

Etihad's investment in Alitalia revitalised airline

Etihad Airways' investment in Alitalia has revitalised Italy's national airline and set it on a new course towards sustainable profitability.



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This is according to James Hogan, president and chief executive officer of Etihad Airways. Hogan was speaking at the Rimini Roundtable Discussion, an annual event held in the historic Italian town of Rimini to discuss issues of cultural and economic importance to Italy.

Addressing the segment titled 'Banking on and Investing in Italy', Hogan said Alitalia is a company with a great heritage and global brand recognition. "But over many years Alitalia has lost its way and become a challenged business."

Etihad Airways invested €560m in a multi-level deal comprising a 49% equity stake in Alitalia, a 75% stake in Alitalia's loyalty programme, MilleMiglia, the purchase from and leaseback to Alitalia of five pairs of arrival and departure slots at London Heathrow Airport, and shareholder loans to reduce Alitalia's immediate financial liabilities. Etihad's commitment was the largest part of a broader investment with other stakeholders, which totalled €860m.

Global industry

"Aviation is a global industry, not a local one," Hogan said. "Like so many other industries, aviation should have access to global investment funds in order to provide the capital required to grow efficiently and remain competitive. Global investment is not a threat. It is both a lifeline and an energiser, which can only be good for European aviation, European economies and European jobs."

Hogan said the Etihad Airways investment in Alitalia was a cost-effective way for both airlines to progress, while delivering more choice and better quality to consumers. "Let's not forget that nobody else wanted to invest in Alitalia. But we see a great future for Alitalia, and we are committed to working with other shareholders, and with the airline, to help rebuild it as a premium brand and a profitable business."

"A strong Alitalia is essential for Italy. Without Alitalia, air connectivity to, from and within Italy would be seriously diminished and left to others without the same commitment to Italy or Italians."

Hogan said that as a strategic shareholder, Etihad Airways needed to see a return on its investment, and together with Alitalia's management had set a three-year timeline for achieving sustainable profits. In this first year, the aim is to reduce losses, with break-even targeted in 2016 and profitability in 2017.

Immediate results

"We needed to stabilise the business financially by providing fresh capital. We also needed to work with Alitalia, its unions and its partners to identify immediate opportunities to cut costs. These included seeking efficiencies, restructuring the network and schedules, and reducing the short-haul fleet to maximise aircraft utilisation. There were immediate results."

Etihad Airways helped expand Alitalia's global reach by connecting the networks of both airlines via Etihad's hub and home base in Abu Dhabi, capital of the United Arab Emirates, with each carrier entering into codeshare agreements on each other's services. Etihad also assisted Alitalia in sourcing new wide-body aircraft to increase long-haul services.

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