

W U T I S

Long International Airlines Group (IAG) Trading Division

Target Price: 375.00\$

Entry Price: 150.00\$

Upside Potential: 150.00%

Recommendation: Buy

Investment Horizon: 12 Months

Vienna, 29.01.2021

IAG

1	Price Performance
2	Fundamentals
3	Trade Overview
4	Appendix

Price Performance

International Airlines Group (IAG)

Price – Major Elements



[1] Qatar Airways acquires major equity stake (9,99%)

[2] Brexit Vote slashes companies forecast

[3] Qatar Airways announced to acquire further equity stake (25%)

[4] Vaccine News gives positive outlook on Travel businesses future

Fundamentals

International Airlines Group (IAG)

Business

- Holding Group for multiple Airlines (British Airways, Iberia, Aer Lingus, IAG Cargo)
- Main Operations on Domestic and European Connections + High Traffic in Connections between UK and Spain (Tourism)

P/R and Liquidity

- Revenue: 6.565bn€ (25.506bn€ in 2019)
- P/R-Ratio 1.21
- Quick Ratio: 0.64 (0.58)
- Current Ratio: 0.68 (0.66)
- Cash Reserves allow 43.8 weeks of Operation without income (Lufthansa 23 weeks)

Market Environment Competitors

- Lufthansa, Ryanair, easyJet as competitors in Budget Airline
- Entire industry suffering same fate

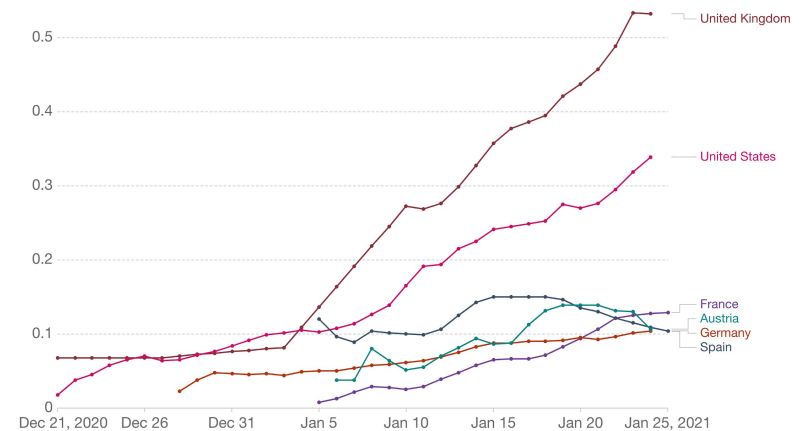
Vaccine Rollout /Timing

- Estimation of Travel picking back up in August/September
- Vaccination Rate in UK significantly higher than rest of Europe, hence faster recovery and
- Spain's Economy highly dependent on tourism
- Lighter Restrictions (Open Restaurants & Bars) and expected further easing in coming months to attract tourists

Daily COVID-19 vaccine doses administered per 100 people

Shown is the rolling 7-day average per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

Our World in Data

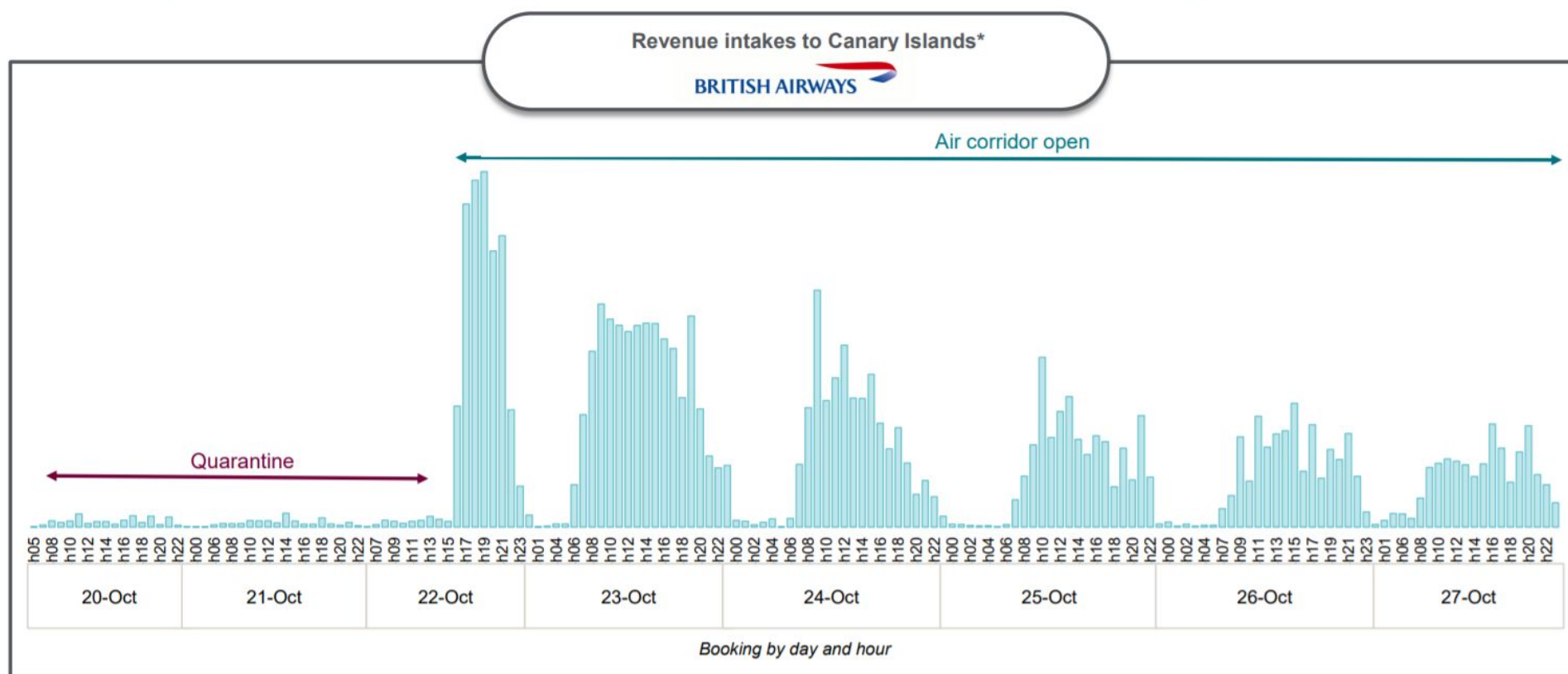


Source: Official data collated by Our World in Data - Last updated 25 January, 19:20 (London time) OurWorldInData.org/coronavirus - CC BY

Will air travel really recover after the Lockdowns are over?

Demand reacts positively when restrictions are removed

British Airways revenue intakes to Canary Islands for travel between October 2020-January 2021



Macro Environment



International Airlines Group (IAG)

Market Environment

- Recession: GDP in the EU declined by 7,4% in 2020 (US: -4,6%, World: -4,4%)
- Reopening measures are not coordinated internationally. Still unclear, when schools, shops etc. will reopen.
- Unemployment rate in the EU increased by 1% on a year to year basis (7,6% in Oktober 2020)

Catalysts

- Vaccine works
- Lockdown ends
- PEPP top-up
- Cheap M&As

Risks

- Proposed Europe-wide hard lockdown (ZeroCovid)
- UK returning to the tier-system after the lockdown (early March) stricter measurements and vaccine ID flight regulations

Trade Description

- Long Position in IAG
- Deep OTM Call Debit Spread
- Expiry in January 2022
- Low Delta(10-20) , Low IV (>40) and Long Dated Calls (6-18 months) on Airline Stock with strong upside potential

Entry/Exit, Stop Loss, Position Size (contract/notional size)

- Entry price: 150 \$
- Take Profit: 320-400\$
- Stop Loss: /
- Position: 21 Jan '22 320/400 Call
- Delta: 7.6
- IV: 42
- R/R: 6.3:1

Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
WKÖ	http://wko.at/statistik/jahrbuch/worldgdp.pdf	26.01.2020	GDP data
World in Data	https://ourworldindata.org/covid-vaccinations	26.01.2021	vaccination GB/SP/W
IAG Q3 Report	https://www.iairgroup.com/~media/Files/I/IAG/documents/q3-results-presentation-2020.pdf	20.01.2021	ratios/demand chart
IAG interim man. statement	https://www.iairgroup.com/~media/Files/I/IAG/documents/interim-management-statement-for-the-nine-months-to-september-30-2020.pdf	20.01.2021	ratios
IAG Homepage	https://www.iairgroup.com/en	20.01.2021	owned airlines
Zoom Info	https://www.zoominfo.com/c/international-consolidated-airlines-group-sa/346892760	24.01.2021	biggest competitors
Lufthansa Q3 Report	https://investor-relations.lufthansagroup.com/fileadmin/downloads/de/finanzberichte/zwischenberichte/LH-ZB-2020-3-d.pdf	21.01.2021	operational costs + liquidity

Appendix

International Airlines Group (IAG)



Trade Management

Option Charts / Greeks

