REGIONAL LEADERSHIP

CHRISTOPH MUELLER


BillyPix

"What they did was genius and had a significant impact on shareholder value"

PANEL JUDGE

When IAG had its third offer conditionally accepted by Aer Lingus' board earlier this year, it underlined the journey the Irish operator has taken from crisis carrier to sought-after airline.

By the time IAG secured Irish government support for the deal, the architect of Aer Lingus' recovery, Christoph Mueller, had already moved on to the next challenge – a seemingly even more arduous challenge in turning around Malaysia Airines. Given the challenge facing Aer Lingus when he took the helm, his new employers will doubtless be hoping Mueller can repeat the trick in Kuala Lumpur.

"The first months [at Aer Lingus] were a bit like a patient in the emergency room. We were losing a lot of cash. Without immediate action, we would have a serious problem," Mueller told *Airline Business* in a cover interview back in July 2011.

The carrier's Ireland home was caught in the centre of the global financial crisis; demand on the key transatlantic market was collapsing. Its costs were uncompetitive, particularly against neighbouring Ryanair – which was in the middle of high-profile attempts to take over its Irish rival – and a pensions hole was about to open up. The airline was on the brink of collapse.

Against this backdrop, Mueller and his team at Aer Lingus – including strategy and planning chief Stephen Kavanagh, who succeeded him at the helm of the Irish carrier earlier this year – have transformed the airline.

In 2009 the airline recorded an operating loss before exceptional items of €81 million. This year it posted operating profits, before one-off costs, up one-fifth to €72 million surplus ($81 million). This is no flash in the pan, as it marked a fifth consecutive year in the black for the Irish carrier.

While the turnaround has been a long road, the last 12 months was a defining period: it marked a return to transatlantic growth, long-haul capacity was lifted one-quarter, including the launch of flights to San Francisco and Toronto, and was matched with higher load factors and yields up 7%. It expanded again this summer. It also settled the pensions deficit, which has cast a shadow over the airline's labour relations.

While one-off costs hit its net performance in 2014, this paves the way for future labour gain. Crucially, this also helped clear the path for IAG's interest.

"It was a very, very complicated restructuring that had everything against it, with multiple parties involved, in a financial crisis," said one judge. "What they did was genius and had a significant impact on shareholder value. IAG would not be talking to Aer Lingus if the pension deficit had not been resolved."

Mueller highlighted the progress made in an interview with *Airline Business* last November, citing its operating margin and cash positions. "I believe if you compare this company with the Aer Lingus of five years ago, when we were threatened with bankruptcy, we now have one of the strongest balance sheets in the industry, if you measure unrestricted cash against turnover, and we are now in spitting-distance of having an operating margin close to the most profitable airline in Europe."

GRAHAM DUNN

James Mellory/Flightglobal

Aer Lingus: Part of IAG's plans

PAST WINNERS*

*Until 2008, the Low-cost Leadership and Regional Leadership awards were combined

2014 Mark Dunkerley, Hawaiian Airlines | **2013** Tewolde Gebremariam, Ethiopian Airlines | **2012** Pedro Heilbron, Copa Airlines | **2011** Bill Ayer, Alaska Air Group | **2010** Eftichios Vassilakis, Aegean Airlines | **2009** Bryan Bedford, Republic | **2008** Jim French, Flybe | **2007** Joe Leonard, AirTran Airways | **2006** Constantino de Oliveira Jr, Gol | **2005** Tony Fernandes, AirAsia | **2004** Phil Trenary, Pinnacle Airlines | **2003** Jim Ream, ExpressJet | **2002** Jerry Atkin, SkyWest Airlines