BRITISH AIRWAYS TO GROW FLEET AFTER PROFIT LEAP IN 2015

News / Airlines

British Airways owner IAG SA said it's making progress in talks to add more wide-body jets at the U.K. carrier in order to tap surging demand after profit across the group jumped 68 percent in 2015.

Chief Executive Officer Willie Walsh said Friday that he's in detailed discussions with potential suppliers of used Boeing Co. 777-300ER aircraft and is continuing to look at leasing a batch of A380 superjumbos. Operating profit increased to 2.34 billion euros ($2.6 billion) from 1.39 billion euros in 2015, IAG said, with a similar gain forecast this year.

IAG is establishing itself as Europe's most profitable airline as Air France-KLM Groupand Deutsche Lufthansa AG grapple with unions over cost cuts. Ireland's Aer Lingus, added to the books in August, will provide a full year of earnings in 2016, while a potentially lucrative joint venture deal with Latam Airlines Group SA could spur profit from next year.

"We've made good progress on 777-300s, had discussions with a number of potential suppliers," Walsh said on a conference call. "We're very encouraged, we like that aircraft. We've had some

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discussions on A380, not as detailed as the discussions we've had on the 777-300 ERs."

Traffic Surge

The CEO said that it's "undoubtedly been a good year, but it's also been challenging with extreme volatility in the currency and fuel markets." The trans-Atlantic and European markets are performing best, he said.

Full-year earnings were in line with IAG's forecast for adjusted operating profit between 2.25 billion euros and 2.3 billion euros, while analysts had predicted a figure of 2.3 billion euros, and 3.1 billion euros this year. The company's shares traded 2 percent lower at 547 pence as of 8:11 a.m. in London.

Walsh's rush for growth following the formation of IAG via a merger of BA with Spain's Iberia in 2011 has seen a succession of deals securing takeovers of British Midland, Barcelona-based discounter carrier Vueling and Aer Lingus.

IAG's passenger traffic surged 9.6 percent in the year, making it bigger than Lufthansa and bringing it within range of Air France-KLM by the most popular measure for ranking airlines. It is already the top network carrier by value, with a market capitalization of 11.3 billion pounds ($14 billion) versus 6.4 billion euros at Lufthansa and 2.5 billion euros at Air France- KLM.

A350s, A330s

IAG is already renewing the fleet of its Iberia arm with Airbus A350 and A330 long-haul planes over the next five years after the success of cost cuts at the Madrid-based unit. Aer Lingus will also get two A330s and IAG is converting options for re-engined A320neos to be allocated between its carriers later.

Walsh has pushed through thousands of job cuts at Iberia while using Vueling to combat the challenge of low-cost carriers led by Ryanair Holdings Plc. He has also embraced Gulf rivals, inviting Qatar Airways to join the Oneworld alliance in a move that led it to become a 10 percent investor. The partnership could expand existing code sharing agreements as well as coordinated cargo units and joint purchases, Walsh said.

The alliance with Latam, the product of a merger between Chilean and Brazilian carriers, meanwhile promises to drive profit on routes linking Europe and South America in the same way that IAG's pact with American Airlines lifted returns in the North Atlantic market. Walsh declined to say when the joint venture is likely to receive antitrust approval after having flagged 12 to 18 months when the announcement was first made.

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