Emirate Airline Company Financial Analysis

Emirate Airline Company is one of the major players in the field of aviation services, has a vast coverage area, and offers a range of services of high quality. Founded in 1985 with the goal of bringing the world closer through its base in Dubai, Emirates Airline has been a model of expansion and modernization (Clarke, 2023). For instance, it has expanded over the years to become one of the world's biggest international airlines, with over 3,600 weekly flights that are operated from the hub of Dubai International Airport. This airline has its operational hubs in more than 150 international destinations across six continents and is famous for its exclusive services and efficient fleet of airplanes (Smith, 2024). The company has a broad network of flights and destinations and can be considered one of the pillars of the global airline industry. Sustainable development goals (SDGs) are also another recent strategic direction that the company has adopted in its operations. This policy is an indication that the airline understands that environmental and social concerns are crucial factors for the airline to remain profitable and viable in the long run (Stanojevic, 2020). The purpose of this report is twofold: firstly, to perform an analysis of Emirate Airline’s financial results by using key financial ratios, and secondly, to analyze how sustainability has affected the airline’s profitability. It includes a minimum of three years of the company's financial statements to get a clear understanding of the financial performance and the company’s strategic plans.

Sustainability Analysis

Emirates Airline has adopted several strategic goals aligned to the SDGs within its strategic sustainability management program, which covers environment, social, and governance aspects. They are well-articulated in the company's sustainability policy, which is a core component of its business strategy and a reflection of its desire to have a positive environmental impact while also operating efficiently. The following is a breakdown of Emirates' major focus on the provision of the SDGs:

Emirates has focused on the provision of the seventh SDG: affordable and clean energy. The airline has procured sustainable aviation fuel (SAF) and plans to increase its utilization in the future as it becomes more economically feasible and accessible. SAF is an environmentally friendly and sustainable fuel for the future as compared to conventional jet fuel since it produces fewer greenhouse gases (Emirates, 2024). Moreover, Emirates has a continuous fleet renewal program to incorporate more efficient and newer aircraft like the Airbus A380 and Boeing 787 Dream Liner. This strategy helps in minimizing the airline's emission levels and, at the same time, helps in cutting down on operational costs through the enhancement of fuel utilization.

Another sustainable development goal that is of importance to Emirates is the 12th goal, which is responsible consumption and production. To mitigate the effects of food waste, the airline has adopted measures such as reducing food portions, promoting portion control, and providing meals where possible. For instance, Emirates has made contracts with recycling organizations that deal with food waste and transform it into animal feed and biofuels (Canthitoo, 2021). In addition, it is committed to sourcing the onboard products and services from ethical and local suppliers, which helps in the development of the local communities and minimizes the adverse effects on the environment.

Mitigating climate change is also a major concern for Emirates, which supports SDG 13: Climate Action. The airline also uses renewable energy, wind, and solar power projects to offset emissions from its corporate activities (Button et al., 2023). Also, it is necessary to mention that

Emirates has a strategy to increase fuel efficiency and decrease the carbon footprint per available tonne-kilometer, thus reducing the company's impact on climate change and the negative effects of global aviation (Tegizbekova, 2019).

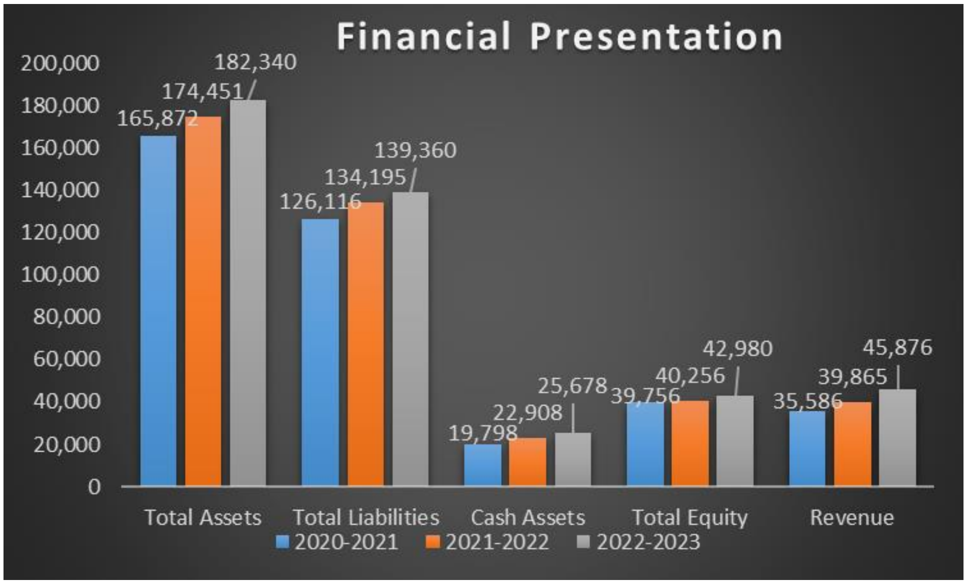
Measuring the overall financial impact of these sustainable measures is not easy, but it is clear that efficiency improvements due to savings in fuel, waste, and resources all help to lower operating expenses. In addition, the sustainability goals of Emirates are in line with current trends, as people are now more conscious of the impact of their consumption and want to support businesses that have environmentally friendly and socially responsible policies, which could improve the airline's brand image and customer satisfaction (Alkhaldi et al., 2023).

Financial Analysis

Using audited financial data from the past three years (2020-2021, 2021-2022, 2022-2023), various financial ratios were calculated to assess Emirate Airline's financial health and performance (Report, 2021, 2022, 2023). These ratios provide insights into the company's liquidity, profitability, efficiency, leverage, and market valuation.

Looking at graph 1 below, we observe that the total assets in the company have steadily increased over the three-year period. For example, in 2020-2021, total assets were valued at 165,872 million which rose to 174,451 million in 2021-2022, marking a 5.2% increase. The upward trend continued in 2022-2023, with total assets reaching 182,340 million, reflecting a further 4.5% increase. This consistent growth indicates effective asset management and expansion strategies.

The total liabilities have also increased each year indicating a 6.4% increase from 126,116 million in 2020-2021, to 134,195 million in 2021-2022. By 2022-2023, total liabilities reached 139,360 million, representing a 3.9% rise from the previous year. The steady growth in liabilities, while not as rapid as the growth in assets, suggests a balanced approach to leveraging and debt management.



Graph 1: Indicating the trend and size of the Assets, liabilities, Equity and Revenue

Additionally, based on graph 1 above, the company's cash assets have shown significant growth over the three years. In 2020-2021, cash assets were 19,798 million units. This increased sharply to 22,908 million units in 2021-2022, a 15.7% rise. By 2022-2023, cash assets had further increased to 25,678 million, a 12.1% rise from the previous year. Similarly, the total equity has also seen moderate growth as it increases by 1.3% from 39,756 million in 2020-2021, to 40,256 million in 2021-2022. In 2022-2023, total equity further increased to 42,980 million units, marking a 6.8% growth. This increase in equity and cash assets reflects a strengthening financial foundation and growing shareholder value as well as strong liquidity position and effective cash management respectively.

This result was mostly contributed by the revenue the company makes which also experienced an impressive growth, highlighting successful business operations. For instance, in 2020-2021, revenue was 35,586 million units. This increased to 39,865 million units in 2021-

2022, a 12% rise. By 2022-2023, revenue had grown to 45,876 million units, a 15.1% increase from the previous year. This substantial growth in revenue underscores the effectiveness of Emirate Airline's operational and market strategies.

Liquidity Ratios

The liquidity ratios indicate a steady improvement over the three-year period. For example, from able 1 below, we observe that the Current Ratio increased from 0.85 to 0.93, reflecting an enhanced ability to cover short-term liabilities with current assets. The Quick Ratio, which excludes inventory from current assets, rose from 0.79 to 0.86.

Table 1: The liquidity ratio analysis

Ratio	2020-2021	2021-2022	2022-2023
Current Ratio	0.85	0.87	0.93
Quick Ratio	0.79	0.81	0.86
Cash Ratio	0.44	0.5	0.55

Also, the cash ratio, which indicates the capacity to pay short-term liabilities with cash and cash equivalents, also increased from 0.44 to 0.55. This improvement indicates that the company is in a better position to hold more cash than before, which means that it has more financial flexibility and stability.

Profitability Ratios

The profitability ratios depict a positive trend for the three years under consideration, as evidenced in Table 2 below, a factor that suggests a decline in operational and net losses. The operating profit margin was lower, reducing from -47.4% to -18.9%. This is due to lower operational losses. Likewise, the net profit margin has also increased from -62.1% to -33.4%, down from the previous year, which means that the company has been able to reduce its overall net losses.

Table 2: Profitability ration analysis

Ratio	2020-2021	2021-2022	2022-2023
Operating Profit Margin	-0.474	-0.307	-0.189
Net Profit Margin	-0.621	-0.466	-0.334
Return on Assets (ROA)	-0.133	-0.106	-0.084
Return on Equity (ROE)	-0.556	-0.461	-0.357
Return on Investment (ROI)	-0.133	-0.106	-0.084

Also, the return on assets (ROA) and return on equity (ROE) were both positive but negative, indicating that the losses were still being incurred but at a decreasing rate. The ROA increased from -13.3% to -8.4% to -55 percent of its total capital employed in the business. 6% to -35.7%, while the return on investment (ROI) also had the same trend as that of the net profit percentage and was at -13.3% to -8.4%, which is an improvement on the previous year though still in the negative territory in terms of returns on investments.

Efficiency Ratios

Efficiency ratios show better management of assets and collection of receivables in the past three years. For instance, the Accounts Receivable Turnover ratio was up from 4.104 to 4.807, which indicates that the company is collecting its receivables more often, enhancing the cash inflows. This could be attributed to the reduction of Days Sales Outstanding (DSO) from 89 to 76, which suggests faster collection of receivables. This improvement is due to better credit management and faster sales collection, that is, sales being converted to cash more quickly.

Table 3: The Efficiency Ratios analysis

Ratio	2020-2021	2021-2022	2022-2023
Accounts Receivable Turnover Ratio	4.104	4.387	4.807
Asset Turnover Ratio	0.215	4.218	0.252
Days Sales Outstanding (DSO)	89	83	76

Further, the asset turnover ratio also rose slightly from 0.215 to 0.252, indicating the assets are being utilized more effectively to generate revenue. The fact that this ratio has increased implies that the company is doing a better job of deploying its assets to generate sales. These trends correspond to the company's commitment to SDG 12 and SDG 13. The reduction of operational costs is achieved by eliminating unnecessary steps and increasing the effectiveness of business operations, which in turn leads to better management of assets and faster recovery of receivables.

Leverage Ratios

The use of leverage ratios was moderate and did not show significant changes or trends. For instance, as highlighted in Table 4 below, the debt-to-equity ratio rose slightly before declining, signifying that the company has a stable but relatively high level of debt as a percentage of equity. The debt and equity ratio remained almost stable, indicating that the level of gearing was more or less constant.

Table 4: The Leverage Ratios

Ratio	2020-2021	2021-2022	2022-2023
Debt-to-Equity Ratio	3.172	3.334	3.242
Debt Ratio	0.760	0.769	0.764
Equity Ratio	0.240	0.231	0.236

Interpretation

The financial ratio analysis of Emirates Airline shows the changes in the performance of the company in the last three years. The liquidity ratios depict a gradual increase, which reflects the company's improved capability to meet short-term obligations. This positive trend is indicative of proper management of current assets and liabilities, which in turn contributes to the company's financial strength. Enhancements in these ratios may be attributed to improved resource utilization and operational efficiency, partly due to Emirates' sustainability efforts as outlined in the company's approach to SDG 12 on responsible consumption and production.

The profitability ratios are also presented in a consistent manner, but they remain negative. These trends indicate that Emirates is moving in the right direction in the process of cutting down its operational costs while at the same time improving its revenues. These improvements have been achieved through the adoption of sustainable aviation fuel (SAF) as part of the implementation of SDG 7 on affordable and clean energy and waste reduction programs under SDG 12.

Efficiency ratios suggest improved collection of receivables and the utilization of assets. Faster collection of receivables and increased asset turnover relate to better credit management and operational results, which are in line with Emirates' support of SDG 12 and SDG 13. Fleet modernization and fuel efficiency are also other factors that the company has employed in order to improve its operational efficiency and minimize its environmental impact.

Leverage ratios have been relatively low and have only shown slight variations, which suggests that the level of debt in relation to equity has been relatively constant. The company has relatively high debt, which is common with airlines as the industry is capital-intensive. The firm's focus on sustainable development in terms of economic growth and performance based on

SDG 8 also enables it to regulate its leverage and, consequently, its financial stability in the long run.

Recommendations

Based on the research findings, Emirates Airline should put the following strategic recommendations into practice to boost sustainability and financial performance: First, using more SAF through partnerships and investments can lower fuel costs and emissions, helping the airline achieve SDG 7 and improve financial performance. Waste reduction can be improved through the reduction of food waste and single use plastics, and engaging with recycling companies can turn waste into a resource that will not only save money but also the environment. Investment in renewable energy sources, including solar and wind power, will further lead to a reduction in emissions and long-term operating costs and assist in the realization of SDG 13.

The Accounts Receivable Turnover Ratio can be improved by enhancing the receivables collection processes and by adopting efficient credit management systems that can increase the cash flow. The asset turnover ratio and operating efficiency will increase through efficient management of assets by replacing the old fleet with fuel-efficient airplanes. Last but not least, increased transparency and communication with stakeholders regarding sustainability initiatives will improve brand image, increase customer loyalty, and attract consumers interested in sustainable products.

Conclusion

The assessment of the overall financial standing of Emirates Airline for the last three years shows that the airline manages to achieve notable improvements in liquidity, profitability, and efficiency ratios while facing various problems. SDGs 7, 12, and 13 of sustainability have helped these financial aspects by lessening costs and improving the efficiency of the company.

Maintenance of stable leverage ratios suggests prudent use of borrowing, which is important for sustainable airline operations due to the high capital intensity of the business.

The recommendations offered here seek to continue this upward trajectory, emphasizing the need to broaden sustainable initiatives, increase efforts to reduce waste, and strengthen credit management. Therefore, the focus on sustainability and operations can be regarded as the major factors that will help Emirates boost its profitability and achieve sustainable success. This analysis clearly shows that sustainability has to be an important part of business strategy for environmental and economic sustainability.

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