

Lufthansa bids for stake in ITA airways

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Lufthansa recently announced a bid to acquire a minority stake in the Italian airline ITA Airways with an option to purchase the remaining shares in the future.

A press release from the German carrier stated: ‘Today (Jan 18) , the company submitted an offer to the Italian Ministry of Economy and Finance (Ministero dell’economia e delle finanze) to conclude a Memorandum of Understanding (MoU) in this respect. Contingent on both parties signing this MoU, further negotiations and discussions would be conducted on an exclusive basis.’

The carrier’s parent group views Italy as the most important aviation market outside of its home market in Germany, and the United States. Apart from the German flag carrier the Lufthansa Group also operates Brussels Airlines, Swiss and Austrian Airlines. Lufthansa stated that future talks with the Italian Ministry would ‘primarily focus on the form of a possible equity investment, the commercial and operational integration of ITA into the Lufthansa Airline Group, as well as resulting synergies.’

The official release from Lufthansa does not indicate how much of a stake they are initially bidding for. However, according to Reuters, it may be for an initial 40 percent stake valued between €200-300 million (\$216-324 million), according to sources close to the situation. The Italian Ministry of Economy and Finance has disclosed that the bid from Lufthansa was the only one received. This follows interest from Skyteam alliance partners Air France-KLM and Delta Air Lines earlier in the process.

The announcement of Lufthansa's bid for a stake in ITA Airways has sparked renewed discussion about the further consolidation and concentration of the European aviation market. In a further article discussing the Lufthansa offer, Reuters cites easyJet, SAS and TAP Portugal as possible targets for investment. Pre-pandemic German news site Handelsblatt reported in February 2020 on Lufthansa's possible interest in Star Alliance partner TAP Portugal and Reuters indicated that this may still be a possibility given the Portuguese government's interest in a full or partial sale of the airline. A Lufthansa spokesperson said: "We clearly focus on ITA. At the same time, however, we closely monitor consolidation in the European airline market."

Air France-KLM and International Airlines Group (IAG) – the parent company of British Airways and other European carriers – are also cited as potential investors in the Portuguese carrier.

In a response to a general inquiry on potential mergers, a spokesperson for Air France-KLM stated, "Right now our priority is to fully recover from the COVID crisis and to complete our transformation." A SAS spokesperson said it's "too early in the process to comment on any potential future investors", easyJet and IAG have not made any firm statements on future sale or acquisition plans.

However, Ryanair Group chief executive officer Michael O'Leary has offered his candid view of what may transpire within the European aviation market. Mr. O'Leary stated, "TAP will finish up in BA-IAG, then I think easyJet is going to finish up being bought by either British Airways or Air France or both jointly, and then Lufthansa will buy Wizz (Air, the Hungarian low-cost carrier)."

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