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| Corporate Finance: BA 332 |
| Finance Project |
| Airline Efficiency and Profitability Analysis |

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| Vasigh, Bijan  Fall 2018 |

The analysis of financial statements plays an important role in determining the financial strengths and weaknesses of an airline relative to that of the rest of the industry. Many airlines have not been able to remain profitable and reduce their costs. Bankruptcies have become endemic to the industry and many airlines have left the industry since the deregulation of 1978.

To reinforce the understanding of financial performance of the airline industry, each group will select six airlines (legacy, low cost, and regional; airlines). Airlines based outside the United States are permitted and a written report must be submitted. To evaluate how the selected airlines are performing over time, select at least four-year information from financial statement and calculate the financial ratios (2014-2017). The team project consists of three sections:

1. An overview of the airlines and how they have fared within the industry. The overview of the airline allows you to become better acquainted with the airlines you will be analyzing.

2. Financial ratio analysis,

1. Leverage Ratios
2. Liquidity Ratios
3. Profitability Ratios
4. Price To Earnings Ratio
5. Efficiency Ratios
6. Market Value Ratios
7. Dividend Yield
8. Altman Z-Score

3. Performance Analysis

1. Revenue per passenger mile (RPM)
2. Operating cost per passenger mile
3. Operating profit/loss per passenger mile
4. Load factor
5. Cost per available seat mile (CASM)
6. Break-even load factor
7. Identify very large investments for each airline during the period 2014-2017.
8. Identify the major financing sources for each airline during the period 2014-2017.

Your report and presentation must address the following questions:

1. Based on the above information, prepare a list of strengths and weaknesses for your selected airlines/
2. What should investors be concerned with the riskiness of individual airlines?
3. Do you think it is better for airlines to pay dividends to their shareholders?
4. How are your airlines performing relative to the leading airlines in this industry?
5. How does the current year performance compare to the previous year(s)?
6. What are the variables driving the key ratios?
7. What are the linkages among the ratios?
8. What do the ratios reveal about the future prospects of your airline for various stakeholders such as shareholders, bondholders, employees, customers etc.? Merely presenting a series of graphs and figures will not directly answer the question since you must analyze the data.

Students will work together and produce a group report that is concise and not less than eight or more than ten typed pages plus exhibits. Each group will also give an oral presentation to brief the class on their analyses, their recommendations, and the limitations of their analyses. Charts and tables are required in the Power Point presentation. All tables and figures must be named and numbers and follow APA writing guildline.