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FINANCE SOCIETY

Air France-KLM / SAS

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DEAL OVERVIEW

Acquirer: Air France-KLM Group

Target: SAS AB (Scandinavian Airlines System)

Total Transaction Size: Undisclosed (price determined at closing based on SAS's net debt + EBITDA performance)

Closed Date: Expected 2H 2026 (subject to EU and Nordic competition approvals)

Target Advisors: Morgan Stanley & Co, Gernandt & Danielsson Advokatbyrå

Acquirer Advisors: Rothschild & Co, BNP Paribas, Cleary Gottlieb Steen & Hamilton LLP

On the 4th of July 2025, Air France-KLM announced its intention to increase its stake in SAS AB from 19.9% to a controlling 60.5%, by acquiring shares held by Castlelake and Lind Invest. The Danish state will retain approximately 26% ownership. The deal, expected to close in late 2026, remains subject to regulatory approvals across the EU, Norway, and the U.S.

The acquisition will be financed primarily through cash and potentially supplemented by a plain-vanilla bond issuance, without materially increasing Air France-KLM's leverage. Once completed, SAS will become a subsidiary of Air France-KLM and fully integrated into the group's SkyTeam alliance.

Strategically, the transaction strengthens Air France-KLM's network in Northern Europe and enhances transatlantic connectivity. It follows SAS's 2024 exit from Star Alliance and entry into SkyTeam, signalling a new strategic alignment. The deal also allows greater codesharing and loyalty integration under Flying Blue, driving both cost and revenue synergies.

Investors and analysts view the transaction as consolidating Air France-KLM's position as Europe's third-largest airline group, behind Lufthansa Group and IAG, though concerns remain regarding integration costs and regulatory hurdles.

COMPANY DETAILS (ACQUIRER – AIR FRANCE-KLM GROUP)

Air France-KLM Group is a leading global airline group formed in 2004 through the merger of Air France and KLM Royal Dutch Airlines. Operating from dual hubs at Paris Charles de Gaulle and Amsterdam Schiphol, the group provides passenger, cargo, and maintenance services worldwide. Through its low-cost subsidiaries Transavia France and Transavia Netherlands, it also covers leisure markets. The company is a founding member of the SkyTeam alliance and a key player in European air transport.

Founded: 2004

Headquarters: Paris (France) & Amstelveen (Netherlands)

CEO: Benjamin Smith

Number of employees: 70,000

Market Cap: €3.5 billion

Enterprise Value (EV): €9.6 billion

LTM Revenue: €31.0 billion

LTM EBITDA: €3.6 billion

LTM EV/Revenue: 0.31

LTM EV/EBITDA: 2.7

Recent Transactions: 2023 – Minority stake in SAS (19.9%) // Air France €4 bn recapitalisation (post-COVID support)

COMPANY DETAILS (TARGET – SAS AB / SCANDINAVIAN AIRLINES SYSTEM)

SAS AB, trading as Scandinavian Airlines, is the flag carrier of Denmark, Norway, and Sweden. Founded in 1946, SAS operates a modern fleet serving Europe, North America, and Asia, with hubs at Copenhagen, Stockholm Arlanda, and Oslo Gardermoen. Following financial restructuring under U.S. Chapter 11 protection in 2023–2024, SAS emerged leaner and strategically aligned with the SkyTeam network, positioning itself for long-term sustainability within the Air France–KLM Group.

Founded: 1946

Headquarters: Stockholm, Sweden

CEO: Anko van der Werff

Number of employees: 9,300

Market Cap: SEK 17 billion (€1.45 bn)

Enterprise Value (EV): SEK 28 billion (€2.4 bn)

LTM Revenue: SEK 51 billion (€4.4 bn)

LTM EBITDA: SEK 4.2 billion (€360 m)

LTM EV/Revenue: 0.55×

LTM EV/EBITDA: 6.6×

PROJECTIONS AND ASSUMPTIONS

SHORT-TERM CONSEQUENCES

Market reactions were cautiously positive: Air France–KLM's share price rose ~3 % after the announcement, reflecting optimism about consolidation and Nordic expansion. Analysts note that SAS's turnaround under new ownership has stabilised costs and improved yield performance, reducing near-term risk.

In the coming 12 months, both airlines plan deeper commercial integration, including joint scheduling, codesharing, and loyalty programme reciprocity under Flying Blue. SAS's transatlantic flights from Copenhagen, Stockholm, and Oslo are now sold under Air France flight numbers, enhancing network coverage.

Financially, the deal should be EPS-neutral in 2026 and accretive by 2027 once synergies (~€150–200 million per year) are realised. Integration costs and regulatory approvals remain key short-term headwinds. Investor sentiment leans positive because the acquisition supports Air France–KLM's strategic objective of consolidating Europe's fragmented airline market while maintaining capital discipline.

LONG-TERM CONSEQUENCES

Over the long term, the acquisition positions Air France–KLM as Europe’s third-largest airline group, reinforcing its presence in the high-yield Scandinavian market. Strategically, SAS provides valuable slots, strong corporate demand, and transatlantic connectivity through Copenhagen Airport, which complements Paris CDG and Amsterdam Schiphol hubs.

From an industry perspective, the deal aligns with a broader European airline consolidation trend, following IAG’s stake in Air Europa and Lufthansa’s purchase of ITA Airways. Consolidation aims to achieve scale economies, network synergies, and improved resilience amid volatile fuel prices and environmental pressures.

Long-term value creation will depend on SAS’s integration into Air France–KLM’s operational and digital platforms (maintenance, IT, loyalty). The combined group can leverage joint procurement, harmonised fleet strategy (Airbus narrowbodies, A350 long-haul), and enhanced negotiating power with airports and suppliers.

Nevertheless, challenges persist. Cultural integration across France, the Netherlands, and Scandinavia may prove complex; differing labour agreements and environmental expectations in Scandinavia could limit efficiency gains. Still, if executed effectively, the deal could deliver an estimated €200–300 million in annual synergies by 2028, strengthen Air France–KLM’s sustainability leadership, and enhance competitiveness against Lufthansa Group and IAG.

Air France–KLM has a proven M&A record—the KLM merger and Transavia’s success provide confidence that SAS integration can be achieved progressively within five years.

RISKS AND UNCERTAINTIES

Integrating SAS’s Scandinavian work culture with Air France–KLM’s Franco-Dutch management may pose challenges, particularly in labour negotiations, productivity, and sustainability priorities. Misalignment could dilute expected synergies.

Additionally, the deal requires approval from European, Scandinavian, and U.S. competition authorities. Given overlapping routes between SAS and KLM, regulators may demand slot surrenders at Copenhagen, Amsterdam, or Paris CDG. Delays or conditional approvals could postpone closing beyond 2026.

Moreover, although financed mainly in cash, the acquisition increases Air France–KLM’s gross debt exposure. If SAS underperforms before closing (price linked to EBITDA), AF-KLM could overpay. Rising fuel prices or interest rates could pressure margins.

Finally, European aviation remains volatile, with strong competition from Lufthansa Group, IAG, and low-cost carriers. External shocks such as fuel price spikes, climate taxes or demand slowdowns may erode expected returns.