

finance

by John Spark74

Submission date: 20-Nov-2020 02:48PM (UTC+0500)

Submission ID: 1452098180

File name: Alaska_Airlines.docx (80.7K)

Word count: 893

Character count: 5069

s

Alaska Airlines

Name

Professor

Institutional Affiliation

Date

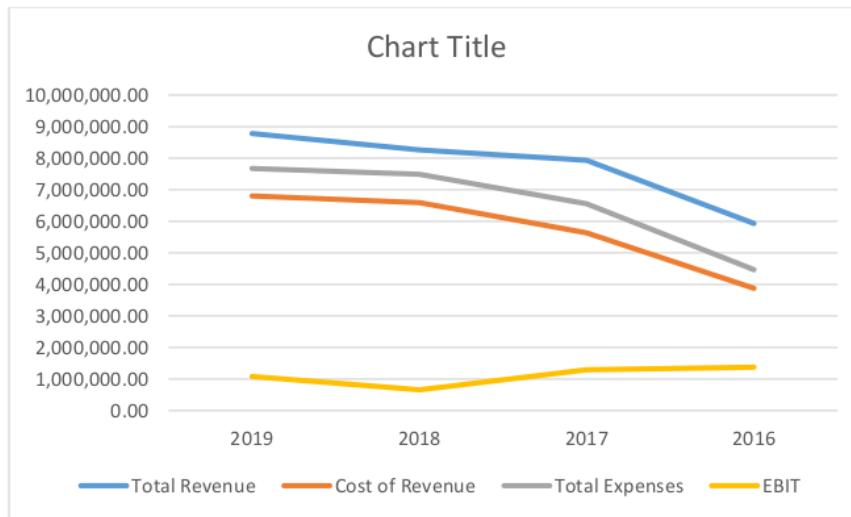
Introduction

The report below will conduct a comparative analysis between Alaska and Delta Airlines. Alaska Airlines is a major airline in America with its headquarters located at SeaTac, Washington. The airline is considered to be the fifth largest airline in the United States based on the number of destinations, passengers carried, and fleet size. On the other Delta, airlines are a legacy carrier and have its headquarters in Atlanta Georgia. The airline is considered the second largest in the United States based on the fleet size and the number of passengers carried. Based on an analysis conducted on customer satisfaction, Alaska airlines are considered to have better customer service compared to Delta airlines. Some of the features that customers like about delta airlines are the sky club services, and the female pilots (McGowan, 2017). The report below will conduct a comparative financial analysis between Delta Airlines and Alaska Airlines.

Financial Performance for the last 4 years

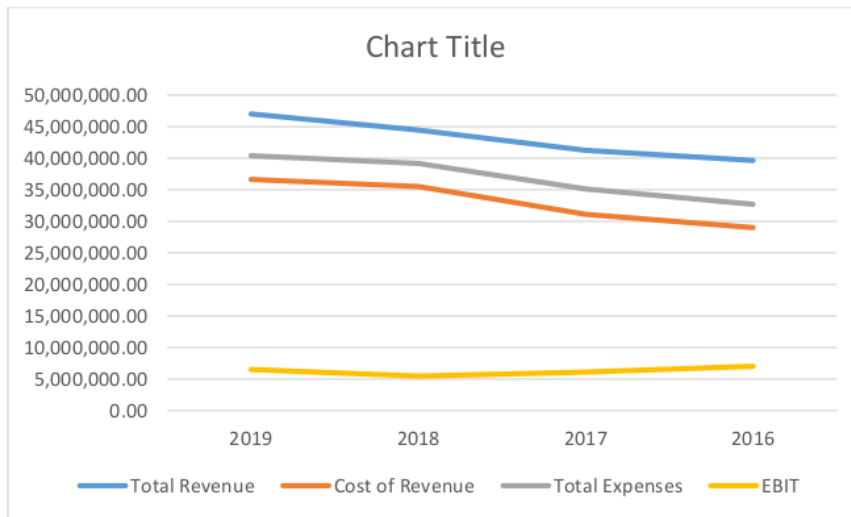
Alaska Airlines				
	2019	2018	2017	2016
Total Revenue	8,781,000.00	8,264,000.00	7,933,000.00	5,931,000.00
Cost of Revenue	6,802,000.00	6,591,000.00	5,633,000.00	3,875,000.00
Total Expenses	7,674,000.00	7,489,000.00	6,555,000.00	4,465,000.00
EBIT	1,079,000.00	658,000.00	1,293,000.00	1,375,000.00

(finance.yahoo.com)



Delta Airlines				
	2019	2018	2017	2016
Total Revenue	47,007,000.00	44,438,000.00	41,244,000.00	39,639,000.00
Cost of Revenue	36,625,000.00	35,510,000.00	31,094,000.00	28,993,000.00
Total Expenses	40,389,000.00	39,174,000.00	35,130,000.00	32,687,000.00
EBIT	6,499,000.00	5,462,000.00	6,097,000.00	7,024,000.00

(finance.yahoo.com)



From the above analysis, it is evident that Delta Airlines is associated with more business compared to Alaska Airlines. In 2019, Delta airlines had revenues equivalent to 47.007 B while Alaska Airlines had revenues equivalent to 8.871 b. The EBIT for Delta was equivalent to 6.5 b while that of Alaska airlines was equivalent to 1.07B. the difference in the revenue and earnings for the two companies was caused by the operational base for the two companies Alaska airlines has a fleet size of 321 compared to a fleet size of 763 for Delta airlines. Alaska Airlines covers 116 destinations compared to 325 destinations covered by Delta Airlines. Alaska Airlines has 23,000 employees, compared to 91,000 employees at Delta airlines. The difference in the size of operations for the two companies explains the difference in profits and revenues for the two companies.

Trend analysis

Delta Airlines							
	% Change	2019	% Change	2018	% Change	2017	2016
Total Revenue	6%	47,007,000.00	8%	44,438,000.00	4%	41,244,000.00	39,639,000.00
Cost of Revenue	3%	36,625,000.00	14%	35,510,000.00	7%	31,094,000.00	28,993,000.00
Total Expenses	3%	40,389,000.00	12%	39,174,000.00	7%	35,130,000.00	32,687,000.00
EBIT	19%	6,499,000.00	-10%	5,462,000.00	-13%	6,097,000.00	7,024,000.00

Alaska Airlines							
	% Change	2019	% Change	2018	% Change	2017	2016
Total Revenue	6%	8,781,000.00	4%	8,264,000.00	34%	7,933,000.00	5,931,000.00
Cost of Revenue	3%	6,802,000.00	17%	6,591,000.00	45%	5,633,000.00	3,875,000.00
Total Expenses	2%	7,674,000.00	14%	7,489,000.00	47%	6,555,000.00	4,465,000.00
EBIT	64%	1,079,000.00	-49%	658,000.00	-6%	1,293,000.00	1,375,000.00

(finance.yahoo.com)

From the above trend analysis, the trend for the two airlines is similar. The cost of revenue for the two companies was high between 2017 and 2018. The high cost of revenue led to a decrease in the profit levels for the two companies between 2017 and 2018. In the year 2019, Alaska airlines can be said to have had an increase in its level of efficiency. The level of efficiency can be said to have increased based on the fact that the total revenue increased by 6%

and the EBIT increased by 64%. The EBIT increased at a higher rate compared to the revenue of the company. The difference in the increase levels can be attributable to an increase in the level of efficiency in the way the operations of the company are conducted.

Other analysis

	Alaska	Delta
Stock price	47.72	37.91
Market capitalization	5.996B	24.18B
Beta	1.64	1.27
EPS	-5.65	-16.53

(finance.yahoo.com)

Based on the stock price analysis, the stocks for Alaska are highly-priced. The high pricing for stock prices shows investor confidence in the operations of the company. The market capitalization for Delta airlines is high and that can be explained by the huge operational base for Delta airlines. Alaska airlines is however a more risky investment compared to delta Airlines. The two companies are risky investments because they have a beta that is higher than one. The airlines' industry is associated with high volatility to market changes and that makes the stocks of such companies to be high-risk investments. In the current year, the two companies are associated with negative returns. The negative returns can be explained by the COVID-19 travel restrictions that have had a direct effect on the transport industry.

RASM and CASM

Alaska			
	2019	2018	2017
RASM	13.48	11.2	11.39
CASM	8.33	8.02	7.54

Alaska					
	% Change	2019	% Change	2018	2017
RASM	20%	13.48	-2%	11.2	11.39
CASM	4%	8.33	6%	8.02	7.54

From the above analysis, the RASM and CASM for Alaska airlines increased in 2019. The percentage increase in RASM was high compared to the CASM. However, in the 2017-2018 period, the costs increased at a higher rate compared to the revenue increase rate. The difference can be associated with the explanation done above on the high costs of operations in the industry because of international market forces.

References

McGowan, D. (2017). "Alaska Airlines: Seattle Could Just Be

Beginning". *insideindianabusiness.com*.

Yahoo Finance. Alaska Air Group, Inc. Retrieved on 20th November 2020 from

<https://finance.yahoo.com/quote/ALK?p=ALK>

Yahoo Finance. Delta air Lines, Inc. Retrieved on 20th November 2020 from

<https://finance.yahoo.com/quote/DAL?p=DAL>

finance

ORIGINALITY REPORT

0%

SIMILARITY INDEX

0%

INTERNET SOURCES

0%

PUBLICATIONS

0%

STUDENT PAPERS

PRIMARY SOURCES

Exclude quotes On

Exclude bibliography On

Exclude matches Off