Indicator Information Sheet

Subject:	Air Transport Development
Kind of indicator:	Performance Indicator
Spatial objective:	Worldwide
Object:	Trends at Airports
Theme:	**Airport Financial Performance**

1. Purpose of the indicator category

The purpose of the indicator field "Airport Financial Performance" is to present a general overview of the financial development of a set of global airports. This focus is important to complete the picture of airports in addition to the trends in the airline sector and with regard to the whole aviation business. Airports play an important role within the whole air transport system: first of all it is the needed infrastructure for the airlines they offer; then they serve also as interfaces to other transport modes, as hubs for the global air transport networks, as urban areas with important functions for regions and also as business companies, which have to enhance their efficiency. Therefore, besides technical parameters and traffic performance, the financial stability of airports strongly determines the maintenance of the air transport system, the service quality and the access to air transport as one part of the global supply chain.

2. Description of the indicator development

In the following, four indicators are regarded in detail. Taken as a whole they have a detailed monitoring function and thus contribute all together to a manifold perspective on the financial performance of the top 100 airports worldwide, which were selected from Airline Business as essential information source in this context.

1. The average revenues per top 100 airport

   The analysis of the average revenues per regarded airport allows getting a picture of the demand for the services airports offer with regard to the monetary outcome of these activities. The coverage is in this case a broad one, as the revenues regarded include the aviation business as well as the non-aviation business which grew significantly within the last years as one global trend.[1]

2. The average operating result per top 100 airport

   The operating result per top 100 airport refers to the result which is available for an airport after the operating expenses are subtracted from the operating revenues and is therefore also an important indicator. Concerning its significance, the operating result shows how effective airports are in balancing costs and revenues what finally decides about the net result each airport can use for reinvestment purposes and its future planning and strategy.

3. The average operating margin per top 100 airport

[1] Furthermore, the presented revenues can include income from affiliated companies of the airports and direct income from airport ground handling services if this business was not outsourced. Therefore, the sources of revenues which are regarded here are not the same at every airport. However, the data is sufficient to draw some general conclusions on an aggregated level.

The operating margin is another important figure in the field of financial analysis as it shows the proportion of revenues, which is left over after all operating costs are paid. Thus, it reflects how successful an airport is in cost handling. The higher the operating margin, the more of the revenues can be kept for the operating result.

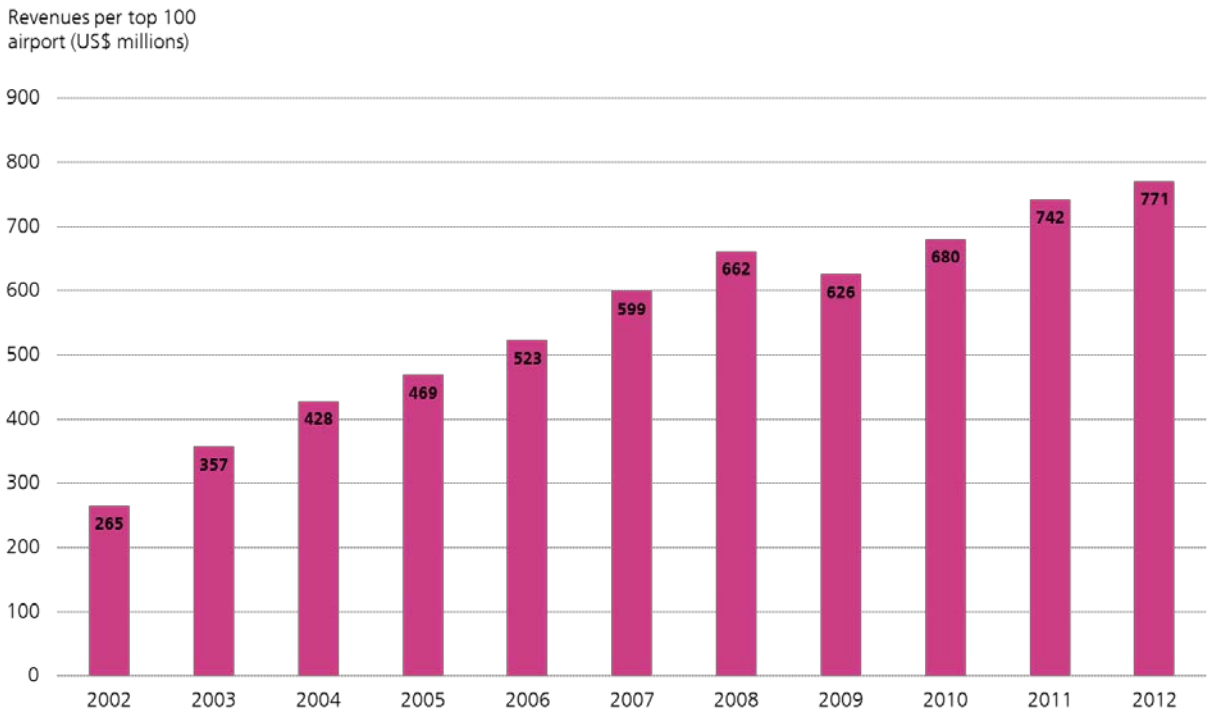
4. The average net result per top 100 airport

   Finally, the average net result per regarded airport is also an useful indicator to get to a complete picture of the financial development of airports over time, as the net result reflects the business success of an airport and provides information on the concrete monetary value an airport can use for reinvestment after all costs like operating expenses, costs for taxes and amortisation etc. were subtracted.

To sum up the considerations above, it can finally be said that the presented set of chosen indicators does not only offer the potential to compare the presented figures against each other. It also gives an impression of the financial development of some of the most important airports worldwide in regard to the development of the whole industry. For this purpose, the following chapters show in detail concrete trends in form of graphs. Figures from Airline Business which were the basis for this analysis are also included in the annex of this document. However, it has to be kept in mind, that the top 100 airports in the Airline Business ranking may change each year according to their particular on-going revenue situation which is the benchmark for a ranking consideration. Due to this fact, the data can only serve to indicate some general trend lines. For more concrete conclusions a bottom-up approach on an individual airport basis might be more useful.

Indicator 1: Average revenues per top 100 airport

Source: DLR, own calculations based on Airline Business.



Indicator 1 shows the development of the average revenues per top 100 airport worldwide in the medium-term. It can be observed that in general there is a steady and stable increase in revenues visible. From 2002 to 2008, the average revenue grew by about 150% what illustrates a significantly positive tendency. Anyhow, the development in 2009 also underlines the vulnerability of the airport business with regard to framework developments. The economic crisis became apparent in this time and obviously affected heavily the airlines as the main revenue generator of the airports. Thus, in the second instance the airports also suffered from the situation. Lower demand in 2009 started to influence the airport sales in the aviation and the non-aviation business and this resulted of course also in a lower overall financial income of the regarded airports. In general, the revenues per top 100 airport between the years 2008 and 2009 shrunk from US$ 662 million to US$ 626 million what means a decrease of 5.4% within one year.

However, this downward trend was obviously not stable as the years 2010 and 2011 show already a slight recovery and a return to the revenue growth path of the past that is suggested by the given graph. The year 2012 continued this upward tendency with revenues of US$ 771 million per top 100 airport. Taking into account the fact that only the biggest airports worldwide in terms of revenues are regarded here, this is plausible, as these actors have important functions as hubs and handle a lot of global air traffic. In times of crises, they might therefore be even better protected against shrinking demand or at least better cope with the results of a global crisis in a shorter time. In addition, airports in general have a kind of monopoly status. Due to their geographic distribution and the unique service and extended infrastructure they provide, their position in times of economically bad conditions is therefore always a better one than the one of airlines. While airlines have to underbid each other in ticket prices and are faced with direct competition at several airports, what will force them not to reduce the number of flights they offer, even if demand shrinks, airports have a more comfortable status. Even in times of crisis they profit from the flights that are performed. Only the income through passenger-related charges becomes smaller. These circumstances are also indicated in the figures above.

Finally it has to be said that even though only the top 100 airports are regarded in this document, the analysed trends hold partly also for the majority of all airports worldwide as already the top 100 airports are handling a significant share of all global aircraft movements and passengers and indicate general trends in the air transport sector with respect to demand development.

Indicator 2: Average operating result per top 100 airport

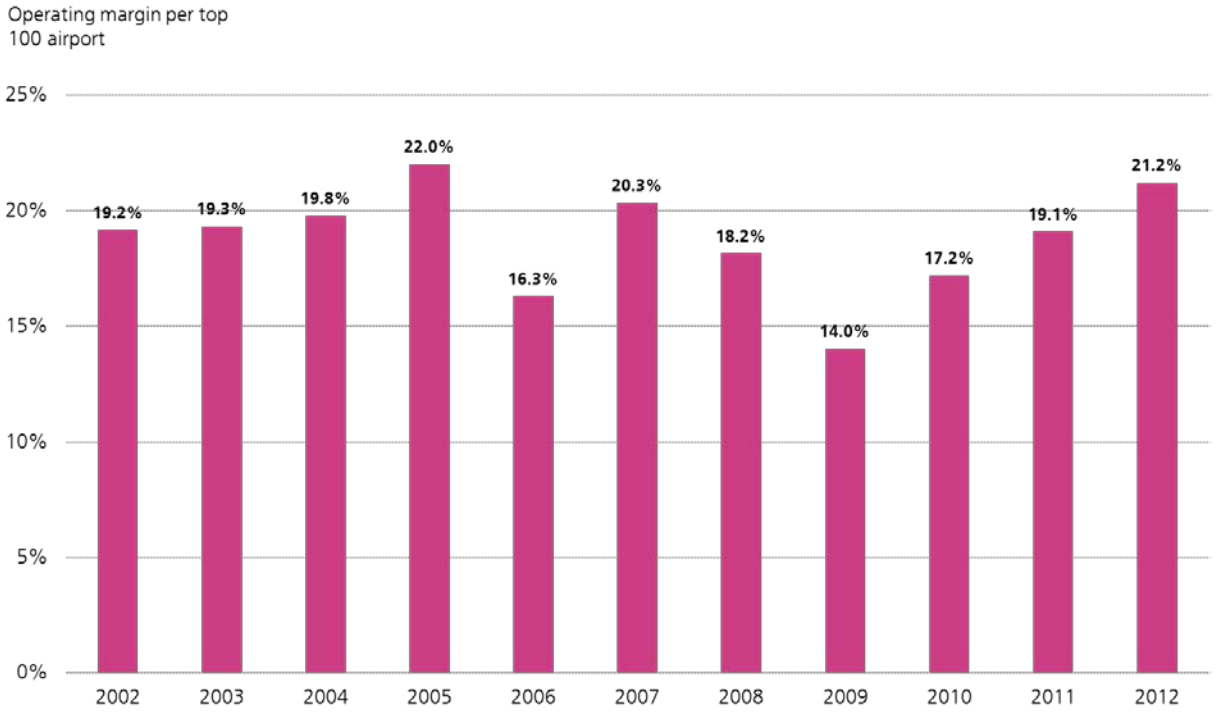
Source: DLR, own calculations based on Airline Business.

Although the average revenues per top 100 airport increased steadily over the first years of the regarded decade, this is not reflected in the average operating results. After constant growth from 2002-2005, there is a slump of the average operating result per top 100 airport in 2006 visible. In 2007, the figure then rose once more and was higher than ever before in the regarded time frame, only to decrease to 2006-level in the year 2009 again. This development of the regarded curve can on the one hand for the year 2009 once more be explained by the economic crisis, which especially led to a decrease in the airport business and resulted in lower revenues. While the cost side was not cut in the same proportion at the same time – a clear condition due to the inflexible and high fixed costs share airports are faced with – this development lowered the operating result. With regard to the low of 2006 an explanation is harder to find as the revenues did not decline between 2005 and 2006 (cf. Indicator 1) and there is no consistent relation to the operating result visible. However, as it was already mentioned, the set of airports in the Airline Business ranking differs each year according to the revenue development of the big hubs. Thus, it could be the case that in 2006 proportionally more airports with higher revenues but also with much higher costs were among the top 100 and influenced the result in this way.

However, the years from 2010-2012 already show a clear recovery in terms of the operating result. Especially in 2012 the highest operating result ever in the regarded period could be reported per top 100 airport. The corresponding figure amounted to US$ 164 million. This represents a more than three times higher average value within one decade compared to the starting point of the graph in 2002. Again, as discussed in connection with Indicator 1, this is a signal for the relatively stable position of airports in the air transport market even in times of economic crises. In contrast, airlines seem to suffer stronger from bad economic circumstances and competition such as the corresponding indicator sheet on airline financial performance at the MONITOR portal suggests. While the given set of airports here show for each year in the graph a positive operating result on average, the corresponding indicator for the airline financial performance reports for some years even negative values.

Indicator 3: Average operating margin per top 100 airport

Source: DLR, own calculations based on Airline Business.



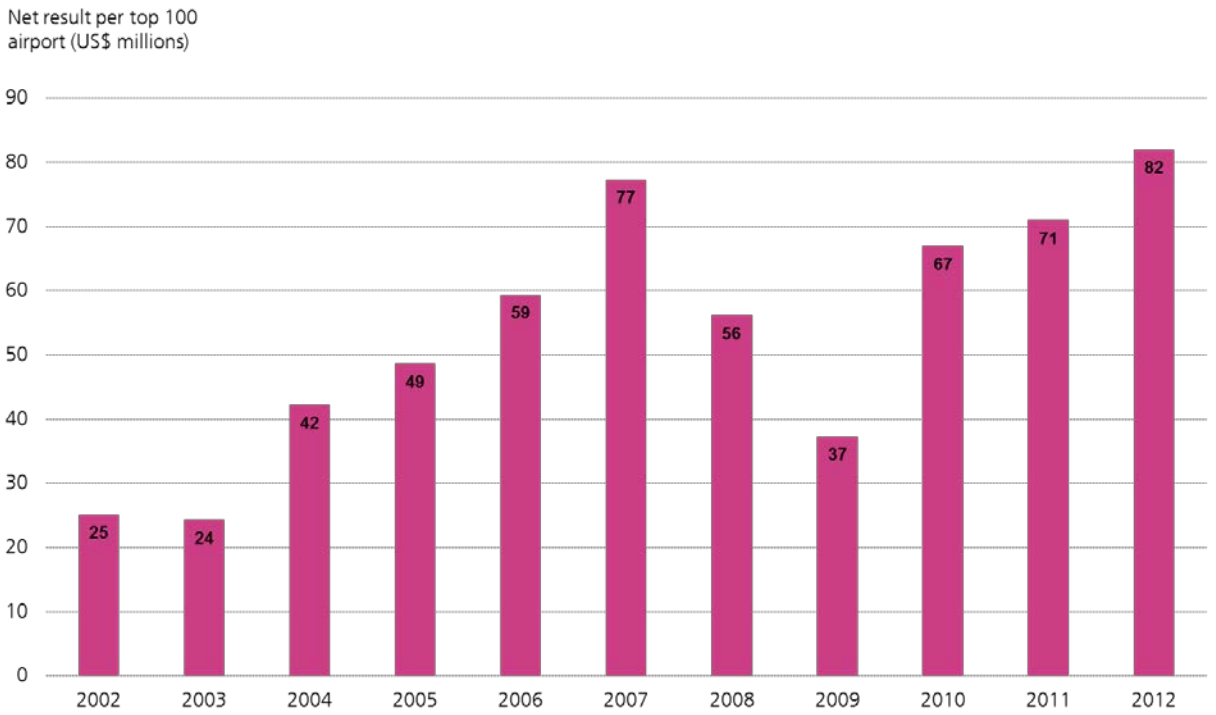
The average operating margins of the top 100 airports do not show any significant changes in the first years of the regarded decade. Meanwhile, in 2005, this tendency is interrupted by a clear upward trend before the operating margin in 2006 marks again a contrary tendency. Comparing the margin of 2006 to the operating result of the same year (cf. Indicator 2), it can be observed that both figures declined in this period, but went up again in 2007. Thus, the developments correspond to each other, which is no surprise as the operating result is a component of the operating margin.

Meanwhile, between 2007 and 2009, the operating margin decreased much stronger than the operating result. This development was most probable a result of the economic crisis which dropped demand and revenues in most economic sectors and finally led to an imbalance in the cost and revenue situation of the regarded airports. However, in line with the trends in revenues and operating results per top 100 airport for the years 2010-2012, an upward tendency of the operating margin is also identifiable for this short time span. It increased from 17.2% to 21.2% within two years.

In general, it can also be concluded once more that the position of airports in the air transport market is a stronger one than those of airlines. While the big players in the airline industry often face negative margins and only through the influence of better years in total a mean operating margin of 2.5% could be reached during the last 22 years (cf. the corresponding airline financial performance indicator sheet at the MONITOR portal), airports operate continuously in the field of double-digit margin figures oscillating around 18.8% on average.

Indicator 4: Average net result per top 100 airport

Source: DLR, own calculations based on Airline Business.



The development of the average net result per top 100 airport runs pretty similar to the average operating result per top 100 airport shown by Indicator 2. Up to 2007, there is a healthy financial development visible as within five years the net result per top 100 airport grew from US$ 25 million to US$ 77 million what corresponds to a percentage increase of more than 200% in the regarded time period. Anyhow, as already observed by the analysis of the other financial figures presented here, the economic crisis slowed down this growth significantly when it affected the airport industry in the years 2008/2009. However, the years 2010-2012 brought again a recovery as it is indicated by all given values in this document.

Thus, in the long-term the airports' financial position in the air transport market seems to be a relatively stable one – especially in comparison to the one of airlines. This is specifically reflected in the same indicator for airlines which is given in the separate airline financial performance indicator sheet at the MONITOR portal. While the net result per top 100 airport was in no case negative between 2002 and 2012, net losses per airline in the same time span are identifiable for the half of the regarded years.

Summing up all these results, it can finally be concluded that the presented set of indicators is usable to give a rough impression of the past financial performance of global airports and to highlight some general aspects of the air transport industry – especially in connection with framework developments in the overall economy.

3. Main sources of the discussed indicators

- Airline Business

4. Alternative sources to build similar indicators in the given indicator field

- ACI: Airport Economics Survey (Metadata description)

Annex

Indicator 1: Average revenues per top 100 airport

Year	Total revenues (US$ millions)	Indicator: Average revenues per top 100 airport (US$ millions)
2002	26,491	265
2003	35,742	357
2004	42,806	428
2005	46,910	469
2006	52,275	523
2007	59,919	599
2008	66,178	662
2009	62,572	626
2010	68,049	680
2011	74,240	742
2012	**77,119**	**771**
2002-2012: Average value	-	**557**

Source: Airline Business

Remarks: The top 100 airports which are listed here are the global top 100 with regard to revenues in the respective year.

Indicator 2: Average operating result per top 100 airport

Year	Operating results (US$ millions)	Indicator: Average operating result per top 100 airport (US$ millions)
2002	5,024	50
2003	6,590	66
2004	8,464	85
2005	9,885	99
2006	8,525	85
2007	12,181	122
2008	12,013	120
2009	8,772	88
2010	11,678	117
2011	14,151	142
2012	**16,352**	**164**
2002-2012: Average value	-	**103**

Source: Airline Business

Remarks: The top 100 airports which are listed here are the global top 100 with regard to revenues in the respective year.

Indicator 3: Average operating margin per top 100 airport

Year	Average operating margin per top 100 airport (%)
2002	19.2%
2003	19.3%
2004	19.8%
2005	22.0%
2006	16.3%
2007	20.3%
2008	18.2%
2009	14.0%
2010	17.2%
2011	19.1%
2012	**21.2%**
2002-2012: Average value	**18.8%**

Source: Airline Business

Remarks: The top 100 airports which are listed here are the global top 100 with regard to revenues in the respective year.

Indicator 4: Average net result per top 100 airport

Year	Net results (US$ millions)	Indicator: Average net result per top 100 airport (US$ millions)
2002	2,512	25
2003	2,430	24
2004	4,226	42
2005	4,866	49
2006	5,938	59
2007	7,729	77
2008	5,615	56
2009	3,727	37
2010	6,694	67
2011	7,074	71
2012	**8,203**	**82**
2002-2012: Average value	-	**54**

Source: Airline Business

Remarks: The top 100 airports which are listed here are the global top 100 with regard to revenues in the respective year.

This Indicator Information Sheet was prepared by the MONITOR project partner DLR – Institute of Air Transport and Airport Research.

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