

MBA 620 TransGlobal Airlines Information

Location, Size, and Age of the Firm

- Name: TransGlobal Airlines
- Home Country: USA
- HQ Location: Miami, FL
- Size: 40,000 employees
- Age: began operations in 1951

Customer Segment and Target Market

- Class: global airliner with dominant U.S. presence
- Market: global
- Destinations: 242 destinations serving 52 countries across six continents
- Market segment: first class, luxury, business class, and economy
- Global market share: 18% (ranked 2nd, American is number one at 18.6%)
- U.S. market share: 18.3% (ranked 2nd, Southwest first at 19.1%)
- Retention: 80% return customers
- New customer growth: 27% annually (prior to COVID)
- Passenger kilometers: 278 billion (American is number one at 287 billion)

Major Competitors

All international and domestic U.S. airlines

Company Leadership

Publicly held with a board, president, VP admin, CEO, CFO, COO, VP sales, division VPs, subsidiaries

Current Financials

- Annual gross revenues: \$20.683 billion
- Annual net income: \$2.099 billion
- Adjusted earnings per share of \$3.22, a 28% increase year-over-year
- Delivery of 88 new aircraft during the year
- Number of aircraft in fleet, end of period: 1,062
- Average age of aircraft: 13 years
- Domestic revenue grew 7.7% in the last quarter on 1.6% higher passenger unit revenue (PRASM) and 6% higher capacity. Domestic premium product revenue grew 11% and corporate revenue grew 6%, driven by strength in business and leisure demand through the holiday period. Revenue and margin improved in all domestic hubs, with revenue up 10% in coastal hubs and 6% in core hubs.
- Atlantic revenue grew 0.8% in the last quarter on 2.4% higher capacity and a 1.6% decline in PRASM, driven almost entirely by foreign exchange rates.
- Latin revenue grew 6.7% on a 6.3% increase in unit revenue and 0.4% higher capacity. This revenue improvement was driven by continued double-digit unit revenue growth in Brazil and Mexico.
- Pacific revenue was down 0.5% vs. the prior year on a 4.4% decline in unit revenue primarily due to continued softness in China. This was a 3.2 point improvement vs. the September quarter on improved trends in Japan.

Strategic Plans and Goals

The board of directors has recently approved a comprehensive plan identified as TransGlobal 2030. The plan is the result of eight months of data collection, customer focus groups, leadership retreats, and employee input.

The TransGlobal 2030 vision is to lead the industry in three critically important areas: safety, excitement, and stewardship (SES). This SES vision has been translated into a collection of guiding principles and goal statements:

- SES Principles
 - We will always treat our customers with respect.
 - We will value our employees and business partners.
 - We will innovate to provide our customers with the most forward-thinking and exciting travel experience.
 - We will build lifelong relationships with our customers.
 - We will protect our planet.
- SES Goals
 - Safely re-introduce and promote the MAX 737 aircraft¹.
 - Expand the fleet of regional aircraft with capacities below 70.
 - Upgrade the reservation and ticketing experience, including smartphone apps and integration with apps associated with lodging, ground transportation, and attractions.
 - Achieve top-10 status in the 2030 World's Best Workplaces rankings (currently not ranked in top 100).
 - Reach net-zero carbon footprint by 2075.
 - Accelerate adoption of fuel-efficient aircraft and alternative fuels.
 - Expand use of carbon offset measures.
 - Improve our Airlines.com safety rating from 5 stars to 7 stars.
 - Build brand awareness and customer loyalty.
 - Address workplace inequities and build an inclusive culture.
 - Train every employee in the basics of FAA's SAS (Safety Assurance System) via 2-hour web-based training.

¹The popular 737 aircraft has been the subject of considerable controversy and safety concerns worldwide.

ASSETS (in millions)

Current Assets

Cash and cash equivalents: \$1,268

- Accounts receivable: \$1,256
- Fuel inventory: \$321
- Expendable parts and supplies inventories, net: \$229
- Prepaid and other expenses: \$559
- Total current assets: \$3,629

Other Assets:

- Property and equipment: \$13,776
- Operating lease right-of-use assets: \$2,476
- Goodwill: \$4,304
- Identifiable intangibles: \$2,272
- Cash restricted for airport construction: \$280
- Other noncurrent assets: \$1,657
- Total other assets: \$24,765

Total assets: \$28,394

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

- Current maturities of long-term debt: \$806
- Finance leases: \$200
- Current maturities of operating leases: \$352
- Air traffic liability: \$2,251
- Accounts payable: \$1,437
- Accrued salaries and related benefits: \$1,628
- Loyalty program deferred revenue: \$1,416
- Fuel card obligation: \$ 324
- Other accrued liabilities: \$474
- Total current liabilities: \$8,888

Noncurrent Liabilities

- Long-term debt: \$3,000
- Finance leases: \$904
- Pension, postretirement Related benefits: \$3,719
- Loyalty program deferred revenue: \$1,544
- Noncurrent operating leases: \$2,329
- Deferred income taxes: \$641
- Other noncurrent liabilities: \$610
- Total noncurrent liabilities: \$12,747
- Total liabilities: \$21,635

Stockholders' equity: \$6,759

Total liabilities and stockholders' equity: \$28,394

Margins

- Operating margin: 14.08%
- Net profit margin: 10.14%
- Operating cash flow margin: 41.7%
- Debt to equity: 3.20
- ROE: 31.04%
- ROA: 7.39%
- Receivables turnover: 16.47%
- Aircraft capacity: 98%
- Current ratio: 0.408

- Quick ratio: 0.2839