

2010 AIRLINE RANKINGS

CATHAY PACIFIC

Rank: 3rd
(mainline/legacy category)
2009 Sales:
\$8.6 billion
Cathay Pacific Airways has

seen a remarkable rebound in this year's TPA rankings. It is third in the major/legacy category, compared with a ranking of 18th under last year's scoring formula. It also had one of the biggest improvements in total score, which more than doubled to 66.5 this year. Cathay managed a \$605-million profit in 2009. The carrier boasts consistently solid scores across all five of the TPA categories (see AviationWeek.com/TPA for the full score breakdown). Cathay has proved that it is not afraid to expand during good times and shrink during downturns. Last year it deferred some widebody orders, but now deliveries are ramping up as demand returns.

KOREAN AIR

Rank: 22nd
(mainline/legacy category)
2009 sales:
\$8 billion
Korean Air is another of

the most-improved legacy carriers, based on 2009 results. It saw its total score almost double to 41 under this year's scoring formula. Korean scored particularly well in the earnings performance category; no surprise since the airline shrank its 2008 loss of \$1.5 billion to a deficit of just \$85 million in 2009. Surging cargo revenue—a big part of Korean's operation—played a large role in the improvement. Meanwhile, 2010 is shaping up to be even stronger, with a \$202-million first-quarter profit compared to a \$490-million loss a year earlier. If this trend continues, look for Korean to move higher in the rankings in next year's TPA study.

RANK	COMPANY	12 MONTHS ENDING	2009 REVENUE (\$ millions)	TOTAL SCORE
MAINLINE/LEGACY CARRIERS				
1	ALASKA AIR GROUP INC.	Dec. 09	3,400	76
2	SINGAPORE AIRLINES LTD.	Mar. 10	8,907	73
3	CATHAY PACIFIC AIRWAYS LTD.	Dec. 09	8,640	66
4	LAN AIRLINES SA	Dec. 09	3,519	59
5	QANTAS AIRWAYS LTD.	Dec. 09	10,557	58
6	HAWAIIAN HOLDINGS INC.	Dec. 09	1,183	56
7	DEUTSCHE LUFTHANSA AG	Dec. 09	24,456	56
8	TURK HAVA YOLLARI AO	Dec. 09	4,522	55
9	SAS AB	Dec. 09	5,880	55
10	COPA HOLDINGS SA	Dec. 09	1,253	53
11	AIR NEW ZEALAND LTD.	Dec. 09	2,625	53
12	TAM SA	Dec. 09	4,377	50
13	MALAYSIAN AIRLINE SYSTEM BERHAD	Dec. 09	3,206	49
14	AER LINGUS GROUP plc	Dec. 09	1,675	47
15	IBERIA LINEAS AEREAS DE ESPANA SA	Dec. 09	5,878	46
16	ALL NIPPON AIRWAYS CO. LTD.	Mar. 10	13,234	44
17	CONTINENTAL AIRLINES INC.	Dec. 09	12,586	44
18	CHINA AIRLINES LTD.	Dec. 09	3,024	43
19	FINNAIR OYJ	Dec. 09	2,559	43
20	UAL CORP.	Dec. 09	16,335	42
21	THAI AIRWAYS INTERNATIONAL	Dec. 09	4,704	42
22	KOREAN AIR LINES CO. LTD.	Dec. 09	8,045	41
23	GOL LINHAS AEREAS INTELIGENTES SA	Dec. 09	3,429	40
24	BRITISH AIRWAYS plc	Mar. 10	12,004	39
25	CHINA EASTERN AIRLINES CORP LTD.	Dec. 09	5,829	39
26	AIR CHINA LTD.	Dec. 09	7,478	38
27	US AIRWAYS GROUP INC.	Dec. 09	10,458	37
28	PAKISTAN INTERNATIONAL AIRLINES	Dec. 09	1,267	34
29	DELTA AIR LINES	Dec. 09	28,063	32
30	AMR CORP.	Dec. 09	19,917	32
31	AIR CANADA	Dec. 09	8,539	31
32	EVA AIRWAYS CORP.	Dec. 09	2,464	31
33	AIR FRANCE - KLM	Mar. 10	29,637	26
34	CHINA SOUTHERN AIRLINES CO. LTD.	Dec. 09	8,202	21
35	ASIANA AIRLINES INC.	Dec. 09	3,210	12

For a breakdown of how each airline scored in the TPA categories, go to: AviationWeek.com/TPA

RANK	COMPANY	12 MONTHS ENDING	2009 REVENUE (\$ millions)	TOTAL SCORE
LOW-COST/NICHE CARRIERS				
1	ALLEGiant	Dec. 09	558	83
2	RYANAIR HOLDINGS plc	Mar. 10	4,218	75
3	AIR ARABIA PJSC	Dec. 09	537	67
4	AEGEAN AIRLINES SA	Dec. 09	865	58
5	AIRASIA BERHAD	Dec. 09	901	56
6	HAINAN AIRLINES CO. LTD.	Dec. 09	2,275	52
7	WESTJET AIRLINES LTD.	Dec. 09	2,000	48
8	SOUTHWEST AIRLINES CO.	Dec. 09	10,350	48
9	AIRTRAN HOLDINGS INC.	Dec. 09	2,341	46
10	NORWEGIAN AIR SHUTTLE ASA	Dec. 09	1,164	43
11	TRANSAT A.T. INC.	Oct. 09	3,033	42
12	EASYJET plc	Sep. 09	3,319	36
13	JETBLUE AIRWAYS CORP.	Dec. 09	3,286	33
14	SHANDONG AIRLINES CO. LTD.	Dec. 09	785	28
15	VIRGIN BLUE HOLDINGS LTD.	Jun. 09	1,916	20
16	AIR BERLIN plc & CO.	Dec. 09	4,502	16
17	CYPRUS AIRWAYS PUBLIC LTD.	Dec. 09	346	16
18	KENYA AIRWAYS LTD.	Mar. 09	992	6
19	AIR MAURITIUS LTD.	Mar. 09	631	5
20	JET AIRWAYS (INDIA) LTD.	Mar. 09	2,835	1
21	SPICEJET LTD.	Mar. 09	366	1

REGIONAL CARRIERS				
1	REGIONAL EXPRESS HOLDINGS LTD.	Jun. 09	179	66
2	SKYWEST INC.	Dec. 09	2,610	63
3	JAZZ AIR INCOME FUND	Dec. 09	1,292	62
4	GREAT LAKES AVIATION LTD.	Dec. 09	122	59
5	COMAIR LTD.	Dec. 09	338	53
6	REPUBLIC AIRWAYS HOLDINGS INC.	Dec. 09	1,642	44
7	PINNACLE AIRLINES CORP.	Dec. 09	846	41
8	EXPRESSJET HOLDINGS INC.	Dec. 09	688	28

NOTES:
Publicly traded airlines only. Scores range from 1 to a maximum value of 99. The methodology used for these rankings can be found on p. 56.

RYANAIR

Rank: 2nd
(low-cost/niche category)
Sales
(12 months through March 2010): \$4.2 billion

Ryanair out-performed all other European carriers in this year's study, and it is a real outlier compared to its mainline and low-cost competitors with their modest results. The carrier managed to regain significant momentum in 2009, even though it is one of the more mature low-cost carriers on this list, and does not have the wide-open growth prospects of those in other regions. Ryanair reported a net profit of \$431 million for its fiscal year ending March 31, a dramatic swing from the previous year's loss of \$238 million. The carrier predicts its profit will be 10-15% higher for the current fiscal year, and its fleet of Boeing 737-800s will increase to 299 by March 2013.

SKYWEST

Rank: 2nd
(regional category)
2009 sales:
\$2.6 billion

Over the past few years, SkyWest Airlines has solidified its position among the leaders in the regional carriers category. The company is the largest regional operation in the U.S., and has absorbed Atlantic Southeast Airlines, which it bought from Delta Air Lines in 2005. SkyWest operates regional service for Delta and United Airlines, and in December began operations for AirTran Airways. The carrier has expanded its flying for United as part of a deal in October 2009 which saw SkyWest loan United \$80 million. SkyWest raised its total score in 2009, even though its net profit for the year fell 26% to \$83.7 million. This year looks brighter, with its first-quarter profit up 60% to \$15 million.

How It Works

Focus remains on financial fitness and earnings performance

This year's rankings of publicly traded airlines identify those managers who have best positioned their companies for recovery from last year's global recession and volatility in fuel prices. Scores represent the composite of five performance categories, placing significant emphasis on financial fitness and earnings performance. The five categories (and their contributions to total score) include:

Liquidity (20%), scored from a series of metrics weighing cash and equivalents available to fund current operating requirements, implicit borrowing capacity computed from a percentage estimate of unencumbered asset collateral to debt, and unrestricted cash reserves per available seat mile.

Financial Health (30%), representing a measure of an airline's overall financial strength based on assessments of solvency, current ratio, fixed charge coverage, mix of debt and equity capital, operating income margin and debt service cover.

Earnings Performance (30%), based on a string of metrics assessing earnings momentum and earnings quality from cash-flow margin and year-over-year changes to unit revenue and operating cost.

Fuel Cost Management (10%), determined from a series of metrics weighing cash flow (EBITDAR) and year-over-year

changes to liquidity and solvency against the average annual cost of Jet A fuel.

Asset Utilization (10%), determined from the ratio of cash-flow return on investment, providing computation of an economic (versus book or GAAP-based) internal rate of return on inflation-adjusted operating assets of an airline.

Companies Grouped According to Operating Profile

Separate scoring algorithms have been developed for each of the three airline groups presented, including passenger airline companies designated as (1) Mainline/Legacy, (2) Low Cost (LCC)/Niche and (3) Regional carriers.

Ratios Assigned to Performance Categories

The scoring algorithms used to rank this year's Top-Performing Airlines were compiled from a selection of 19 ratios assigned to one of the five performance categories.

Ratios grouped within their respective performance categories were calculated over a 10-year period (where available), weighted and then subjected to an extensive compilation procedure that generated preliminary values for Total Score and each of the five performance categories. Ratios were then assigned coefficients

supporting the preliminary values to complete the scoring algorithms.

Further Review Opportunity Gained From Methodology Design

In addition to facilitating airline rankings, total score and results shown in the tables for the five performance categories can also be interpreted as percentiles of performance for fiscal 2009 compared to peer results over the prior 10 years. A score of 85, for example, indicates a company's performance is within 14 points of the best result earned by its peer group during the 10-year period 2000-09.

Michael K. Lowry was project manager for the study. Lowry was a senior executive with aerospace and airline companies and an equity analyst. He is currently editor/publisher of AirWatch Report, an airline credit advisory service.

Calculations are based on the latest operating results reported for fiscal years ended no later than March 31, 2010. Where possible, companies with fiscal year-ends prior to Dec. 31 have been scored, using interim quarterly data, to the calendar year-end to better match operating performance between companies. Raw information is provided by database vendor Standard & Poor's (which, like AW&ST, is a division of The McGraw-Hill Companies). Bankruptcy and reorganization-related gains/charges, mark-to-market asset impairment write-downs, gains/losses from fuel-related derivatives and other non-operating transactions have been excluded from all cash flow-related computations to normalize results. For non-U.S. companies, income statement data presented in native currencies have been converted to U.S. dollars on an averaged, annual basis. Balance sheet data have been adjusted to year-end currency conversion rates.

TPA Online

Go to: AviationWeek.com/TPA for expanded rankings tables that detail each airline's score in five categories.

Detailed data for every carrier can be accessed by registered subscribers on July 15 on the Aviation Week Intelligence Network, at: AviationWeek.com/awin/TPA

Southern Standout

ADRIAN SCHOFIELD

Australia's Regional Express Holdings (REX) is the top-performing regional carrier for the second consecutive year. Its liquidity and financial health scores were the highest in its category. Though REX's total score dropped compared with last year, it still managed to edge out SkyWest Airlines for the top spot. REX recorded a profit of \$17 million in fiscal 2009, down slightly from its 2008 profit. The carrier's fleet includes 45 Saab 340s (right). In the regional category overall, the median score rose in this year's study following two years of decline.



JASON SUTHERS/REGIONAL EXPRESS

The TPA advisers note that while the regional market is growing increasingly tough—particularly in the U.S.—many of the top performers are finding ways to diversify. Third-ranked Jazz Air, for example, has agreed to fly leased Boeing 757-200s to Latin American leisure destinations from Canadian cities, on behalf of travel company Thomas Cook Canada.

2010 REGIONAL CARRIERS RANKING

RANK	COMPANY	SCORE DATE	TOTAL SCORE	LIQUIDITY	FUEL MANAGEMENT	FINANCIAL HEALTH	EARNINGS PERFORMANCE	ASSET MANAGEMENT
1	Regional Express Holdings Ltd	Jun 09	66	78	23	85	19	71
2	SkyWest Inc	Dec 09	63	71	70	66	34	48
3	Jazz Air Income Fund	Dec 09	62	72	39	62	29	76
4	Great Lakes Aviation	Dec 09	59	48	15	72	68	65
5	Comair Ltd	Dec 09	53	60	19	58	4	66
6	Republic Airways Holdings Inc	Dec 09	44	42	64	36	45	54
7	Pinnacle Airlines Corp	Dec 09	41	32	32	46	33	64
8	ExpressJet Holdings Inc.	Dec 09	28	48	18	27	1	58