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Emirates Group Announces 2017-18 results

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The Emirates Group today announced its 30th consecutive year of profit and steady business expansion.

Released today in its 2017-18 Annual Report, the Emirates Group posted a profit of AED 4.1 billion (US$ 1.1 billion) for the financial year ended 31 March 2018, up 67% from last year. The Group's revenue reached AED 102.4 billion (US$ 27.9.billion), an increase of 8% over last year's results, and the Group's cash balance increased by 33% to AED 25.4 billion (US$ 6.9 billion) supported by the bond issued in March and strong sales due to the early Easter holidays at the end of March.

In line with the overall profit, the Group declared a dividend of AED 2.0 billion (US$ 545 million) to the Investment Corporation of Dubai.

His Highness (H.H.) Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates Airline and Group, said: 'Business conditions in 2017-18, while improved, remained tough. We saw ongoing political instability, currency volatility and devaluations in Africa, rising oil prices which drove our costs up, and downward pressure on margins from relentless competition. On the positive side, we benefitted from a healthy recovery in the global air cargo industry, as well as the relative strengthening of key currencies against the US dollar.

'We've always responded to the challenges of each business cycle with agility, while never losing sight of the future, and this year was no exception. In 2017-18, Emirates and dnata delivered our 30th consecutive year of profit, recorded growth across the business, and continued to invest in initiatives and infrastructure that will secure our future success.'

In 2017-18, the Group collectively invested AED 9.0 billion (US$ 2.5 billion) in new aircraft and equipment, the acquisition of companies, modern facilities, the latest technologies, and staff initiatives.

Emirates announced two significant commitments for new aircraft during the year: a US$ 15.1 billion agreement for 40 Boeing 787-10 Dreamliners which will be delivered from 2022, and a US$ 16 billion agreement for 36 additional A380 aircraft, including 16 options.

dnata's key investments during the year included: acquisition of AirLogistix USA, marking its entry in the US cargo market; expansion of cargo handling capabilities with new warehouses and equipment at London Gatwick, Amsterdam-Schiphol, and Adelaide; new catering facilities in Dublin and Melbourne; and new marhaba lounges in Karachi and Melbourne.

Sheikh Ahmed said: 'While expanding our business and growing revenues, we also tightened our cost discipline. Across the Group, we progressed various initiatives to rebuild and streamline our back office operations with new technology, systems and processes. In 2017-18, our reduced recruitment activity, coupled with restructured ways of working gave us gains in productivity, and a slowdown in manpower cost increases.'

Across its more than 80 subsidiaries, the Group's total workforce declined by 2% to 103,363, representing over 160 different nationalities, as part of the overall productivity improvement initiatives in Emirates and dnata.

Sheikh Ahmed concluded: 'Looking ahead, Emirates and dnata remain focussed on delivering safe, efficient and high quality services consistently to our customers. Our ongoing investments in our people, technology, and infrastructure will help us maintain our competitive edge, and ensure that we are ready to meet the opportunities and stay on course for sustainable and profitable growth.'

Emirates performance

Emirates' total passenger and cargo capacity crossed the 61 billion mark, to 61.4 billion ATKMs at the end of 2017-18, cementing its position as the world's largest international carrier. The airline moderately increased capacity during the year over 2016-17 by 2%, with a focus on yield improvement.

Emirates received 17 new aircraft, after last year's record number during a financial year, comprising of eight A380s and nine Boeing 777-300ERs. At the same time, eight older aircraft were phased out, bringing its total fleet count to 268 at the end of March. This fleet roll-over involving 25 aircraft was again one of the largest managed in a year, keeping Emirates' average fleet age at a youthful 5.7 years.

It underscores Emirates' strategy to operate a young and modern fleet which is better for the environment, better for operations, and better for customers. The airline remains the world's largest operator of the Boeing 777 and A380 - both aircraft being amongst the most modern and efficient wide-bodied jets in the sky today.

During the year, Emirates launched two new passenger destinations: Phnom Penh (Cambodia) and Zagreb (Croatia). It also added flight capacity to 15 existing destinations, offering customers more choice of flight timings and onward connections.

Emirates also grew its global connectivity and customer proposition through strategic partnerships. During 2017-18, Emirates entered into significant partnerships with flydubai and Cargolux, expanding the choice of air services on offer to passenger and cargo customers respectively. Emirates also received authorisation to extend its partnership with Qantas until 2023.

In spite of political challenges impacting traveller demand and fare adjustments due to a highly competitive business environment, Emirates managed to increase its revenue to AED 92.3 billion (US$ 25.2 billion). The decline of the US dollar against currencies in most of Emirates' key markets for the first time in a number of years had an AED 661 million (US$ 180 million) positive impact to the airline's bottom line.

Total operating costs increased by 7% over the 2016-17 financial year. The average price of jet fuel increased sharply by 15% during the financial year. Including a 3% higher uplift in line with capacity increase, the airline's fuel bill increased substantially by 18% over last year to AED 24.7 billion (US$ 6.7 billion). Fuel is now 28% of operating costs, compared to 25% in 2016-17, and it remained the biggest cost component for the airline.

The airline successfully managed strong competitive pressure across all markets and increased its profit to AED 2.8 billion (US$ 762 million), an increase of 124% over last year's results, and a profit margin of 3.0%.

Overall passenger traffic growth continues to demonstrate the consumer desire to fly on Emirates' state-of-the-art aircraft, and via efficient routings through its Dubai hub.

Emirates carried a record 58.5 million passengers (up 4%), and achieved a Passenger Seat Factor of 77.5%. The increase in passenger seat factor compared to last year's 75.1%, is a result of successful capacity management in response to political uncertainty and strong competition in many markets despite a moderate 2% increase in seat capacity.

Supported by the weakening of the USD against most currencies, passenger yield increased to 25.3 fils (6.9 US cents) per Revenue Passenger Kilometre (RPKM).

To fund its fleet growth during the year with high ongoing new aircraft deliveries, Emirates raised AED 17.9 billion (US$ 4.9 billion), using a variety of financing structures, including the successful execution of a US$ 600 million sukuk in March to fund the acquisition of two A380 aircraft to be delivered in 2018.

Emirates continues to tap the Japanese structured finance market in conjunction with debt from a wide-ranging group of institutions in China, France, the United Kingdom, and Japan. The company raised in excess of AED 3.7 billion (US$ 1 billion) during the year from this source. Emirates has also refinanced a commercial bridge facility (due to non-availability of ECA cover) of AED 3.8 billion (US$ 1.0 billion) via an innovative finance lease structure for five A380-800 aircraft, accessing an institutional investor and bank market base from Korea, Germany, the United Kingdom and the Middle East.

These deals align with Emirates' financing strategy and demonstrates its ability to unlock diverse financing sources through access to global liquidity. It also underscores its sound financials and the strong investor confidence in the airline's business model.

Emirates closed the financial year with a healthy and increased level of AED 20.4 billion (US$ 5.6 billion) of cash assets.

Revenue generated from across Emirates' six regions continues to be well balanced, with no region contributing more than 30% of overall revenues. Europe was the highest revenue contributing region with AED 26.7 billion (US$ 7.3 billion), up 12% from 2016-17. East Asia and Australasia follows closely with AED 25.4 billion (US$ 6.9 billion), up 12%. The Americas region recorded revenue growth at AED 13.4 billion (US$ 3.7 billion), up 7%. Gulf and Middle East revenue decreased by 2% to AED 8.5 billion (US$ 2.3 billion) whereas revenue for Africa increased by 8% to AED 9.4 billion (US$ 2.6 billion). West Asia and Indian Ocean revenue increased by 5% to AED 7.8 billion (US$ 2.1 billion).

Through the year, Emirates introduced product and service improvements on board and on the ground.

Key highlights include: the launch of fully-enclosed suites in First Class together with refreshed Business Class and Economy Class cabins on the 777-300ER aircraft; new, wider Business Class seats arranged in a 2-2-2 layout on the 777-200LR aircraft; and a refreshed version of the popular Onboard Lounge on the Emirates A380.

On the ground, Emirates added a new dedicated lounge in Boston for its premium passengers and frequent flyers; refurbished existing lounges in Singapore and Bangkok, and completed a US$ 11 million makeover of its lounges in Dubai airport Concourse B.

Emirates also invested in new channels and technology to offer even better and more personalised customer experiences online, on mobile, as well as via its retail and contact centres.

For 2018-19, Emirates has announced new routes to London Stansted in the UK, Santiago in Chile, Edinburgh in Scotland, and an additional flight between Dubai and Auckland via Bali, aside from capacity upgrades to existing destinations.

Emirates SkyCargo recorded a strong performance in a resurgent market, and continues to play an integral role in the company's expanding operations, contributing 14% of the airline's total transport revenue.

In an airfreight market with fast-changing demand patterns, Emirates' cargo division reported a revenue of AED 12.4 billion (US$ 3.4 billion), an impressive increase of 17% over last year, while tonnage carried slightly increased by 2% to reach 2.6 million tonnes.

This year, freight yield per Freight Tonne Kilometre (FTKM) increased by 14%, reflecting a very positive market environment for the industry, and the weakening of the USD against major currencies.

Emirates' SkyCargo's total freighter fleet stood at 13 Boeing 777Fs. In addition to belly-hold capacity to Emirates' new passenger destinations, Emirates SkyCargo launched new freighter services to Maastricht (Netherlands), Luxembourg, and Aguadilla (Puerto Rico).

Emirates SkyCargo continued to develop innovative, bespoke products tailored to key industry sectors. In November, it signed an MoU with Dubai CommerCity to develop new solutions for the e-commerce sector using Dubai as a hub.

During the year, Emirates SkyCargo launched Emirates Fresh for perishable commodities such as fresh cut flowers, fruits and vegetables. For temperature-sensitive Pharma products, Emirates SkyCargo rolled out a pharma corridors programme to offer enhanced origin-to-destination protection, and it also partnered with DuPont to introduce White Cover Xtreme, a next generation thermal blanket to protect sensitive cargo.

Emirates' hotels recorded revenue of AED 746 million (US$ 203 million), a moderate increase of 1% over last year in a highly competitive market mainly in the UAE.

dnata performance

In its 59 years of operation, 2017-18 has been dnata's most profitable year, crossing AED 1.3 billion (US$ 359 million) profit for the first time. Building on its strong results in the previous year, dnata's revenue grew to AED 13.1 billion (US$ 3.6 billion), up 7%. dnata's international business now accounts for 68% of its revenue.

The strong performance was achieved through organic growth with key contract wins coupled with solid customer retention across its four business divisions, as well as the impact of acquisitions from previous year.

dnata continued to lay the foundations for future growth by investing AED 600 million in new facilities and equipment, acquisitions, leading-edge technologies and people development.

One of its key initiatives in 2017-18 was to embark on the journey to implement a new Enterprise Resource Planning (ERP) solution that will transform its business support functions, and provide real time information to enable better decision making, governance, efficiency and scalability for continued growth and expansion.

In 2017-18, dnata's operating costs increased accordingly by 8% to AED 11.9 billion (US$ 3.2 billion), reflecting the impact of organic growth across all lines of business coupled with integrating the newly acquired companies mainly across its international airport operations.

dnata's cash balance reached AED 4.9 billion (US$ 1.3 billion), a new record high. The business delivered an AED 1.9 billion (US$ 506 million) cash flow from operating activities in 2017-18, which is also a new record in line with the enhanced cash balance.

Revenue from dnata's UAE Airport Operations, including ground and cargo handling increased by 4% to reach AED 3.2 billion (US$ 859 million).

The number of aircraft movements handled by dnata in the UAE declined by 2% to 211,000 impacted by the geopolitical situation in the region, whereas Cargo handling increased by 2% to 731,000 tonnes, supported by the strong overall air cargo market.

In addition to the steady delivery of initiatives started in 2014 to optimise its operations, covering facility improvements, process changes, infrastructure upgrades and IT development, dnata also successfully tested the use of blockchain technology to further streamline and simplify its cargo delivery processes from origin to final destination.

dnata's International Airport Operations division grew revenue by 14% to AED 3.8 billion (US$ 1.0 billion), on account of increasing business volumes, opening of new locations and winning new contracts.

International airport operations continue to represent the largest business segment in dnata by revenue contribution. The number of aircraft handled by the division further increased substantially by 10% to 449,000, and Cargo noted a substantial growth of 10% to 2.4 million tonnes of handled goods.

dnata continued to win over customers with its high quality standards, inking over 90 contracts with new and existing customers during the year.

During the year, dnata made significant investments which expanded its capability and global presence. In May, dnata entered the US cargo market with its acquisition of AirLogistix USA. The investment includes state-of-the-art cargo handling facilities in Houston and Dallas Fort-Worth. dnata also expanded its cargo handling capabilities at Gatwick, opened an additional cargo warehouse in Schiphol, and a new airside cargo facility in Adelaide.

In the US, it received a new licence to provide ground handling services at John F. Kennedy International Airport's (JFK) Terminal 4; and it commenced operations at JFK's Terminal 8. In Singapore, dnata began operations at Singapore Changi Airport's new Terminal 4; and opened a new maintenance base for ground service equipment.

dnata's Catering business accounted for AED 2.1 billion (US$ 585 million) of its total revenue, up 7%. The inflight catering business uplifted more than 55 million meals to airline customers.

During the year, dnata opened a state-of-the-art catering hub at Melbourne airport, the largest such facility in the southern hemisphere, and a second catering facility in Ireland at Dublin airport. It also entered the Canadian market when it was awarded a licence to provide flight catering services to airlines departing Vancouver International Airport, and has commenced plans to build a dedicated catering facility there.

dnata strengthened its presence in the North American market with the acquisition of 121 in-flight catering, a New York-based in-flight and VIP caterer in March. This is pending approval from the Committee of Foreign Investments in the United States (CFIUS). In April 2018, dnata announced the acquisition of Qantas' catering business, subject to the approval of the Australian Competition and Consumer Commission.

Revenue from dnata's Travel Services division has seen a turnaround after last year's decline with an increase of 8% to AED 3.4 billion (US$ 922 million). The underlying total transaction value (TTV) of travel services sold increased by 6% to AED 11.3 billion (US$ 3.1 billion).

This solid performance was supported by dnata's ability to tap on the upswing in both inbound and outbound tourism demand in the Middle East, and a healthy increase in long-haul travel and cruise bookings in Europe and Australia.

In 2017-18, dnata completed its acquisition of a stake in Destination Asia, a leading destination management company with operations across 11 Asian countries, making its entry into South East Asia's inbound travel market. Its UK-based Imagine Cruising business, completed a successful first year of trading in Australia, and acquired Holiday Planet, a leading travel company in Perth to boost growth in this market.

During the year, dnata invested in technology to provide enhanced functionality and a better service experience for its partners and customers. This included the creation of two travel reservation systems for Emirates Holidays and dnata Travel's B2B business, to replace existing ones.

The full 2017-18 Annual Report of the Emirates Group - comprising Emirates, dnata and their subsidiaries - is available at: www.theemiratesgroup.com/annualreport

US$ figures are converted at 1US$ = 3.67AED and are based on the full AED figures before rounding.

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