

Embattled Air France-KLM stock jumps as hotel group studies bid (Update)

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Air France-KLM's shares were among the best performers on the French stock market Monday

Shares in Air France-KLM soared on Monday after French hotels group AccorHotels said it would be interested in taking a stake in the Franco-

Dutch airline.

Revelations of the potential takeover emerged as Air France-KLM searched for new leadership after its CEO quit over a pay standoff with unions.

Accor said late Sunday that it had "resumed its reflections on the matter" (of an acquisition) following a report in French financial daily Les Echos.

The paper reported that Accor could buy all or part of the French government's 14.3 percent holding in the former flag carrier, either outright in cash or by swapping the state's stake for Accor shares.

The government's stake is currently worth about 458 million euros, though Finance Minister Bruno Le Maire said last month there was no plan to sell the stake as part of a privatisation drive.

"The priority is to stabilise Air France and make sure there is ambitious management in the face of challenges," a finance ministry official told AFP.

"We will look at the industrial project," the official said, to determine if "it can be beneficial or not to the development of Air France-KLM."

The airline's shares were among the best performers on the French stock market in afternoon trading, up 6.9 percent to 7.47 euros, while Accor stock slumped 6.3 percent to 44.60 euros.

The hotel group noted that it had previously held talks with Air France about buying a stake as part of developing "joint digital projects as well as a joint loyalty and services platform."

Analysts said deepening their ties could prove beneficial for both, though any deal appeared unlikely while Air France is still under an interim management team.

"Even though we're highly doubtful about an agreement, a partnership for developing new offers and services, or combining their fidelity programmes, could be a good idea," the investment bank Bryan Garnier said in a research note.

If Accor were to buy the government's stake, "the state would participate in the creation of a global travel and tourism giant," added analysts at French brokerage Aurel BGC.

High stakes

Air France pilots, cabin crews and ground staff have been holding strikes for months demanding a 5.1 percent pay rise this year, following pay freezes in effect since 2011.

Management has said the pay hike would undo the years of restructuring and cost-cutting at a time when it is facing stiff competition from carriers in the Gulf as well as low-cost operators in Europe.

The airline was pulled to a net loss of 269 million euros (\$322 million) in the first quarter, weighed down by the intermittent strikes it said was costing 25 million euros each day.

The standoff prompted chief executive Jean-Marc Janailac to resign after employees rejected his offer of a seven percent raise over four years.

Even warnings from Prime Minister Edouard Philippe that employees were putting the company's financial viability at risk failed to sway

workers, who vetoed the offer in a company-wide vote.

Shortly before stepping down, Janailac said the French state's holding was proving counterproductive.

"I've seen that some within Air France are still convinced that it's the state which decides things," he said, adding that the government's holding "reinforced a feeling that the airline is invulnerable."

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