

FINANCIAL PERFORMANCE RANKING OF AIRLINES IN THE COVID-19 ERA

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ABSTRACT

Purpose- The purpose of this study is to give rankings of the top 20 airlines in the world according to some financial performance indicators for the time period between years 2018 and 2020. Additionally, this study will highlight some of the financial performance indicators of this top 20 airline companies during the COVID-19 era in 2020. Airline industry is very important for modern society and it has a crucial role for globalization and businesses by connecting regions, promoting global trade and tourism and hence enabling economic and social development. Over the last two decades, the troubled airline companies were often on news delebrating financial difficulties, layouts and distrupted scheduled flights. Many well-known airline companies needed financial rescue and either received government fundings or sought consolidation or a partnership. COVID-19 also had a crucial impact on the deterioration of the airline industry due to quarantinas and shutdowns for travel and business. Because of these reasons, it is very important to see the rankings of the top 20 airlines in the world and indicate some of the financial performance measures of these companies during the COVID-19 era.

Methodology- In this study, first the top 20 airlines of the world was listed by ranking the 111 public airline companies in the world according to their total assets in 2020. The data was gathered from the REUTERS database. From again the REUTERS database, total assets, total equity, total revenue, net income, total short-term liabilities and total long-term liabilities of this 20 airline companies was obtained in terms of USD for the period between years 2018 and 2020. In addition, the number of employees and the number of aircrafts data was gathered to show some operational indicators of these same airline companies for the same term. Then the rankings of this top 20 airline companies was made considering all of these indicators and the change in the place of the rankings of airlines between years 2018 and 2020 was indicated. In this study, it was also showed whether the ranking of the airline companies according to financial performance differed in the COVID-19 era in 2020.

Findings- The analysis of this study reveals that although the largest asset size was reported by Delta Airlines in 2020, the highest revenue was generated by American Airlines. On the other hand, the highest number of aircrafts were employed by American Airlines in 2018, 2019 and 2020, whereas the highest number of employees worked for Lufthansa in the same years. Although American Airlines reported to gain the highest amount of total revenues in 2020; Cathay Pacific Airlines was ranked as the number one airline company in the same year if revenue per employee and if revenue per aircraft were considered as the performance criteria. None of these airlines was ranked as one of the top three performers considering net income for the year 2020, which was the COVID-19 era. The change in the rankings of the top 20 airlines according to net income in 2020 clearly showed that in the COVID-19 era, the financial performance of the airline companies was hit hard by the economic shutdowns.

Conclusion- Based upon the findings of the analysis, it may be concluded that different financial indicators must be considered together instead of solely considering total assets, total revenues or net income to analyze financial performance of the airline companies. As it was also stated by the related literature, both operational and financial indicators are important in the performance measurement of airline companies. The financial performance of the airline companies influences short and long term company decisions as well as it shapes strategic planning. Hence, a comprehensive financial performance measurement must be employed in strategic planning of airline companies.

Keywords: Airlines, financial performance ranking, COVID-19 era

JEL Codes: G10, G20, G22

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