

United Continental Holdings, Inc. (NYSE:UAL)

Name: David Pastore	College/School: CLAS	Year: 2 nd
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Important Company Financial Data



Last Trade:	17.52
Trade Time:	2:49PM EST
Change:	0.94 (5.67%)
Prev Close:	16.58
Open:	16.81
Bid:	17.52 x 300
Ask:	17.53 x 2600
1y Target Est:	32.69
Day's Range:	16.81 - 17.97
52wk Range:	15.51 - 28.59
Volume:	10,469,326
Avg Vol (3m):	5,649,620
Market Cap:	5.80B
P/E (ttm):	10.06
EPS (ttm):	1.74
Div & Yield:	N/A (N/A)



Market Cap (intraday) ⁵ :	5.89B
Enterprise Value (Nov 29, 2011) ³ :	10.29B
Trailing P/E (ttm, intraday):	10.22
Forward P/E (fye Dec 31, 2012) ¹ :	3.39
PEG Ratio (5 yr expected) ¹ :	1.40

Thesis / Key Points

- **Maintaining Profits-** United Airlines have been able to remain profitable despite troublesome economic times, while competitors like American Airlines have posted losses. UAL is coming off their first profitable year in 3 years, and has had three consecutive positive quarters, with the most recent seeing \$733 million of net income. After filing for bankruptcy in 2002, United spent four years in Chapter 11, longer than any other company in industry history. After these times, United came back with new options to raise capital and get back to good financial standings. They were forced to cut workers, raise prices, enforce new baggage fees, cut routes, and even sell off some of its assets. These were things that United wanted to do, but allowed them to minimize the losses other airlines incurred. Since then they have had one tough year in 2008 when fuel prices jumped, but have bounced back nicely. With new strategies, UAL will continue to climb back.
- **New Merger-** United Continental Holdings is the unifying company that was created to manage Continental and United Airlines after their recent merger. Continental and United are two major American airliners and together will combine to make the world's largest airliner measured in passenger revenue miles. Their customer base spans the globe and is already very large. This merger will allow United to unify into a tighter run business and surpass its competitors, one of which recently filed for bankruptcy.
- **Customer Benefits and Innovation-** As part of the restoration from bankruptcy and as well as with the new merger, United has begun implementing new customer rewards programs and benefits. Their new MileagePlus Loyalty Program rewards frequent fliers on a points basis. It is "designed to better differentiate between elite tiers and provide incentives to our customers to earn the great benefits that

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Mileage Plus offers by engaging in behavior that more directly benefits United,” according to CEO Jeff Smisek. Smisek also introduced their new cobranded Explorer card, with credit card partner Chase, and has stated growth has been very pleasing. The United Club is a group that allows United fliers to enjoy airport lounges with amenities and luxuries not usually found in airports. They feature comfortable seating, wifi, food and beverages, as well as attendants for any need. These programs will help build customer loyalty and trust. Also, United will be the first airliner to take delivery and fly the new Boeing 787 dreamliner, with flights beginning next year. UAL is taking steps toward the future.

Misperception

- **The Airline Industry is not profitable**-This is not true, instead I see the airline industry struggling in a bit of a recession, yet is poised to come back strong. It has been proven that this industry is cyclical and will no doubt return to be very profitable.
- UAL is an undervalued stock that is beaten down because of the industry’s poor results. The new merger and integration of United and Continental will prove be a strong force for a while to come. UAL is currently trading almost right at its 52 week low and I believe now is a good time to buy the stock cheap, and hold onto it for a few years.

How It Plays Out

- The complete merger between United and Continental is a process and will not be done overnight. The continued progress in this area is definitely something to watch as it plays out.
- Seeing how UAL’s new customer rewards programs will definitely be something to watch. Whether or not this brings in new customers and keeps the old ones can be a big factor in succeeding.

Risks / What Signs Would Indicate We Are Wrong?

- **Gas Prices**- In 2008 gas prices have skyrocketed and caused major problems for all transportation industries, airlines being one of them. Continued increases in fuel costs is a risk associated with UAL, however they have begun trying alternative sources, this month being the first American airliner to launch a commercial flight run on biofuel. The concept is still not realistic, but it demonstrates UAL is taking steps toward easing its dependence on petroleum.
- **Taxes**- Airlines currently pays 17 different federal aviation taxes and fees in the U.S. totaling \$16.5 billion in 2010. The U.S. airlines have lost a total of \$55 billion over the past 10 years. Now Washington is proposing \$35 billion of additional taxes over the next 10 years.
- **Unions**- Unions can play a big role in the airline industry and were a main reason United went into bankruptcy in 2002. If UAL can agree on negotiations and control union costs, that would be a huge plus.

Signposts / Follow-Up

- Monitor 10-Q’s and follow operating expenses and the result gas prices will have on profit. If UAL can continue to have profitable quarters, that is a very good sign that the future is bright. 2012 is not expected to be a bustling year, so net incomes in the black would mean UAL is controlling costs, and remaining profitable.

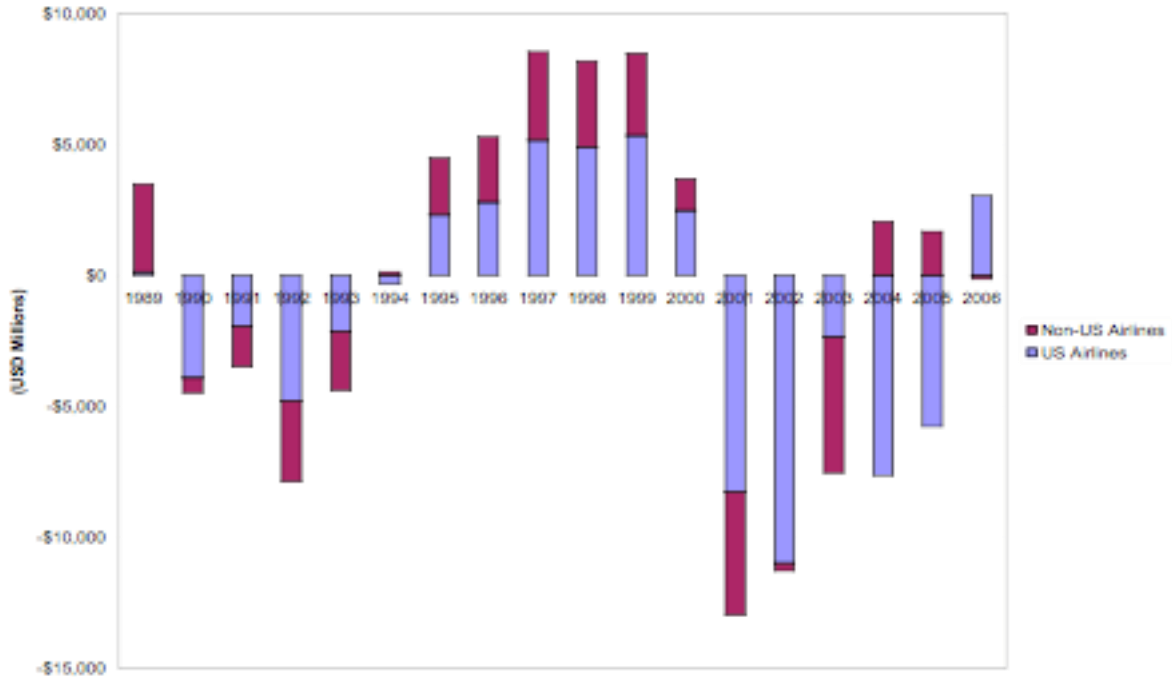
Company Description

United Continental Holdings, Inc. (NYSE: UAL) is the holding company for both United Airlines and Continental Airlines. Together with United Express, Continental Express and Continental Connection, these airlines operate an average of 5,765 flights a day to 377 airports on six continents from their hubs in Chicago, Cleveland, Denver, Guam, Houston, Los Angeles, New York/Newark Liberty, San Francisco, Tokyo and Washington, D.C. United and Continental are members of Star Alliance, which offers more than 21,200 daily flights to 1,185 airports in 185 countries. United and Continental's more than 80,000 employees reside in every U.S. state and in many countries around the world.

VAR:

Carla Younger (Flight Assistant and Stock Holder-United)

“I’ve lost 60% of my pension, but I’ve been able to keep my job...We used to have 6 flights a day to Billings, now we have 2. We’ve had to cut costs.”



Domestic Market Share

(12 months ending Oct. 2007 Source:Bureau of Transportation Statistics)

	Passenger miles flown (billions)	Share
Northwest and Delta	104.3	17.7%
American	88.0	14.9%
Southwest	71.9	12.2%
United	68.7	11.6%
Delta	64.3	10.9%
Continental	46.0	7.8%
Northwest	40.0	6.8%
US Airways	29.0	4.9%
JetBlue	24.4	4.1%
America West	20.0	3.4%
AirTran	16.7	2.8%