish-British challenger, with expenses of €7.9 billion, but for 100,200 employees, i.e. **an average salary of around €78,850 per head**.

Payroll represents 22.3% of sales.

The **Air France-KLM** group sets new standards at every level. It has the largest payroll, at €9.461 billion for 80,730 employees.

**The average salary is therefore €117,200 per person**, an expense that accounts for 30.1% of sales.

In other words, Air France-KLM has a much higher gross wage bill than its competitors, which is no doubt due to the stratospheric level of charges in France, one of the few areas where we come out on top.

**This difference partly explains why the Franco-Dutch airline finds it so difficult to compete profitably.**

**Stock market:** who's gaining altitude?

Let's take a look at the evolution of our three groups' share prices over the last four years, comparing values on March 6, 2021 with those on March 6, 2025.

(...)

**The results over four years: a relatively stable share price for Lufthansa ( ), a 58% gain for IAG and a plunge of over 50% for Air France-KLM.**

Verdict: who deserves their stripes?

European gold medal for IAG. The group is the undisputed champion in all categories, with superb profitability, solid margins, controlled costs and a strategy that has been implemented without a hitch.

Lufthansa takes silver. It held up well despite a year marked by turbulence and a

network more oriented towards Asia, which suffered.

Air France-KLM closes the podium. The group is still weighed down by high wage costs. While the saying goes "when I look at myself, I feel sorry, and when I compare myself, I take comfort", here it's rather the opposite. The French never do anything like everyone else.

**If European competitiveness were played out in the air, IAG would be flying first class, Lufthansa in premium eco and Air France-KLM, despite its ambitions, stuck in eco with a full-fare ticket.**

**See you in 2026 to see which strategies will pay off. In the meantime, we wish them the best of luck.**

## > [Air France, Lufthansa, IAG... U.S. demand resists Trump](#)

(source La Tribune) March 20, 2025

***My comment:** Over the past few weeks, opinion polls have been reporting a 25% drop in French travel intentions to the United States.*

*However, this has not been translated into reality, as airlines have not recorded a drop in bookings compared with last year.*

### **Read the article:**

Donald Trump can't affect everything. This is true of transatlantic flights, at least for European airlines. **From their annual results to the last few days, the three major players - Air France-KLM, Lufthansa and IAG - have assured us that demand remains strong, despite geopolitical tensions and the trade war waged by the United States with its main economic partners.** Each is confident in the North American market, which should remain at the heart of their respective developments in 2025.

**"Benjamin Smith, CEO of Air France-KLM, asserted a few days ago: "To date, we see no significant change in bookings to or from the United States.** An assertion echoed this week by Anne Rigail, CEO of Air France, on the occasion of the presentation of the new La Première: "We are extremely vigilant, but at this stage we don't see any downturn".

**The same is true of Air France's main European competitors.** At Lufthansa's results presentation, Group CEO Carsten Spohr affirmed that "we continue to see

very strong demand in the North Atlantic, with a robust and sustainable market". Nicholas Cadbury, IAG's Chief Financial Officer, was no different, assuring us that the strong momentum in the transatlantic market was confirmed in the first quarter.

The start of the year follows on from the end of last year. Indeed, the North American market has been central to the good performances achieved by European groups in the fourth quarter of 2024, with Benjamin Smith speaking of the "strong point in sales", Carsten Spohr highlighting stronger and more profitable growth than in other markets (except Asia-Pacific, which is in a catch-up phase), and Nicholas Cadbury still not coming back from the double-digit growth in his returns compared with the last quarter of 2023.

(...)

Today, **each of the groups describes the North American market as the most important** - outside Europe - **and the most profitable**. This market is notably driven by high-contribution passengers, with business traffic holding steady, as indicated by Lufthansa, which is "cautiously optimistic". Added to this are leisure travelers who intend to fly in premium conditions, in business or even first class. This is particularly true of American customers, who, according to Lufthansa, intend to spend a larger proportion of their income on travel than they did before Covid. Anne Rigail praises the resilience of business class on this North American market, and assures us that she sees "no disaffection at this stage".

**Both Lufthansa and Air France have made the United States a priority for the launch of their respective new first classes**, Allegris First Class and La Première. Even so, the Air France boss points out that this is a three-year project "which is decided according to geopolitical fluctuations".

In fact, despite the gradual recovery of Asia-Pacific, North America remains the core of their long-haul business this year. "Transatlantic remains our main source of profit and therefore our absolute priority", states Carsten Spohr bluntly, even though Lufthansa expects only moderate capacity growth compared with 2024. With a shortage of new aircraft, the German group is seeking above all to stabilize its network.

**IAG is far more ambitious**. Luis Gallego, IAG's Chief Executive Officer, assures us that he will continue to invest in this "core market", and that he foresees sustained demand in the long term. **The Spanish-British group deploys a third of its capacity on transatlantic routes**. Flagship British Airways will continue to add destinations on the other side of the ocean, supported by Iberia and Aer Lingus, now equipped with Airbus A321XLRs to open new routes, and by Level, which will develop its long-haul low-cost offer.

(...)

Nevertheless, everyone remains cautious, even very cautious, given the vital importance of the American market. In 2024, it will account for 114 million seats

according to OAG, and sales of 43 billion euros according to IAG. Of this total, **each of the three major European groups claims more than ten million passengers and at least five billion euros in sales** - with a high level of profitability. A downturn in demand, with Asia-Pacific still a long way from its pre-health crisis level, and overflight of Russia handicapping them, would be a direct blow to their profitability.

As IAG points out in its annual report, geopolitical risks and trade conflicts are at the top of the companies' list of concerns.

(...)

**The alarm raised by the American airlines cannot leave the airline industry indifferent, even if it concerns more domestic routes due to a slowdown in demand in the United States. And that's a real problem for them: unlike European airlines, which focus on international (and therefore transatlantic) traffic, their business is essentially centred on domestic routes.** On the other hand, their forecasts for international and premium traffic remain unchanged, but this is still a serious warning.

(...)

## > **Three years after the China Eastern plane crash, the regulator has not published a report**

(source Reuters) March 22, 2025

***My comment:*** *If we are to believe the experts and the Chinese authorities, there is no technical or human failure to explain the crash of the China Eastern plane.*

*In the final analysis, this crash is very similar to that of the Germanwings Airbus A320-211. Ten years ago, it crashed into a mountain in the Alpes-de-Haute-Provence region, deliberately thrown down by a man alone at the controls.*

*The lack of transparency on the part of the Chinese authorities is a tragedy for the families of the victims.*

### **Read the article:**

**On March 21, 2022, a Boeing 737-800 operated by China Eastern Airlines crashed into a hillside in the southwestern region of Guangxi about an hour after takeoff, killing all 132 people on board in the deadliest air disaster of the last 30 years.**

The Civil Aviation Administration of China published a preliminary report and two anniversary updates on the crash of China Eastern flight MU5735, but the updates



only contained a few paragraphs, offering few details.

The CAAC said it would publish relevant information as the investigation progressed. But **on Saturday, after the third anniversary of the accident, relatives of the victims were still waiting to find out what had caused the plane to pitch down from its cruising altitude.**

CAAC and China Eastern did not respond to requests for comment.

**Worldwide aviation guidelines call for an initial report within 30 days of the accident, and a final report ideally within a year. Failing that, investigators should issue statements on each anniversary.**

Final reports are a major tool used by the aviation industry to help prevent further accidents by learning from previous tragedies.

Aviation industry bodies have been sounding the alarm over the number of late or non-existent final reports around the world, blaming these delays on a scarcity of investigative resources, judicial interference or a lack of political will to disclose certain stories.

The CAAC maintained that no failures or anomalies were found in the aircraft or engines prior to take-off from Kunming, bound for Guangzhou, nor in the weather or communications. The crew held valid licenses, had sufficient rest and passed health checks on the day of the flight, and there were no hazardous weather conditions or dangerous goods on board the aircraft, the regulator said.

**Investigators reviewed the crew's actions after finding that there were no malfunctions**, two people briefed on the case said in due course.

In May 2022, the Wall street Journal reported that **"black box" data indicated that someone had intentionally crashed the plane**, citing a preliminary assessment by US authorities.

(...)

**> Boeing receives \$20 billion budget to develop future U.S. F-47 sixth-generation fighter jet**

(source Air & Cosmos) March 20, 2025

***My comment:*** *This contract represents a breath of fresh air, both financially and strategically, for Boeing.*

*However, the size of the contract could be perceived as an illegal subsidy, thus rekindling the commercial dispute between Boeing and Airbus.*

*This dispute, which has had a lasting impact on relations between Europe and the United States, has dragged on for over a decade. It gave rise to several complaints before the World Trade Organization (WTO), and is considered one of the most complex and protracted disputes handled by the institution.*

*The financial stakes were colossal, with fines and compensation amounting to several tens of billions of euros or dollars.*

*By June 2021, the United States and the European Union had reached an agreement to suspend mutual sanctions related to this dispute for five years.*

### **Read the article:**

On March 21, **Donald Trump announced the winner of the Next-Generation Air Dominance (NGAD) competition: with a budget of \$20 billion, Boeing will develop the F-47, a 6th-generation fighter** that will succeed the 5th generation F-22 Raptor fighter. Initially, three American manufacturers were in the running for this program: Boeing, Lockheed Martin and Northrop Grumman. However, in 2023, Kathy Warden, CEO of Northrop Grumman, announced that her company would not be seeking the contract after all, but would remain available as a secondary contractor to the future primary contractor.

Lockheed Martin is therefore the sole loser in this competition. If the F-47 is a success, Boeing can look forward to a future mega-production contract for the US Air Force (USAF).

**This announcement is also an opportunity for Boeing to restore its reputation, which has been tarnished by a number of civilian incidents involving aircraft that have rolled off its assembly lines, as well as in the defense sector.** For example, the two future VC-25B "Air Force One" presidential transport aircraft suffered numerous production delays, both external (COVID) and internal, not to mention production cost overruns.

(...)

It is still too early to know the precise specifications of the F-47. However, the images already published show a delta-wing, tailless, twin-engine, stealthy aircraft, interconnected with autonomous drones. **One of the images presented at the White House shows that the fighter will also be equipped with canard planes (small wings visible in front of the wing, at cockpit level).**



A plane and drones

Although the NGAD concerns only one combat aircraft, it is closely linked to a second program, the Collaborative Combat Aircraft (CCA). **In concrete terms, the F-47 will not fly alone in combat operations, but will be accompanied by loyal wingmen, autonomous aerial drones.** These will be interconnected with each other, with the F-47, and with a cloud gathering information collected by from other sensors (satellites, radars on surface ships, ELINT sensors on intelligence aircraft detecting enemy radars, ground troops in contact, etc.).

### > **Air transport: the rise of chartering fuels fears of social dumping**

(source Les Echos) March 21, 2025

**My comment:** Originally, charter airlines enabled traditional airlines to compensate for the occasional unavailability of their aircraft.

*In Europe, their fleet is comparable in size to that of Air France and KLM.*

*Their business model has evolved. It is increasingly based on employment contracts registered in low-tax countries, with little regard for European regulations.*

**Read the article:**

**Their names are Fly2Sky, Smartlynx, AirExplore, Hifly, Ascend Airways, Klasjet... You've probably never heard of them, but you may have flown in one of their planes, sometimes without even knowing it. While none of them sell tickets, they carry millions of passengers every year.**

**They are charter companies, known as ACMI (for Aircraft, Crew, Maintenance and Insurance).** Their speciality is to operate flights on behalf of and under the brand name of other companies, providing the aircraft and the entire crew. All the major airlines have already used their services, to replace an unavailable aircraft or in the event of a strike.

But **this activity, which until now has remained a one-off, marginal activity, is now booming**, under the combined effects of aircraft delivery delays, Pratt & Whitney engine problems and spare parts shortages. **To the point of becoming** an industry in its own right, and **a source of concern for representatives of flight crews working for traditional airlines, who fear a form of social dumping.**

(...)

For some, **chartering is no longer just a stop-gap solution, but a means of increasing their offer at lower cost.** The phenomenon is particularly marked in Europe, the world's largest charter market, due to the highly seasonal nature of air traffic, which is 35% higher in summer than in winter.

According to research firm Cirium Ascend, the number of charter contracts will rise from just over 500 in 2022 to 700 in 2023, mobilizing 368 aircraft. **Last summer, ACMI's biggest "consumer", the Lufthansa Group, had 35 chartered aircraft. Turkish Airlines had 25, TUI 24, SAS 20 and Air France-KLM 13.**

Some ACMI airlines are posting impressive growth rates. Starting with the world's number one in the sector, Avia Solutions Group (ASG), whose sales have increased by 22% from 2022 to 2023 (to 2.26 billion euros) and by 25% in the first nine months of 2024. Present on every continent, the group has 221 aircraft and 15 airlines.

(...)

The group, which employs over 14,000 people, ensures that it complies with the highest social, environmental and governance standards. Its fleet is made up of relatively recent aircraft (Airbus A320, A321 A330 and Boeing 737 Max), and ASG has placed an order for 40 B737-800s, with 40 options. Nevertheless, **ASG has a clear preference for countries with low tax and labor costs.**

**While its head office is in Dublin, the majority of its staff are based in Vilnius, Lithuania,** the home country of its founder and main shareholder, Gediminas Ziemelis. Its main European subsidiary Smartlynx, which claims a third of the European ACMI market, with over 10 million passengers in 2024 (62.5% more than in 2023), is based in Latvia, Estonia and Malta, where there is no corporate tax.

(...)

**"Last summer, we recovered employment contracts for airline pilot officers at a fixed rate of 1,000 euros per month, and for stewards and stewardesses at 300 euros,"** says Sandrine Johnson, deputy managing director of CRPN. We also found that one company had carried out 265 days of operations in France without declaring

its employees.

(...)

**At Air France, where external charters "represent only 0.5% to 1% of activity", according to CEO Anne Rigail, and should be "only a last resort, when we have no internal solution", the focus is on French charters.** The same applies to Air Corsica. **Others, however, are less fussy, such as La Poste and Chronopost, which are the target of a complaint by the CRPN for having used the services of a Swedish company, West Atlantic Cargo Airlines, which paid no social security contributions for three years.**

## ***End of press review***

### **> Air share price trend**

**Air France-KLM shares** closed at **9.49 euros** on Friday March 21. Over the week, it is **down sharply (-4.04%)**.

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 have revised downwards their forecasts for 2025.

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 has fallen by 18% in the last two weeks.

### > Fuel price trends this

**The price of a barrel of Jet Fuel in Europe is up (+\$2) to \$90.** 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 \$72 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:** Over the past three months, oil prices have shown little change. It is at a two-year low.

The price of jet fuel reached a low of \$85 in mid-December. For the past month, it has been stable at around \$90, a very reasonable 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'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](#)

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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.  
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LinkedIn.**

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

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