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Operating Performance Analysis of Gol and Ryanair Airlines

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Abstract

This paper aimed to identify the main differences in the operating revenue and expense management of two airline companies: the Brazilian one, Gol (Gol Linhas Aéreas Inteligentes S.A.) and the Irish one, Ryanair (Ryanair Holdings plc). Even though both companies have a low-cost profile, Gol has been suffering in applying this strategy, while Ryanair has been growing year after year. To carry this paper out, financial statements from 2012 to 2016 were used, applying an approach of decomposition of return on investment and expenses regarding fuel and wages. While Gol is used to presenting operating loss, Ryanair stands out due to recurring profits and high occupancy rates. The results showed that Gol can raise, per seat/km, a much higher revenue volume than Ryanair, nevertheless, its operating expenses per seat/km are even higher, burning up all the revenue and generating operating loss. The analysis carried out evinces the main causes of such differences in the results of both companies.

Keywords: Air travel, operating performance, Gol, Ryanair.

Introduction

The air segment has been going through a series of difficulties in order to stay profitable in recent years. Airline companies worldwide have seen their profits decrease with the increase of competition and their costs, mainly fuel, which is responsible for about 40% of the operating expenses (CLEWLOW; SUSSMAN; BALAKRISHNAN, 2014; RYERSON; KIM, 2014).

Historically, the air segment is not one of the the most profitable ones, it requires a great amount of fixed assets and high fixed costs (RYERSON; KIM, 2014). Within this context, an airline company stands outs as one of the few to present good profitability. Ryanair, an Irish company, is known worldwide for adopting a purely low-fare, low-cost model. Offering hardly any comfort at all and ticket prices which are up to a tenth of those charged by the competitors, the company has presented high occupancy rates and positive results. Nowadays, Ryanair is the largest airline company in Europe in number of passengers transported (CAPUTO; BORBELY, 2016).

In Brazil, Gol was established in 2001 as the first Brazilian airline company to adopt the low-cost profile. The company grew rapidly, purchasing Varig in 2007. After having a loss of approximately 1.5 billion reais in 2012, it sought to restructure itself by adopting a series of measures aiming cost reduction, such as: the extinction of free of charge on-flight service and the decrease of the boarding pass size in order to save paper. In 2016, Gol reached the leadership in market-share and number of passengers transported in Brazil. Nevertheless, it is not possible to assure that Gol has been successful in taking over a low-cost company role, like Ryanair (AMORIM, 2007; GOL, 2017). Thus, this paper's justification is to understand the different operating revenues and expenses structures of Gol and Ryanair airline companies from 2012 to 2016, in order to evince distinct strategies and positioning.

This paper's general aim is to explain how two airline companies known by the low-cost profile, with similar fleet and which are the leaders in their respective markets have so distinct operating results. It is also aimed to list the main practices adopted by those companies and their impacts on the operating results.

In this research, the hypothesis that the purely low-fare, low-cost profile airline companies - as it is the case of Ryanair - present better results because they attract more passengers through low fares, increasing the occupancy rate of the aircrafts and obtaining more extra revenues offering other products and services related to the trip.

This paper is divided in four parts: the theoretical framework contains the presentation of the key themes of the analysis carried out; the methodology presents the companies and explains how the data used were obtained and dealt with, as well as the research steps; in result section, the values for both companies are presented and compared; and, finally, the results are set in a broad context in the conclusion section.

Theoretical Framework

In this section, the main concepts used to study and understand the situation of both companies are defined according to the accounting information disclosed by them.

Measures of operating performance and return on investment

A company operating performance assessment proceeds from determining operating result. Thus, some indices used for assessing a company operating performance are: operating margin, capital turnover and return on investment (ROI). The calculation of these indices allow the evincement of the main origins of the company result (ASSAF NETO, 2014).

The ROI indicates the return the company generates from its operating activity, that is how much operating result the company got for each investment unit carried out (ASSAF NETO, 2014). The ROI decomposition in operating margin and capital turnover enables to observe whether the company has gains due to the volume sold - the capital turnover will be higher and the margin, small - or due to the selling price difference in relation to the cost - the capital turnover shall be lower than the margin. The ROI calculation is presented in (1).

$$ROI = OpMargin \times CapTurnover \quad (1)$$

In which OpMargin is the operating margin and CapTurnover is the capital turnover. Moreover, the ROI calculation can be even decomposed one more time, explaining the origins of both the operating margin and the capital turnover. In (2), there is the ROI formula in its second decomposition.

$$ROI = \frac{Operating\ Profit}{Net\ Sales} \times \frac{Net\ Sales}{Invested\ Capital} \quad (2)$$

In this paper, the understanding of the ROI composition is important to evince whether the operating result presented is due to the operating margin or the capital turnover. Therefore, it is possible to analyze if the operating result of the companies is due to a significant difference between the selling price and the cost of the air ticket, or, if such difference is small, the return on investment has to come from the high sales volume.

The ROI also carries a view on efficiency and effectiveness in the companies. There is a conceptual difference between effectiveness and efficiency. Effectiveness refers to the capacity of a process to reach its goals, while efficiency refers to the ability to use the fewest possible number of resources to do so. The concept of economic efficiency is, intrinsically, linked to company cost management. It is complemented that effectiveness is determined by the process design, which is assessed and altered periodically, while efficiency is determined jointly by the process design and how it operates day after day (ATKINSON et al., 2011; WILLIAMSON, 1988).

To Atkinson et al. (2011), the ROI, which has already been presented and defined according to capital turnover and operating margin, can be understood in terms of efficiency and productivity as pointed in equation (3).

$$ROI = Efficiency \times Productivity \quad (3)$$

In this view on the ROI, the efficiency is the operating margin and the productivity is the capital turnover. The margin is used as an efficiency measure since it

represents the capacity to control costs at a given sales level. Analogously, the productivity is the capital turnover since it represents the capacity to generate sales at a given investment level (ATKINSON et al., 2011).

When analyzing the margin and capital turnover of airline companies from this point of view, it can be inferred which one is more efficient and/or more productive, in order to highlight the differences regarding the positioning of each one of their respective markets. In this regard, the ROI is related to the generation of a company economic value and it must be greater than the WACC (weighted average cost of capital) in order to have economic attractiveness of the business.

Although it is not the focus of this paper and it has not been calculated, it is important to highlight, for better understanding of the importance of the ROI and its decomposition, the EVA® matter. The EVA® seeks to measure the wealth effectively generated by the company, that is, its profit deducted the capital opportunity cost. Thus, the EVA® is understood as the company result which exceeds the minimum remuneration required by the partners and creditors (ASSAF NETO, 2014).

Thus, the mere fact of a company presenting profit does not mean, necessarily, that it generates wealth to its owners. It is essential to compare that profit with the cost of each source of capital invested in the business, including the opportunity cost of the capital invested by the partners (ASSAF NETO, 2014).

According to Assaf Neto (2014), companies which present a negative EVA® have their market value lower than their asset replacement value. If the company were sold, the amount raised would not be enough to build another similar company. That means that companies with negative EVA® face problems to keep their long-term activities. The EVA calculation is demonstrated in (4).

$$EVA® = (ROI - WACC) \times Investment \quad (4)$$

In which: WACC is the weighted average capital cost and Investment is the total capital invested in the company.

From (4), the ROI importance to a positive EVA® is evinced. A company will generate wealth to its shareholders only if the ROI surpasses the weighted average capital cost.

Variation Analysis

As the operating result of both companies is compared, it becomes necessary to explain the differences seen between them. In this paper, the most relevant differences are analyzed according to the variation of number and price. In order to do so, it is necessary to separate the prices and numbers, since those responsible for the purchase and the use of supplies are distinct managers (GARRISON; NOREEN; BREWER, 2013).

According to Martins (2010), when the actual cost values are obtained, the first action to take is their comparison to the standard cost to estimate the differences. In

this regard, the variation is the difference found between the actual and standard cost. This variation arises from both the use of a number of supply different from that planned, and also the difference from the planned and actual supply purchase price.

The variation of the number can be measured taking into account the difference between the number planned and used of a certain good, considering the good standard price. Despite having as goal to measure the use of goods, the variation of number is expressed in money units in order to help measure its importance (GARRISON; NOREEN; BREWER, 2013). The calculation for the number variation is described in (5).

$$Num\_var = Num\_dif \times Price_{standard} \quad (5)$$

The calculation of the price variation consists in multiplying the standard-number by the price difference of a certain good. In this regard, it is an "inverse" view to the number variation. Its formula is in (6).

$$Price\_var = Price\_dif \times Number_{standard} \quad (6)$$

Finally, the mixed variation corresponds to the product obtained by multiplying the number difference by the price difference. In (7), its formula is presented.

$$Mixed\_var = Num\_dif \times Price\_dif \quad (7)$$

Note that the mixed variation only exists when there is number and price difference, that is, it would not exist if one of the two differences were equal zero. Picture 1 shows the differences which come up due to the variations of price and actual numbers and standards.

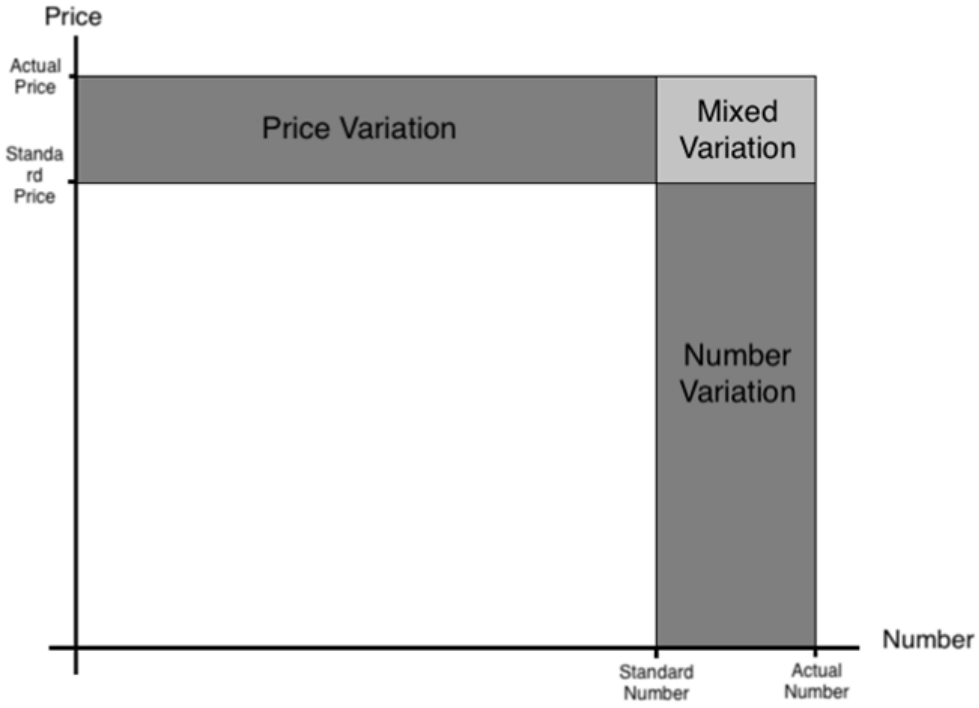

Figure 1: Illustration of the Variations
Source: adapted from Martins (2010)

Methodology

The current paper is characterized as a case study which seeks to understand and explain the operating result difference of both airline companies based on the comparison of their operating revenues and expenses. The choice of companies was made based on the strategic positioning of each one of them in their respective markets, where both are known for offering tickets which are cheaper than their competitors'. Ryanair is the most successful low-fare, low-cost company, and it is also the largest European airline company regarding passengers transported (CAPUTO; BORBELY, 2016; RYANAIR, 2017). Even though Gol had been established aiming to offer tickets at lower prices - in the low-cost model - it altered its positioning as it grew in the market. After having a R$ 1.5 billion loss in 2012, Gol started to struggle to reduce costs (SERRA et al., 2008; GOL, 2017).

This study analyzed the revenue and expense structure of both companies and identified more relevant values. To carry out this task, the annual financial statements disclosed in the websites of each company were used. The research period comprises the years from 2012 to 2016, and for all the financial values, the average of this period was used.

Due to the paper objective of understanding the operating performance of the companies, the data used are those regarding only the operating revenues and expenses. Values regarding the revenues and financial expenses were not considered. To avoid distortions, all the values are in American dollars, converted according to the rate presented in the 2016 financial statements.

With the operating information, several indices were calculated, such as capital turnover, operating margin, profit before interests and income tax; and the ROI, to

identify the most relevant values via the Microsoft Excel software. To present the information in a more concise way, the figures presented in the tables represent the simple average observed in the 2012-2016 annual reports.

Due to the size difference of the companies, it was necessary to define a comparison measure. The measure adopted was the main one used in the air segment, which is the number of seats-km offered by each company. This standardization can be calculated by the product between the distance of a flight in kilometers and the number of seats available. Additionally, since the aircrafts used by Gol and Ryanair are mostly the same brand, model and have the same number of seats, ancillary measures were carried out for comparison, such as the number of employees per aircraft, fuel consumption and operating revenue and expenses per aircraft. All the data for the calculation of these measures are available in the respective reports of both companies, disclosed yearly and found in their websites.

From the indices obtained, an analysis of the price variation and number, which required the definition of a standard cost and actual cost, was carried out. Since between both companies studied, Ryanair is the one which presents positive operating result, its costs and numbers were taken as standard, while those of Gol were considered actual.

Results

The subsections which follow point the research results. First, a characterization of the companies from their revenues and flights; after that, there is the data analysis aiming to answer the objective questions of this research.

Company characterization

Table 1 characterizes the companies analyzed in this research, from their revenues, fares, average occupancy and break-even rates during the period analyzed.

Table 1 - Revenue, average fare and occupancy rate

	Ryanair	Gol
Revenue (in thousands of US$)	5,671,150	2,723,501
Average fare (US$)	51.02	81.37
Average occupancy rate	88%	70%
Break-even occupancy rate	72%	72%

Source: research data, determined from the information obtained at the reports of the companies

From Table 1, it is possible to observe that the Ryanair average rate was US$ 51.02, lower than Gol's, which was US$ 81.37. To understand how Ryanair is a profitable airline company, it is important to highlight that, besides the revenue of the ticket sold, the Irish company obtained ancillary revenue of approximately US$ 20.83 per passenger. This revenue arises from the commission earned from goods sold through the company website - such as hotel booking and airport shuttle, in-flight service (paid); and other rates, such as seat reservation and checked bag. Without ancillary revenue, the company would have had loss.

The average occupancy rate was 88% in Ryanair flights, whose break-even point was a 72% occupancy rate. On the other hand, the occupancy rate of Gol was 70%, while its break-even point was 72%, resulting in operating loss.

Table 2 describes the fleet of both companies, as well as their flights, in 2016.

Table 2 - Data on fleet, flights and aircraft use

	Ryanair	Gol
Fleet (number of aircrafts)	383	117
Daily flights	More than 2,000	About 716
Average distance per flight	1,239 km	1,043 km
Aircraft use	8.2 h/day	11.2 h/day

Source: research data, determined from the information obtained at the reports of the companies

With a fleet of 383 Boeing 737-800, Ryanair performs more than 2,000 flights a day and the average distance is 1,213 kilometers per flight, serving 210 destinations in Europe and North of Africa. Gol has a fleet of 117 aircrafts, in which 102 of them are Boeing 737-800, performing about 716 daily flights whose average distance is 1,043 kilometers, serving destinations in South, Central and North Americas.

A datum to be observed is that, contrary to what is expected, the average distance per flight is greater at Ryanair, which flights only in Europe and to the north of Africa. On the other hand, the average use of the aircrafts is greater at Gol: 11.2 hours/day versus 8.2 hours/day in the Irish company. Therefore, an explanation can be in the little time the Ryanair planes stay on the ground between one flight and another: about 25 minutes between landing and takeoff (RYANAIR, 2017).

ROI Decomposition

In Table 3, the ROI decomposition of the companies in operating margin and capital turnover is presented.

Table 3- Margin, Capital turnover and ROI

	Ryanair	Gol
Operating Margin	21.8%	-20.9%
Capital Turnover	0.80	2.16
ROI	**17.5%**	**-45.1%**

Source: research data, determined from the information obtained at the reports of the companies

Despite having low fares, Ryanair has a relatively high operating margin and low capital turnover, which is the opposite of what it is expected due to the company profile. On the other hand, Gol has capital turnover which is almost three times higher than Ryanair's and, even having higher rates, Gol has a negative operating margin. Thus, it can be inferred that Gol presents productivity higher than Ryanair's, which, in turn, has high efficiency - as expected due to its strict management and cost reduction (ATKINSON et al., 2011).

Yet, it is still possible to deduce that the volume of the revenue generated is not responsible for the negative result presented by Gol, since its capital turnover is quite high when compared to Ryanair's, which had profit. Thus, a possible explanation for the Gol negative results is reached, with special focus on 2012: having operated with a negative operating margin, that is, operating expenses surpassed the operating revenues.

Analysis of the operating revenues and expenses

In this subsection, the margins of the companies are decomposed according to their operating revenues and expenses and analyzed from a standard measure: the number of seats-km offered a year. The measuring of the seat/km standard is presented in Table 4.

Table 4 – Kilometers flown and seats offered in the year

	Ryanair	Gol
Km flown in the year (in millions)	836.92	272.76
Seats offered (in millions)	96.65	46.36
Seats-km offered (in billions)	80.9	12.6

Source: research data, determined from the information obtained at the reports of the companies

With the data of Table 4, it is possible to observe the size difference of both companies. Ryanair flights a little more than threefold when the total of kilometers

in the year are taken into account and it offers the approximately the double of seats. Such figures were expected, since Ryanair has a larger fleet and more daily flights than Gol. The number of seats-km of Ryanair is about six times greater than Gol's.

In Table 5, the average of the operating revenues and the average number of passengers per flight are presented. In the third column, the percentage difference of Gol in relation to Ryanair is shown.

Table 5 – Average of passengers per flight, yield/seat-km and revenue/seat-km

	Ryanair	**Gol**	**Differen-ce(%)**
Average of passengers per flight	166	112	-33%
Yield per passenger-km (US$)	0.041	0.102	148%
Revenue/seat-km (US$)	0.070	0.215	207%

Source: research data, determined from the information obtained at the reports of the companies

Gol presented, in the year, the average of 112 passengers per flight, a figure which is 33% lower than Ryanair's. The "yield per passenger-km" index represents how much a passenger pays, on average, to fly 1 kilometer. At Gol, this value is a little more than double of Ryanair. Finally, the revenue/seat-km is how much, on average, the company has of revenue per seat (occupied or not) per kilometer flown. Although Gol presents a revenue three times higher than Ryanair's, none of these revenue indices includes the ancillary revenue, practically nonexistent at Gol and which has important representation at Ryanair. The ancillary revenue is relevant because it represents a 28% increase in the average fare charged by Ryanair, and without this revenue, the company would have presented a negative operating result in the period.

In Table 6, each company's margin was calculated in cents of dollar, due to the number of seats-km offered, making the comparison easier.

Table 6 – Revenues, expenses and margin per seat/km and in percentage of total operating revenue

	Ryanair		Gol	
Total Operating Revenue	**7.501**	**100%**	**6.632**	**100%**
Revenue	5.476	73.0%	6.035	91.0%
Ancillary Revenue	2.025	27.0%	0.597	9.0%
Total Operating Expenses	**(5.864)**	**-78.2%**	**(8.018)**	**-145.1%**
Wages	(0.763)	-10.2%	(1.924)	-29.0%
Depreciation	(0.522)	-7.0%	(0.088)	-1.3%
Fuel	(2.290)	-30.5%	(3.500)	-52.8%
Maintenance	(0.120)	-1.6%	(0.646)	-9.7%
Aircraft rental	(0.040)	-0.5%	(0.050)	-0.8%
Aircraft Insurances	-	-	(0.050)	-0.8%
Route Costs	(0.763)	-10.2%	(0.746)	-1.,3%
Airport Costs	(1.004)	-13.4%	(0.598)	-9.0%
Marketing, distribution and others	(0.361)	-4.8%	(0.416)	-6.3%
Margin	**1.637**	**21.8%**	**(1.386)**	**-20.9%**

Source: research data, determined from the information obtained at the reports of the companies

It is possible to evince the importance of the ancillary revenue for Ryanair: the US$ 0.05 revenue per seat/km is a little inferior than the total of the expenses per seat/km. It is inferred that the company profit arises from the ancillary revenue. Thus, Ryanair's business model is explained through the selling of tickets for a low price, assuring the aircraft high occupancy rate and generating enough revenue to pay the flight expenses while, at the same time, the company offers extra services and products related to the trip, obtaining, therefore, ancillary revenue. In the Gol's case, the ancillary revenue comes from, basically, cargo transport.

Regarding the expenses, adding up the operating expenses, Gol has a seat-km cost which is 54% higher when compared to Ryanair. The most relevant values are the wages and fuel, which burn up a great amount of the operating revenues of an airline company and, therefore, will get greater emphasis in this research afterward.

Gol maintenance expenses are greater in relevant amount. Despite the difference, Ryanair informs safety is one of its main concerns and it highlights that the company never had an accident with fatalities in its over 30-year history. Thus, the difference between both companies can be due to the fact that Ryanair has only one aircraft model, obtaining scale gains in maintenance. On the other hand, Gol has 3 different aircraft models in its fleet (although 102 of the 117 aircrafts in operation are the same model), which may require more expenses.

Regarding the marketing, distribution and other expenses, Gol does not report what the expenses classified as "others" refer to and it represents about 6% of the total amount.

Finally, in Table 7, a summary of the average revenues and expenses according to the number of aircrafts is presented.

Table 7 - Average Margin per aircraft

Operating Results	Ryanair	Gol	Difference (%)
Average Operating Revenue/Aircraft (US$ mi)	15.84	7.14	122%
Average Operating Expenses/Aircraft (US$ mi)	(12.39)	(8.64)	43%
Operating Result/Aircraft (US$ mi)	**3.45**	**(1.49)**	**-332%**

Source: research data, determined from the information obtained at the reports of the companies

It is observed that, despite Ryanair having higher operating expenses compared to Gol, its revenue per aircraft is 122% higher. That is why it had a positive operating result, while Gol had loss. In this regard, it is observed that the result per aircraft presents distinct values for the companies.

Analysis of fuel expenses

The fuel expense/seat-km, the most relevant one for the segment, is about 52% higher at Gol. The fuel difference is better detailed in the table which follows, where it is possible to see that Gol pays less for fuel, but it burns up more fuel per kilometer flown. Table 8 shows the relationship between fuel price and consumption for both companies.

Table 8– Fuel price and consumption

Expenses with fuel	Ryanair	Gol	Difference (%)
Average fuel price/liter (US$)	0.62	0.60	-4.7%
Necessary liters to fly 1 Km	4.23	5.42	28.1%
Fuel expense in 1 Km (US$)	2.64	3.23	22.1%

Source: research data, determined from the information obtained at the reports of the companies

Gol paid, on average, 4.7% less per fuel liter than Ryanair did, price which runs out of the companies' control because they are subject to the prices charged in airports. Nevertheless, regarding the consumption, Gol spent, on average, 28% more fuel per kilometer flown, a difference which may be related to the fleet age difference, which makes older planes to spend more fuel and also due to the fact that Ryanair charges checked luggage, which reduces considerably the total of luggage checked and, consequently, the aircraft weight and its fuel consumption.

Combining the price and consumption difference, Gol spends, in dollars, 22% more on fuel than Ryanair does to fly a kilometer. This difference is decomposed in Table 9.

Table 9 –Variation of the fuel amount and price

Comparison to Ryanair	Gol
Consumption variation (amount) (US$/km)	0.74
Price variation (US$/km)	-0.12
Mixed variation (US$/km)	-0.04
Total Variation (US$/km)	**0.58**

Source: research data, determined from the information obtained at the reports of the companies

From Table 9, it is seen that if Gol paid the same price per liter of fuel as Ryanair does, the company would still disburse almost US$ 0.75 more per kilometer flown for having a higher fuel consumption. Nonetheless, if Gol reached a consumption in liters per kilometer flown equals to Ryanair's, it would have a US$ 0.12 expense lower than the Irish company per kilometer flown because it pays a little less for fuel. With the combination of these two factors plus the mixed variation resulting from them, Gol would end up disbursing US$ 0.58 – or 22% – more than Ryanair per kilometer flown.

Analysis of wage expenses

Wage expenses burn up a much greater amount of Gol's revenues compared to Ryanair's. Gol disburses almost threefold in wages per seat-km. Such difference can be explained, partly, due to the fact that Ryanair keeps its staff reduced to as few as it can, making the passenger check in online and go to the airport with the boarding pass already printed.

Table 10 helps to understand the wage expenses in the companies of the research.

Table 10 - Average wage expense

Expenses with Staff (in US$)	Ryanair	Gol	Difference (%)
wage expense-employee (US$)	53,733	16,318	-69.6%
staff-aircraft	30	127	323.3%
wage -aeronave (US$)	1,611,982	2,072,336	28.6%

Source: research data, determined from the information obtained at the reports of the companies

The average annual value disbursed per employee is 69% less at Gol, but when the average staff per aircraft of the company fleet is calculated, Gol has four times more employees than Ryanair. Multiplying these two figures, we come to the wage expense per aircraft, which indicated how much in wages each company disburses annually per aircraft of its fleet. In this regard, Gol disburses 28% more than Ryanair in wages per aircraft.

Based on these data, it was possible to calculate the variations of number and cost of Gol employees in relation to Ryanair, as shown in Table 11.

Table 11 - Variation of number and cost of employees

Comparison to Ryanair - Wages	Gol
Number variation (in US$/aircraft)	5,212,074
Cost variation (in US$/aircraft)	(1,222,453)
Mixed Variation (in US$/aircraft)	(3,629,266)
Total Variation (in US$/aircraft)	**462,354**

Source: research data, determined from the information obtained at the reports of the companies

The number variation is unfavorable to Gol in about US$ 5.2 million. Nonetheless, since it has lower average wage per employee, the cost and mixed variation are favorable to Gol, making that in the total variation, Gol disburses about US$ 460 thousand more in wages than Ryanair does per aircraft.

Finally, in Table 12, a summary of the main aspects analyzed in each one of the companies is presented.

Table 12 - Comparative of the main aspects analyzed between both companies

Aspect	Metric	Ryanair	Gol	Comments
Productivity	Capital Turnover	0.80	2.16	Gol's high capital turnover evinces that its problem is not generating revenue.
Efficiency	Operating Margin	21.8%	-20.9%	Ryanair controls its expenses better and extra revenues help ensure the margin.
Occupancy Rate	Percentage	88%	70%	In this index, Ryanair's strategy to obtain high occupancy rates is clear.
Occupancy break-even point	Percentage	72%	72%	Despite the same break-even point, Gol has occupancy problems in the aircraft and can not reach good efficiency.
Fuel Expense	US$/km	2.64	3.23	Despite having models in its fleet which are similar to Ryanair's, Gol has more consumption of fuel.
Wage Expense	US$/aircraft	1,611,981	2,072,336	Although the average wage is lower at Gol, its staff is much larger.

Source: research data, determined from the information obtained at the reports of the companies

Final considerations

According to the objective proposed of identifying and analyzing the main differences in the structures of operating revenues and expenses of both companies, an analysis of the number and price/cost variation for the fuel and wage expenses was developed, evincing that they are responsible for burning up a great part of an airline company revenues. Moreover, it is important to highlight the limited control the companies have on the price of these supplies, being able just to adopt measures which aim to reduce the numbers and amount used.

When analyzing the main characteristics of the companies' operating revenues and expenses, it was determined that, in terms of seat-km revenues, Gol can obtain more revenue than Ryanair. At the same time, however, Gol's operating expenses per seat-km are almost twice higher than those of Ryanair, which ends up burning up all its revenue, generating operating loss for the Brazilian company.

This analysis is important to understand the business of the airline companies worldwide. Although the study had been carried out only in two companies, the fuel price affects significantly the result of the airline companies as a whole.

In this paper, it is also shown that with a simple analysis of cost variations, it is possible to identify causal factors of the costs presented in the financial statements, even with the information limitation of the statements disclosed and, thus, signal ways for optimizing the results. That is, the intrinsic informational potential of the accounting reports disclosed by the companies is determined.

Regarding the limitations of the paper, besides the number of two companies analyzed, which had already been mentioned, it must be also highlighted the fact that it was carried out just based on the financial statements disclosed, without the use of information from the internal controls of the companies studied.

As suggestion for future studies, the analysis with the use of a larger company sample can be expanded. It would also be interesting to follow Gol's next results in order to check whether the measures adopted to reduce costs are still having the desired effect. The result comparison of the subsequent periods, using the same mechanisms of analysis of cost variation, will allow to identify the strategies adopted in these periods.

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