

Financial and Strategic Evaluation of New Product Development in Wizz Air

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Abstract

Background:

The expansion of low-fare airlines has reshaped the European aviation market by emphasizing cost efficiency, simplified service, and broad geographic coverage. Wizz Air has shown resilience by preserving liquidity, sustaining an investment-grade financial profile, and expanding its route network during and after the pandemic, while travelers increasingly seek personalized, experience-based trips.

Methods:

This study evaluates Wizz Air's readiness to introduce a new experiential travel product titled "Feeling Adventurous with Wizz Air." The analysis combines horizontal and vertical examination of financial statements for 2021-2023, assessment of liquidity, leverage, and capital-efficiency indicators, benchmarking of regional market position, and a discounted cash-flow evaluation supported by data on tourism demand, festival attendance, and hospitality performance.

Results:

The findings indicate a strong liquidity position, gradual improvement in operating performance, and a favorable competitive profile in Central and Eastern Europe. The investment evaluation shows a positive net present value of 7.6 million United States dollars, an internal rate of return of 45 percent, and a payback period slightly above two years. Sensitivity testing confirms that the project remains financially viable even when projected revenues are substantially reduced.

Keywords: Aviation finance; Corporate governance; Low-cost carriers; Market strategy; New product development; Revenue diversification; Strategic management; Wizz Air.

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1. Introduction

The aviation industry is one of the most sensitive and rapidly evolving sectors of the global transportation system, shaped by economic cycles, regulatory pressures, shifting passenger expectations, and unexpected crises. Over the past two decades, ultra-low-

cost carriers (ULCCs) have redefined air travel by prioritizing operational simplicity, cost minimization, streamlined services, and high aircraft utilization. Wizz Air, founded in 2003, has emerged as one of the strongest ULCCs in Europe, particularly within Central and Eastern Europe (CEE), where economic growth and expanding tourism have supported sustained demand.

The COVID-19 pandemic marked the most disruptive event in modern aviation. Passenger volumes collapsed, cost structures were strained, and carriers across the world recorded historic losses. Despite this environment, Wizz Air demonstrated strong resilience, maintaining more than €1.3 billion in cash reserves, sustaining investment-grade credit ratings (Moody's Baa3; Fitch BBB-), and continuing fleet expansion. The airline also implemented liquidity-preservation measures such as flexible vendor agreements, extended payment terms, and optimized fleet retirement schedules.

Today, Wizz Air operates one of Europe's youngest fleets and holds a dominant presence in several CEE markets, including 38% share in the low-cost segment. At the same time, consumer behavior continues to shift toward experience-driven tourism, personalized travel packages, and digital convenience. This shift presents an opportunity for Wizz Air to expand revenue beyond traditional ancillary services.

This study examines whether Wizz Air possesses the financial strength, governance quality, and strategic positioning necessary to introduce a new experiential travel product—"Feeling Adventurous with Wizz Air"—which packages flights, accommodations, and event access through a unified digital interface. The analysis integrates financial, strategic, and market-based perspectives while providing detailed economic justification through long-term cash-flow projections.

2. Materials and Methods

The research employs an integrative methodological framework that draws upon financial data, governance reports, market analyses, and established academic and industry sources. Financial statements from Wizz Air Holdings PLC for fiscal years 2021-2023 form the primary quantitative foundation, supplemented by datasets on long-term revenue trends and industry analyses published by recognized outlets. These include publicly available figures on passenger volumes, revenue composition, fleet development, and cash reserves, which together allow a comprehensive reconstruction of the airline's financial trajectory in the period surrounding the COVID-19 crisis.

Corporate governance disclosures aligned with the UK Corporate Governance Code provide additional qualitative insights into decision-making structures, board composition, and committee responsibilities. Particular attention is paid to the balance between

executive and non-executive directors, the independence of board members, and the design of board committees dealing with audit and risk, remuneration, nomination and governance, and sustainability and culture. These documents are used to evaluate the degree to which governance practices support responsible risk-taking, transparency, and long-term shareholder value creation in the context of new product development.

The financial analysis is structured around a detailed comparison of year-to-year financial results through horizontal analysis, enabling identification of revenue shifts, cost movements, and changes in profitability. Vertical analysis complements this by examining the structure of operational expenses, especially fuel costs, navigation and airport fees, maintenance expenditures, personnel costs, and other overheads, which collectively form a large share of ultra-low-cost carrier cost composition. Non-statutory performance metrics such as return on capital employed are used to capture the efficiency with which Wizz Air deploys its capital base. The evaluation of liquidity ratios provides insight into the airline's ability to withstand short-term shocks, while leverage ratios illustrate the balance between debt financing and internal capital generation during and after the crisis.

The market-position component of the analysis draws on regional market-share data, comparing Wizz Air with direct competitors such as Ryanair and easyJet across selected Central and Eastern European markets. The objective is to contextualize the company's strategic position in the broader aviation landscape and to examine whether its regional dominance correlates with macroeconomic growth indicators such as rising disposable incomes, increased urbanisation, and greater intra-European mobility. In addition, secondary sources on the linkage between aviation, tourism, and hospitality are used to locate Wizz Air's expansion within the wider development of European tourism and event-driven travel.

The investment evaluation for the new product uses a discounted cash-flow model based on assumptions derived from both financial disclosures and external market research. The model considers initial investment requirements for platform development and marketing activities, anticipated operating expenditures for maintenance and incremental support functions, commission-based revenue streams from hotel and festival bookings, long-term demand growth in personalised travel, and inflationary trends. The discount

rate is selected with regard to the airline's cost of capital, its strong liquidity position, and its relatively low cost of borrowing, resulting in a weighted average cost of capital of approximately 3 percent. To reflect realistic revenue generation, the model assumes that in the first year 10,000 users book through the platform, with an average expenditure of USD 100 and a 10 percent commission margin, and that, following the implementation of a dedicated marketing campaign, the user base expands to 50,000 in subsequent years.

Projected cash flows are inflation-adjusted at an annual rate of 5 percent and modelled over a ten-year horizon, from an initial investment year in 2024 through operating years 2025-2034. The analysis considers only incremental revenues and costs, recognising that Wizz Air will rely on its existing organisational infrastructure, staff, and systems without incurring additional fixed costs for the majority of supporting functions. To test robustness, the model incorporates a sensitivity scenario in which revenues are reduced by 50 percent across the projection period, and an additional threshold analysis is conducted to determine the level of demand reduction at which the project would cease to be financially viable.

This study was conducted in 2023 at the University of York - Europe Campus (CITY College), as part of The Pan-European Executive MBA Programme.

3. Results and Discussion

1. Financial Performance

The financial performance of Wizz Air during 2021-2023 reflects both the depth of the pandemic-induced disruption and the speed of subsequent recovery. Revenue in 2021 declined to €739 million due to persistent travel restrictions; however, the rebound in 2022 and 2023 was substantial, with the airline reaching €3.89 billion in revenue. This trajectory mirrors broader European aviation trends, where pent-up demand and preference for low-cost mobility accelerated post-pandemic recovery.

Fuel costs and airport-related charges continued to dominate the cost structure, together forming more than half of total operating expenditures. Despite volatility in global fuel markets, the airline benefited from maintaining one of Europe's youngest fleets, which improved fuel efficiency and reduced per-seat operational costs relative to competitors using older aircraft.

Liquidity remained a major strength. Cash reserves exceeded €1.3 billion in fiscal year 2022, contributing to a strong current ratio and supporting operational resilience during market fluctuations. Leverage levels remained aligned with industry norms, allowing the company to continue fleet expansion without excessive debt accumulation. Although ROCE was negative during the crisis period, its upward trend in 2023 signals improved capital utilization and a return to healthy operational performance. The key financial indicators for FY2021-FY2023 are summarized in Table 1.

Table 1. Selected Financial Indicators of Wizz Air, FY2021-FY2023

Indicator	FY2021	FY2022	FY2023
Total revenue (€m)	739	1,663	3,895.7
Fuel costs (€m)	(347.4)	(649.0)	(1,954.4)
Operating expenses excluding fuel (€m)	(919.7)	(1,479.7)	(2,408.1)
Total operating expenses (€m)	(1,267.1)	(2,128.7)	(4,362.5)
Operating loss (€m)	(528.1)	(465.3)	(466.8)
Operating profit margin (%)	-58.8%	-28.2%	-12.0%

Net financing expense (€m)	(93.6)	(176.2)	(97.9)
Loss before tax (€m)	(566.5)	(641.5)	(564.6)
Net loss (€m)	(576.0)	(642.5)	(535.1)
ROCE (%)	-19.4%	-16.8%	-
Leverage ratio	-18.9	-117.7	-
Liquidity (%)	195.9%	73.9%	-

2. Market Position and Competitive Dynamics

Market-share data confirm Wizz Air's strong positioning in Central and Eastern Europe. The airline holds approximately 37% market share in Romania, 29% in Bulgaria, and 61% in North Macedonia. Such dominance is driven by its strategic focus on secondary airports, strong demand stimulation, and efficient route specialization in regions underserved by legacy carriers.

Compared with Ryanair, Wizz Air retains a sharper concentration in CEE markets, enabling deeper market penetration and stronger alignment with regional socioeconomic trends such as rising disposable income and increased intra-European travel. The airline's continued expansion into Western Europe and emerging markets such as Saudi Arabia further indicates its intention to integrate CEE-based strengths into a broader geographic strategy. Wizz Air's competitive position across Central and Eastern Europe is shown in Table 2.

Table 2. Market Share and Low-Cost Segment Position of Wizz Air in Selected CEE Markets

Market	Market share (%)	Low-cost segment share (%)	Market position (low-cost)
Romania	37.8	52.6	1
Bulgaria	29.0	52.6	1
Albania	41.0	53.6	1
North Macedonia	61.5	82.3	1
Bosnia and Herzegovina	40.6	58.8	1
Hungary	29.1	40.4	1
Ukraine	12.6	27.5	2
Lithuania	16.6	26.6	2
Slovakia	17.4	21.6	2
Serbia	14.6	58.9	2
Moldova	28.5	58.3	2
Poland	20.2	33.6	3
Latvia	4.8	16.4	5

United Kingdom	4.2	6.8	5
Italy	8.7	12.6	3
Austria	7.2	19.7	2
United Arab Emirates	0.6	2.4	4
CEE average	20.7	38.1	1

3. Corporate Governance Framework

Adherence to the UK Corporate Governance Code ensures strong institutional oversight and transparency. The predominance of independent non-executive directors supports balanced decision-making, while specialized committees-responsible for audit and risk, remuneration, nomination and governance, and sustainability-provide focused supervision of financial and strategic matters.

This governance structure is particularly relevant for undertaking a new product initiative. Robust oversight reduces the risk inherent in innovation-driven investments and enhances the credibility of managerial decisions among shareholders. Effective governance therefore contributes directly to the airline's ability to evaluate, approve, and successfully implement the "Feeling Adventurous with Wizz Air" product.

4. Strategic Rationale for the New Product

The experiential-travel market is expanding rapidly, driven by the growing popularity of festival tourism, immersive events, and personalised travel planning. The proposed Wizz Air platform leverages these trends by integrating flights, accommodations, and event access into a single digital environment. Such integration increases convenience for travelers and creates additional commission-based revenue opportunities for the airline.

The market potential is significant: personalised-experience travel exceeded USD 90 billion in 2021 and is projected to surpass USD 440 billion by 2030. By connecting its existing flight network with festival-focused and adventure-oriented travel offerings, Wizz Air positions itself to capture emerging consumer segments while reinforcing its low-cost value proposition.

5. Marketing Strategy and Consumer Engagement

The marketing strategy builds upon the airline's strong digital ecosystem, especially its mobile app, which already serves as a primary booking channel. Target users include digital-native consumers seeking spontaneous or event-driven travel options. Destination-specific storytelling, influencer partnerships, and integrated app-based recommendations can elevate user engagement.

By maintaining fare transparency and deriving revenue primarily from commissions rather than bundles, Wizz Air ensures that the new product complements rather than complicates its low-cost model.

6. Unit Economics of the Product

The unit-economic structure supports strong scalability. Revenue per user is projected at USD 40-65 depending on event and accommodation selection. Minimal customer-acquisition costs-thanks to the airline's existing digital traffic-enable gross margins of 88-92%. Repeated leisure travel and recurring event cycles further enhance customer lifetime value.

7. Investment Evaluation: NPV and IRR

The discounted cash-flow analysis confirms the project's financial viability. With an initial investment of USD 1 million and user-growth assumptions of 10,000 in Year 1 rising to 50,000 annually thereafter, the project yields an NPV of USD 7.6 million and an IRR of 45%. The payback period slightly exceeds two years.

A stress scenario reducing revenues by 50% still produces a positive NPV of USD 2.7 million, demonstrating resilience and confirming that the product remains profitable even under adverse demand conditions. The main assumptions used in the discounted cash-flow model are presented in Table 3.

Table 3. Assumptions and Cash-Flow Projections for the “Feeling Adventurous with Wizz Air” Product

Parameter	Value / Description
Initial investment	USD 1,000,000
Year 1 users	10,000
Year 2-10 users	50,000 annually
Average expenditure per user	USD 100
Commission margin	10%
Annual revenue growth	5%
Discount rate (WACC)	3%
Operating period	2025-2034 (10 years)
Revenue base Year 1	USD 100,000
Revenue base Year 2-10	USD 500,000 (before inflation)
NPV	USD 7.6 million
IRR	45%
Payback period	~2.2 years
Stress scenario (-50% revenue)	NPV = USD 2.7 million (positive)

4. Conclusion

This study demonstrates that Wizz Air possesses the financial stability, governance maturity, and strategic market position necessary to introduce an experiential travel product. The airline's liquidity strength, disciplined cost structure, and dominant footprint in key CEE markets provide a robust foundation for diversification. The “Feeling Adventurous with Wizz Air” product exhibits strong financial potential, supported by favorable unit economics, scalable digital infrastructure, and positive investment indicators. Even under severe stress conditions, the project maintains a positive NPV and attractive IRR, reinforcing its economic resilience.

Strategically, the product aligns with global consumer trends toward personalized travel, curated experiences, and integrated digital platforms. Its commission-based model enhances revenue opportunities while strengthening customer engagement and long-term loyalty. Overall, the analysis highlights how innovation-oriented diversification can improve ULCC resilience,

enhance competitive positioning, and create sustainable long-term value.

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