

United Airlines Holdings, Inc.

Recommendation BUY ★★★★★

Price
USD 89.70 (as of Jan 17, 2020 4:00 PM ET)

12-Mo. Target Price
USD 110.00

Report Currency
USD

Investment Style
Large-Cap Value

Equity Analyst Jim Corridore

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE RESEARCH NOTES SECTION

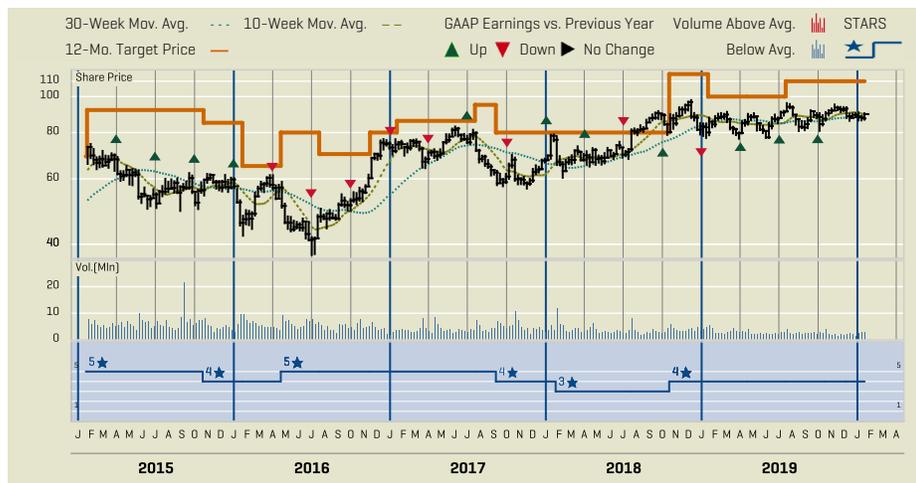
GICS Sector Industrials
Sub-Industry Airlines

Summary On October 1, 2010, UAL Corp., parent of United Air Lines, merged with Continental Airlines. In June 2019, the company changed its name to United Airlines Holdings.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	USD 96.03 - 77.02	Oper. EPS 2019E	USD 12.07	Market Capitalization(B)	USD 22.70	Beta	1.12
Trailing 12-Month EPS	USD 10.72	Oper. EPS 2020E	USD 12.75	Yield [%]	NA	3-Yr Proj. EPS CAGR[%]	11
Trailing 12-Month P/E	8.37	P/E on Oper. EPS 2019E	7.43	Dividend Rate/Share	NA	SPGMI's Quality Ranking	B-
\$10K Invested 5 Yrs Ago	\$13,643	Common Shares Outstg.(M)	253.04	Institutional Ownership [%]	85		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Jim Corridore on Oct 16, 2019 09:39 AM, when the stock traded at USD 87.88.

Highlights

- ▶ We see 5% revenue growth in 2019, on 2% higher unit revenues and 4%-5% higher capacity. UAL has decided to defend market share at its hubs, which could spur price competition; however, United has been able to grow capacity and unit revenues in each quarter since the second half of 2018, a positive development. We expect improvement in business travel demand, and strong leisure travel demand, with increased ancillary revenues as well. We see 2020 revenues rising a further 5%.
- ▶ After rising 35% in 2018, fuel expense will likely fall 7%-10% in 2019. We see higher labor costs due to escalation clauses in labor contracts and think maintenance and regional carrier expenses are also likely to rise; however, these costs will be spread over a larger revenue base. We forecast EBITDA margin at 16.4% in 2019 and 15.7% in 2020 (on likely higher fuel costs), versus 15.6% in 2018.
- ▶ We see EPS rising to \$12.03 in 2019 and \$12.75 in 2020 versus \$9.13 in 2018 and \$6.76 in 2017. UAL cut the share count by 9% in 2018 and we expect the company to remain aggressive on share repurchases. On July 17, UAL announced a new \$3 billion buyback authorization.

Investment Rationale/Risk

- ▶ We have a Buy recommendation on the shares. UAL's strategy to increase capacity, re-bank hubs and increase hub connectivity seems to be working. UAL has thus far been successful growing capacity and unit revenues, into what we see as strong demand. UAL had ceded share in premium markets over the past few years and efforts to regain this share would be positive as long as it doesn't lead to unit revenue erosion. United has improved its operations and customer service somewhat since it badly handled public relations after a viral video showing a customer being dragged off a plane. The company is also highly exposed to energy markets in Houston.
- ▶ Risks to our recommendation and target price include difficulties in integrating the merger, fuel prices moving back toward record highs and slower improvement in travel demand.
- ▶ Our 12-month target price of \$110 values UAL at an enterprise value-to-EBITDAR multiple of 7x our 2020 EBITDAR estimate, in line with the current peer average of about 7x. We think all airlines are likely to see some valuation expansion over the next year, as they are trading toward the lower end of their historical valuation ranges.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects extremely volatile fuel prices, severe price competition and the strongly capital-intensive and cyclical nature of the airline business.

Revenue/Earnings Data

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2019	9,589	11,402	11,380	--	--
2018	9,032	10,777	11,003	10,491	41,303
2017	8,426	10,008	9,899	9,451	37,784
2016	8,195	9,396	9,913	9,052	36,558
2015	8,608	9,914	10,306	9,036	37,864
2014	8,696	10,329	10,563	9,313	38,901

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2020	E 1.15	E 4.21	E 4.07	E 2.64	E 12.75
2019	1.09	4.02	3.99	E 2.64	E 12.07
2018	0.51	2.48	3.05	1.69	7.70
2017	0.32	2.67	2.15	1.98	7.06
2016	0.88	1.78	3.01	1.25	6.76
2015	1.32	3.14	12.82	2.24	19.47

Fiscal year ended Dec 31. Next earnings report expected: Late Jan. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid in the last year.

United Airlines Holdings, Inc.**Business Summary** October 16, 2019

CORPORATE OVERVIEW. On October 1, 2010, UAL Corp. merged with Continental Airlines and changed its name to United Continental Holdings Inc., while operating under the name United Airlines, using the former Continental's logo and color schemes. The combined company has about 90,000 employees. In June 2019, the company changed its name to United Airlines Holdings and unveiled a new paint scheme that incorporates parts of both former airlines in its logo and color scheme.

As of September 30, 2019, the company had about \$5.1 billion in cash and short-term investments, down from \$7.8 billion at the end of 2011. We believe the merger integration went slower than expected, with technology and other issues leading to higher costs and several high-profile service issues. However, from mid-2017 through the first three quarters of 2019, UAL has shown operational and financial improvement, and CFRA believes its merger issues may largely be behind it. The company also saw improved cash from operations in the second and third quarters of 2019.

The company operates approximately 4,500 flights per day to 338 U.S. domestic and international destinations. Main hubs are in Chicago, Denver, Houston, Cleveland, Los Angeles, Newark, San Francisco, Washington D.C., and Guam. Through its membership in the Star Alliance, UAL reaches a total of 1,300 airports in 191 countries with 18,400 daily flights, as of January 2018. Major alliance partners include Air Canada, Air China, All Nippon Airways, Lufthansa, Singapore Airlines, TAM, and Air India.

MARKET PROFILE. The U.S. airline industry is a \$222 billion market, according to 2017 data from the Bureau of Transportation Statistics. With 2017 revenues of \$37.7 billion, UAL comprised about 17% of the total U.S. market. The U.S. airline industry reported net income of about \$15 billion in 2017 up from \$14 billion in 2016. Profits were about \$25 billion in 2015, \$11 billion in 2014, \$13 billion in 2013 and \$4.0 billion in both 2012 and 2011, versus \$1.8 billion in 2010 and following a net loss of \$4.7 billion in 2009 and \$24 billion in 2008. Total combined losses in the five years from 2001-2005 at the 10 largest carriers are estimated by CFRA at \$58.6 billion.

COMPETITIVE LANDSCAPE. The industry consists of 15 major air carriers (annual revenues of more than \$1.0 billion), along with 20 national airlines (revenues between \$100 million and \$999 million) and 65 regional and commuter carriers (less than \$100 million in annual revenues). However, the six largest airlines in the U.S. generate about 92% of total industry revenues. Major competitors include Delta Air Lines (17% domestic market share, as measured by RPMs, as of July 2016), American Airlines (20%), Southwest (18%), JetBlue (5%) and Alaska Air Group (5%).

The U.S. airline industry is fragmented and highly competitive. Barriers to entry are high, in our view, since aircraft are costly to purchase, lease and maintain, airport landing slots are limited, and there are highly entrenched competitors. In addition, pricing in the industry is extremely competitive. A major airline tends to match the lowest airfare by a competitor, even if that carrier is losing money at those fares. Fuel costs represent either the largest or the second largest cost category for most major airlines.

CORPORATE STRATEGY. United tries to generate a revenue premium to the rest of the U.S. airline industry by utilizing a market segmentation strategy intended to optimize margins and costs by offering the right service to the right customer at the right time. United offers three classes of service on its mainline flights; it offers premium transcontinental service connecting New York with San Francisco and Los Angeles; and it operates United Express, its regional service, which includes a premium service on many aircraft. UAL's frequent flyer program, Mileage Plus, is designed to help the company attract and retain high value customers. In 2017, 5.4 million MileagePlus travel awards were used on United flights. These awards represented 7.5% of United's total revenue passenger miles.

UPCOMING CATALYSTS. After hitting a record of over \$147 a barrel in July 2008, oil prices pulled back sharply and as of January 2016, oil prices were \$28 a barrel. Since that time, however, oil prices have rebounded, and as of October 2019, were about \$53 a barrel. In 2018 United's consumed about 4.2 billion gallons of fuel at an average price of \$2.25 per gallon for a total fuel expense of \$9.3 billion versus 2017 consumption of 4.0 billion gallons of fuel at a price of \$1.74 a gallon for a total cost of \$6.9 billion. We see fuel expense falling about 8%-10% in 2019 on lower prices partly offset by increased consumption.

We think demand for air travel will remain strong in 2019, with consumers and businesses flying more as the U.S. economy continues to expand, although at a likely slower rate. The industry had sharply cut capacity levels from 2011-2016, and grew modestly in 2017-2018. We see some capacity growth in 2019, but think it will be modest. We see increased airfares on strong demand and relatively full planes, which leads to limited discounting.

FINANCIAL TRENDS. Total revenues in 2018 for United Continental Holdings totaled \$41.3 billion versus \$37.7 billion in 2017 and \$36.6 billion in 2016. Adjusted net income totaled \$2.5 billion for an adjusted net margin of 6.1% versus \$2.1 billion for a net margin of about 5.6% a year earlier. UAL emerged from bankruptcy in 2006 as a reorganized company.

Corporate Information**Investor Contact**

M. Leskinen (872-825-4000)

Office

233 South Wacker Drive, Chicago, Illinois 60606

Telephone

872-825-4000

Website

www.united.com

Officers**President**

J. S. Kirby

Executive VP & CFO

G. Laderman

CEO & Director

O. Munoz

Non Executive Chairman

J. C. Garvey

Executive VP of Technology & Chief Digital Officer

L. P. Jojo

Executive VP, Chief Administrative Officer & General Counsel

B. J. Hart

Executive VP & COO

G. L. Hart

Board Members

B. Harford

J. M. Whitehurst

C. Corvi

M. J. Hooper

D. J. Vitale

O. Munoz

E. L. Shapiro

S. J. Pantoja

E. M. Philip

T. M. Insler

J. A. Kennedy

W. Isaacson

J. C. Garvey

Domicile

Delaware

Auditor

Ernst & Young LLP

Founded

1934

Employees

92,000

Stockholders

5,615

United Airlines Holdings, Inc.

Quantitative Evaluations					Expanded Ratio Analysis							
Fair Value Rank	5	1	2	3	4	5	2018	2017	2016	2015		
		LOWEST				HIGHEST	Price/Sales	0.56	0.54	0.66	0.57	
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].						Price/EBITDA	3.93	3.48	3.46	2.99
							Price/Pretax Income	8.72	6.73	6.38	5.12	
							P/E Ratio	10.87	9.55	10.78	2.94	
							Avg. Diluted Shares Outsg. (M)	277	304	330	377	
Fair Value Calculation	USD 258.48	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that UAL is undervalued by USD 168.78 or 188.2%.						Figures based on fiscal year-end price				
Volatility		LOW	AVERAGE	HIGH								
Technical Evaluation	NEUTRAL	Since December, 2019, the technical indicators for UAL have been NEUTRAL.										
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE								
Key Growth Rates and Averages												
Past Growth Rate [%]								1 Year	3 Years	5 Years		
Sales								9.31	2.94	1.53		
Net Income								-0.70	-33.80	30.11		
Ratio Analysis [Annual Avg.]												
Net Margin [%]								NM	NM	NM		
% LT Debt to Capitalization								49.41	NA	NA		
Return on Equity [%]								22.73	NA	NA		

Company Financials Fiscal year ending Dec. 31										
Per Share Data (USD)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tangible Book Value	8.57	2.34	1.60	0.84	-17.12	-16.49	-25.98	-22.57	-23.52	NA
Free Cash Flow	7.27	-1.93	7.03	8.63	1.69	-2.07	-3.27	4.77	7.20	NA
Earnings	7.70	7.06	6.76	19.47	2.93	1.53	-2.18	2.26	1.08	NA
Earnings (Normalized)	7.12	6.62	8.55	7.87	2.64	1.69	1.13	2.17	2.36	NA
Dividends	NA	NA								
Payout Ratio [%]	NA	NA								
Prices: High	97.85	83.04	76.80	74.52	67.77	40.19	25.84	27.72	29.75	13.33
Prices: Low	60.44	56.51	37.41	49.20	36.65	23.62	17.25	15.51	12.13	3.07
P/E Ratio: High	12.7	11.8	11.4	3.8	23.1	26.3	NM	12.3	27.6	NM
P/E Ratio: Low	7.8	8.0	5.5	2.5	12.5	15.5	NM	6.9	11.2	NM
Income Statement Analysis (Million USD)										
Revenue	41,303	37,784	36,558	37,864	38,901	38,279	37,152	37,003	23,325	NA
Operating Income	3,779	3,847	5,089	5,492	2,816	1,769	1,362	2,307	1,677	NA
Depreciation + Amortization	2,118	2,032	1,869	1,726	1,598	1,617	1,441	1,414	1,079	NA
Interest Expense	659	587	602	620	683	734	798	917	783	NA
Pretax Income	2,658	3,040	3,773	4,219	1,128	539	-724	845	253	NA
Effective Tax Rate	19.9	29.5	40.8	-74.0	-0.4	-5.9	0.1	0.6	NA	NA
Net Income	2,129	2,144	2,234	7,340	1,132	571	-723	840	253	NA
Net Income (Normalized)	1,969	2,010	2,823	2,967	1,028	662	374	831	596	NA
Balance Sheet and Other Financial Data (Million USD)										
Cash	3,950	3,798	4,428	5,196	4,384	5,121	6,543	7,762	8,680	NA
Current Assets	7,194	7,133	7,309	7,828	7,547	8,702	10,049	10,997	12,045	NA
Total Assets	44,792	42,346	40,140	40,861	36,595	36,812	37,628	37,988	39,598	NA
Current Liabilities	13,212	12,763	12,286	12,414	12,508	12,107	12,818	11,394	12,645	NA
Long Term Debt	12,215	11,703	9,918	9,673	9,953	10,171	10,440	10,496	11,434	NA
Total Capital	24,723	23,126	20,364	20,725	14,343	15,393	13,647	14,541	16,860	NA
Capital Expenditures	4,177	3,998	3,223	2,747	2,005	2,164	2,016	840	416	NA
Cash from Operations	6,181	3,413	5,542	5,992	2,634	1,444	935	2,408	1,907	NA
Current Ratio	0.545	0.559	0.595	0.631	0.603	0.719	0.784	0.965	0.953	NA
% Long Term Debt of Capitalization	49.4	50.6	48.7	46.7	69.4	66.1	76.5	72.2	67.8	NA
% Net Income of Revenue	5.15	5.67	6.11	19.39	2.91	1.49	-1.95	2.27	1.08	NA
% Return on Assets	5.42	5.83	7.85	8.86	4.80	2.97	2.25	3.72	3.60	NA
% Return on Equity	22.7	24.7	25.4	NM	42.1	33.0	-63.2	47.6	-46.7	NA

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

United Airlines Holdings, Inc.

Sub-Industry Outlook

We have a positive fundamental outlook for the airline sub-industry for the next 12 months. While unit revenues improved in 2018 and fuel prices retreated in the last quarter of the year, investors focused on worries about slowing economic growth and rising interest rates to punish the stocks of most U.S. airlines. We think the sub-industry has healthy fundamentals and good valuations that could allow the stocks to do well while profits rise as well. We see good traction on fare increases in 2019. Airlines have been trimming excess capacity, which we think will allow for better pricing power in 2019. We think the industry should be able to raise fares as passenger travel demand improves and hold the line on fares if demand weakens. Oil and jet fuel prices are likely to rise following the attack on Saudi oil infrastructure on September 14, 2019, but are still well below historical highs, and we think airlines can offset rising costs with higher fares.

Investor sentiment on airline stocks should improve this year on better unit revenue results, lower fuel prices and still-strong demand.

The industry successfully instituted a number of fare hikes in 2018, showing improvement from the prior five-year period of 2013-2017, when it was very hard to raise unit revenues due to rising capacity. We think airlines will likely look to continue to raise fares in 2019. Many of the shares warrant added risk premiums, in our view.

We estimate that the largest U.S. carriers earned \$15 billion in 2018, \$20 billion in 2017, \$30 billion in 2016, \$12 billion in 2015 and \$10.0 billion in 2014. The industry has been profitable every year since 2010, a huge change from the prior boom and bust cycle that U.S. airlines faced for decades. The industry last lost money in 2009, losing

a collective \$5 billion. Results in 2018 were hurt by higher oil prices (though prices came down sharply in the fourth quarter), while increases in ancillary fees, such as baggage, change fees and premium seating slowed. We think cuts to domestic and international supply over the past three years improved airlines' pricing power.

Total revenue passenger miles (RPMs) rose 4.8% in 2018 after rising 3.3% in 2017. Available seat miles (ASMs) rose 4.5% in 2018 after rising 3.2% in 2017. The passenger load factor (PLF) rose by 0.2 percentage points in 2018 to 83.7% after rising 0.1 percentage points in 2017 to 83.5%. For 2019, we estimate a 6% rise in RPMs and a 7% rise in ASMs driving a 0.5 percentage point decline in PLF.

Year to date through September 13, the S&P Airlines Index rose 14.0% versus a 19.7% increase for the S&P Composite 1500 Index. In 2018, the S&P Airlines Index fell 18.1% versus a 15.0% decline for the S&P Industrials Index and against a 6.8% drop in the S&P Composite 1500 Index. In 2017, the S&P Airlines Index rose 9.8% versus an 18.8% gain for the 1500. The five-year compound annual growth rate for the S&P Airlines index through September 13, 2019, was 7.9% versus 8.7% for the S&P 1500.

/Jim Corridore

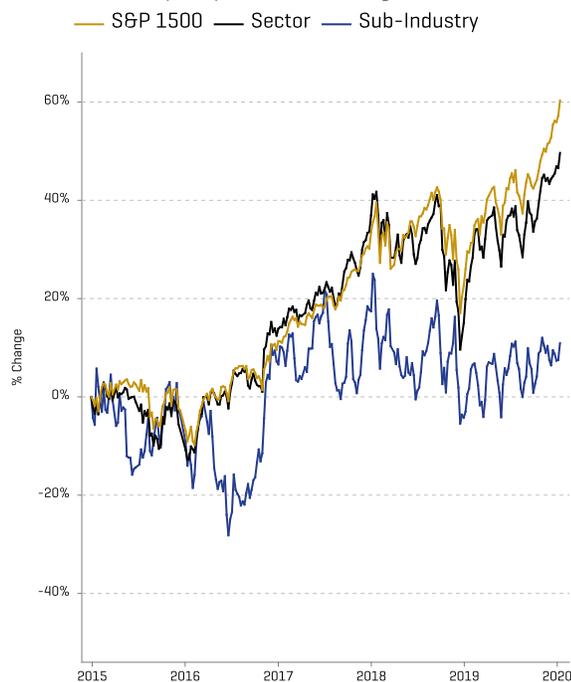
Industry Performance

GICS Sector: Industrials

Sub-Industry: Airlines

Based on S&P 1500 Indexes

Five-Year market price performance through Jan 18, 2020



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Airlines Peer Group*: Airlines

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
United Airlines Holdings, Inc.	UAL	NasdaqGS	USD	89.70	22,698	1.0	3.4	8	258.48	Nil	22.7	49.4
American Airlines Group Inc.	AAL	NasdaqGS	USD	28.40	12,441	1.4	-15.4	8	25.34	1.4	NM	60.7
Cathay Pacific Airways Limited	CPCA.Y	OTCPK	USD	7.106	5,591	-1.0	-7.0	10	NA	3.4	8.9	59.4
Hawaiian Holdings, Inc.	HA	NasdaqGS	USD	30.05	1,400	-1.7	-10.3	7	36.08	1.6	26.0	23.5
Ryanair Holdings plc	RYAA.Y	NasdaqGS	USD	92.74	18,958	6.7	36.5	19	NA	Nil	18.3	35.6

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

United Airlines Holdings, Inc.**Analyst Research Notes and other Company News****December 05, 2019**

09:41 am ET... CFRA Keeps Buy Opinion on Shares of United Airlines Holdings, Inc. [88.17****]: United CEO Oscar Munoz will step down in May 2020, to be replaced by Scott Kirby, current United President. We applaud this move. While United has made operational and financial strides over the past year and a half, it still has the stigma of poor customer service in the wake of high profile PR incidents, including the dragging off an aircraft of Dr. David Dao in April 2017 and more recently, Mr. Munoz's statements that its passengers are miserable when they board United planes due to the airport experience. We think Mr. Kirby, with 30 years experience, is an operational and planning expert who will improve financial and operational execution. At the same time, a change in leadership could allow United to improve how it relates to its customers, as we think Mr. Munoz was out of touch. However, Mr. Munoz will stay on as Executive Chairman of the Board. Concurrently with this news, we have raised our '19 EPS estimate to \$12.07 from \$12.03. /Jim Corridore

October 16, 2019

09:04 am ET... CFRA Keeps Buy Opinion on Shares of United Airlines Holdings [87.88****]: We keep our 12-month target price at \$110, 8.6x our '20 EPS estimate of \$12.75 [raised from \$12.42], in line with the peer average, which has contracted through 2019. We raise our '19 EPS estimate to \$12.03 from \$11.62. Q3 adjusted EPS of \$4.07 versus \$3.06 beat our \$3.72 estimate and the consensus of \$3.96. Revenues rose 3%, slightly worse than we were expecting, while EBITDA increased by 13% and beat our target by about 4%. Unit revenues grew 1.7%, which we think will be about in the middle of the pack versus peers, but continuing a positive trend. Unit costs dropped 0.9%, on well controlled costs, the effect of leveraging costs over higher capacity and lower energy prices. UAL bought back \$363 mil. of common stock and the average diluted share count has dropped by 6% year over year. UAL issues 2020 adjusted EPS guidance of \$11.00-\$13.00 versus the consensus of \$12.69. We think UAL has improved operational and financial execution, and see demand as strong, positives for the shares. /Jim Corridore

July 17, 2019

08:55 am ET... CFRA Keeps Buy Opinion on Shares of United Continental Holdings [93.92****]: We raise our 12-month target price by \$10 to \$110, 8.9x our '20 EPS estimate of \$12.42 [raised from \$12.15], about in line with the peer average, as United has improved operational and financial execution. We raise our '19 EPS estimate to \$11.62 from \$11.23. Q2 adjusted EPS of \$4.21 versus \$3.23 beat our \$4.08 estimate and the consensus of \$4.12. Revenues rose 6%, slightly better than we were expecting, while EBITDA increased by 11% and was also modestly better than we targeted. Unit revenues grew 2.5%, which we think will be about in the middle of the pack versus peers, though it is noteworthy that unit revenues grew in every region. Unit costs dropped 0.4%, on well controlled costs, the effect of leveraging costs over higher capacity and lower energy prices. UAL bought back \$536 mil. of common stock and authorized a new \$3 bil. buyback. We think demand remains strong and United should be able to continue to grow unit revenues despite capacity growth. /Jim Corridore

April 17, 2019

08:54 am ET... CFRA Keeps Buy Opinion on Shares of United Continental Holdings, Inc. [85.17****]: We maintain our 12-month target price of \$100, an Enterprise Value-to-EBITDAR [EBITDA plus aircraft rent] multiple of 6x our '19 estimate, in line with peers. This is also a forward P/E of about 9x our '19 EPS estimate of \$11.23 [raised from \$10.90], also in line with the peer average. However, we also think multiples are likely to expand across the group on good capacity discipline [enforced in part by the 737-MAX grounding] which has allowed good pricing momentum. We raise our '20 EPS estimate to \$12.15 from \$11.94. UAL's first-quarter adjusted EPS of \$1.15 versus \$0.50 beat our \$0.77 estimate and the consensus of \$0.96. Revenues were just shy our our expectations, but results benefited from good cost performance, particularly in maintenance, fuel and aircraft rents. While United still lags peers in operating margins, we think the company is making strides in closing the gap. UAL raises Q2 unit revenue guidance to up 0.5%-2.5% from flat-to-up 2%, a sign of positive pricing momentum. /Jim Corridore

January 16, 2019

08:08 am ET... CFRA Keeps Buy Opinion on Shares of United Continental Holdings, Inc. [80.85****]: We trim our 12 month target price to \$100 from

\$115, an Enterprise Value to EBITDAR [EBITDA plus aircraft rent] multiple of about 6x our '19 estimate on this metric, in line with peers. This is also a forward P/E of 9.2X our '19 EPS estimate of \$10.90 [raised today from \$9.65], in line with the peer average. We initiate our '20 EPS estimate at \$11.94. UAL Q4 adjusted EPS of \$2.41 vs. \$1.40 beat the consensus of \$2.06 and our \$1.58 estimate, on 11% revenue growth which was about our expectations. UAL unit revenue growth was likely better than its peers, up 5% as UAL focused on growth from its hubs and on revenue management. After years of slow capacity growth, UAL grew faster than peers in 2018 and took market share, we believe. The company is closing ground with peers in both its financial and operational performance. While investors are focused on unit revenue performance in 2019, we think UAL's results show demand is healthy and unit revenue growth is likely to continue. /Jim Corridore

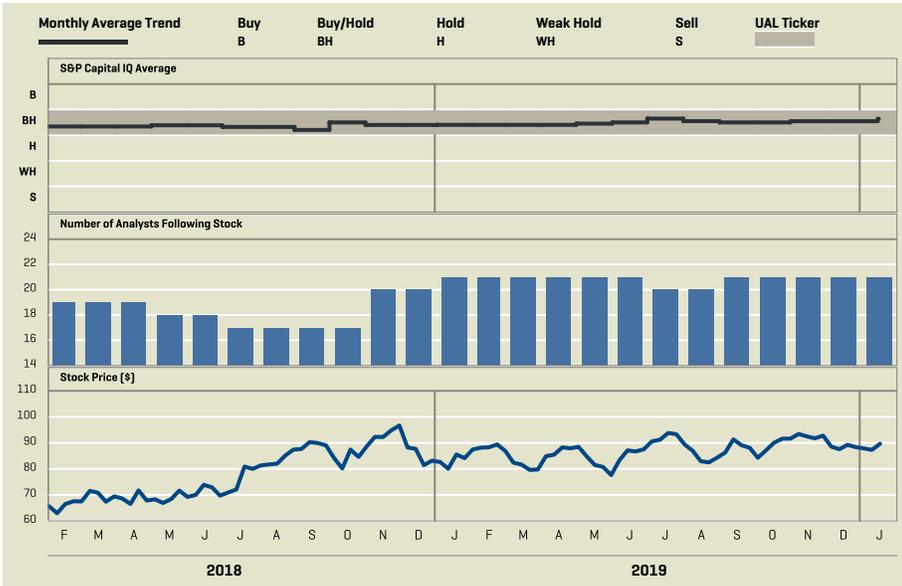
October 17, 2018

10:24 am ET... CFRA LIFTS OPINION ON SHARES OF UNITED CONTINENTAL HOLDINGS TO BUY FROM HOLD [87.94****]: We raise our 12-month target price to \$115, from \$80, 11.9X our '19 EPS estimate of \$9.65 [raised from \$9.10], about in line with peers. We cut our '18 EPS estimate to \$8.36 from \$8.50, due to higher fuel costs, but we are encouraged by UAL's ability to recoup a large percentage of the recent rise in energy prices with higher fares and better utilization. UAL third-quarter EPS of \$3.06 versus \$2.22 beat our \$2.90 estimate but was a penny off the consensus view. Revenues increased 11% and beat our expectations modestly, while unit revenues rose 6.1%, higher than we expected. UAL's growth strategy has not eroded unit revenues as we expected, and that speaks to solid demand and good strategy, a credit to UAL's management team, which we have much maligned. UAL expects to recoup 90% of higher fuel costs with better revenues, and targets '18 adjusted EPS of \$8.00-\$8.75. While higher energy prices remain a risk, we now see solid demand and intelligent capacity growth likely to offset this. /Jim Corridore

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

United Airlines Holdings, Inc.

Analysts' Recommendations



Wall Street Consensus Opinion

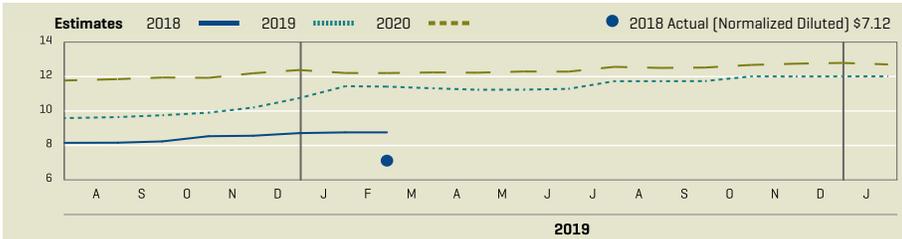
BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2019, analysts estimate that UAL will earn USD \$12.01. For the 3rd quarter of fiscal year 2019, UAL announced earnings per share of USD \$3.99, representing 33.2% of the total revenue estimate. For fiscal year 2020, analysts estimate that UAL's earnings per share will grow by 6% to USD \$12.71.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	10	48	9	8
Buy/Hold	4	19	4	5
Hold	7	33	8	8
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	21	100	21	21

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2020	12.71	13.61	11.80	20	7.1
2019	12.01	12.23	11.49	20	7.5
2020 vs. 2019	▲6%	▲11%	▲3%	0%	▼-5%
Q4'20	2.99	3.58	2.51	7	30.0
Q4'19	2.64	2.85	2.27	18	33.9
Q4'20 vs. Q4'19	▲13%	▲26%	▲11%	▼-61%	▼-12%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

United Airlines Holdings, Inc.**Glossary****STARS**

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:**★★★★★ 5-STARS (Strong Buy):**

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

United Airlines Holdings, Inc.

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STARS Stock Reports:

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	33.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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