

United Airlines Holdings Inc (UAL)

U.S.A | Aviation

Market Value: 34,85bn USD

As of: 2025-12-04

YTD: 7,5 %

Current Price: 104 \$

Model Implied

Fair Value per Share: 121,2 \$

Analyst: Kerem Agirman

United Airlines Holdings Inc. is a U.S. commercial airline company. They are one of the market leaders in their domestic market (16%) and has been a top competitor for a decade steadily increased its market share. While the top 4 U.S. airliners make up 68% of domestic market share, 90+ other airliners make up remaining 32%. United NEXT is their new step forward in creating consumer value and strengthening shareholder confidence. Post-covid surge in revenue growth (%) has cooled down and is expected to normalize with a CAGR of 5% from 57,1bn USD (2024A) to 69,4bn USD (2028E). A pure DCF valuation implies a target multiple of 8,8x EBIT in 2028E which motivates a price of 121,2 USD and upside of 16,5%.

Key takeaways

- **Structural Market Gains:** Since 2018, United has increased its market share by ~5%. Unlike competitors who liquidated fleets during the pandemic, United retained wide-body jets, allowing them to capture the “revenge travel” surge effectively as markets reopened.
- **United NEXT:** This initiative is driving consumer value through modernized interiors and premium offerings, while simultaneously lowering Cost per Available Seat Mile (CASM) via more fuel-efficient aircraft.
- **Valuation Disconnect:** UAL trades at 10,3x P/E and 8,7x EV/EBIT, which we believe does not fully reflect the improved earnings profile (EV/EBIT below 10-year average of 10,9x). Our DCF implies a fair value of \$121,2 (~16,5% difference vs \$104), suggesting the shares appear undervalued on our base-case assumptions.

Key events past year

Summer 2026 Schedule

Announcement: In October 2025, United announced its largest-ever transatlantic expansion for summer 2026, adding services to new destinations. This confirms United’s strategy to leverage its wide-body fleet for high-margin international leisure travel.

United NEXT Progress: The company continues to receive deliveries from its order book of approx. 800 new aircraft due by 2032.

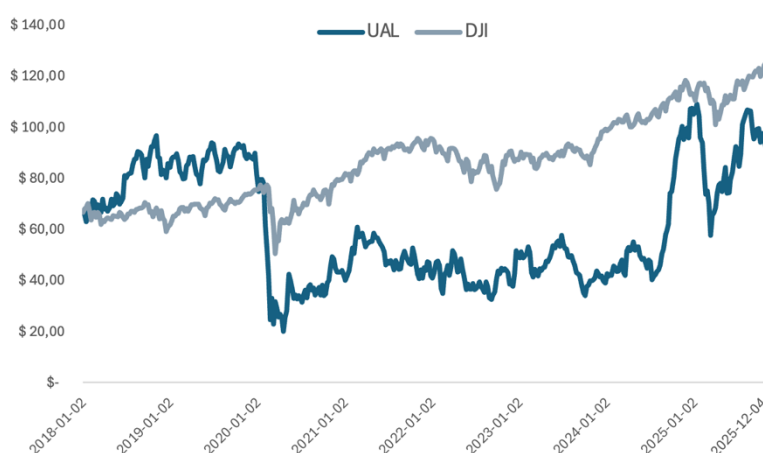
The fleet modernization is currently replacing older regional jets with larger mainline aircraft increasing seats per departure by ~40% compared to 2019 levels.

Pilot Union Agreements: Recent contracts have secured long-term labour stability, though at higher wage rates. Management views this as a necessary investment to prevent the operational disruption seen elsewhere in the industry.

Metrics

P/E	10,3x
P/S	0,57x
P/B	2.29x
EV/EBIT	8.7x
ROE	25,6 %
CEO	Scott Kirby

PRICE DEVELOPMENT, USD

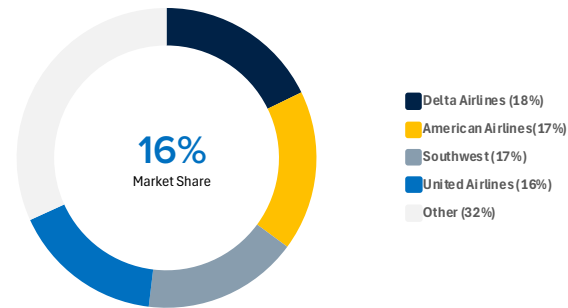


Company Overview (Profile)

United Airlines Holdings, Inc. (UAL) often cites 1926 as its founding year, tracing its roots to Varney Air Lines founded by Walter Varney. After US deregulation in 1978 United Airlines grew into one of the world’s largest airlines but in late 2002, after struggling with cost and high maintenance, they filed for bankruptcy. Emerging less than 4 years later in 2006 after reconstructing. United Airlines today, a global network airline and considered the world largest airline based on available seat miles, fleet size and number of destinations served.

The company’s primary business is providing air transportation for passengers and cargo. In 2024, passenger revenue was ~90% of total revenue at which it usually stands while the remainder is split between cargo freight and other ancillary sources. United’s reach is complemented by their alliances/partnership with airlines across the globe. This enables cooperations on scheduling, frequent flyer programs and connecting traffic. As a founding- and current member “of Star Alliance” a 25-member global airline alliance, along with other joint-venture (JV) partnerships, this extends their reach to virtually every major market.

In the US market, they are a close competitor with three other major airlines (Delta Airlines, American Airlines and Southwest). These four competitors make up 68% of the total U.S. market while the remainder is made up of over 100 other airlines (closest is Alaska Airlines at 6% market share). United’s domestic market share has grown significantly. Compared to pre-covid numbers of 11% market share in 2018 to currently holding 16% of the market.



The expansion in market share can be largely attributed to their strategy decisions during the pandemic (2020-2022). When demand surged in 2023 (Revenge Travel), United stood out amongst all other airlines as to meet demand while others were heavily liquidated and decreased operations to stay afloat. United notably retained its wide-bodies jets which positioned the airline to capture the surge in travel demand as markets reopened.

The “United NEXT” strategy was introduced 2021 during the Covid-19 pandemic and aims to improve efficiency, grow capacity and significantly upgrade the fleet. It involves a more aggressive fleet expansion and fleet modernization with new jets as to expand United’s network while also replacing older jets.

United NEXT Strategy



Consumer Value

Enhancing the passenger experience with modernized interiors, better connectivity and premium offering to drive brand loyalty.



Fleet Efficiency

Updating the fleet with fuel-efficient aircraft to lower CASM (Cost per Available Seat Mile) and meet sustainability goals.



Balance Sheet

Restoring shareholder confidence through aggressive debt reduction and returning to pre-pandemic operational margins.

Industry Dynamics & Risk Factors

The global airline industry is subject to a variety of external risk factors that affect costs, demand, revenue and overall operational function. This section outlines key industry risk factors and their potential impact on operational predictability.

Macroeconomic & Demand Risks:

The airline industry is also highly cyclical throughout the year. As the degree of passenger volumes is closely affected by GDP growth, economic downturns and recessions can cause troubling results. These states decrease the disposable income, GDP and demand for travel. This affects the two most common kinds of travel, business- and leisure travel. When in a recession, disposable income decreases, affecting demand for leisure travel while corporations may seek to restrict travel budget as revenue and productions slumbers. With long-term economic downturn and high inflation- and interest rates, airline industry may find themselves struggling to achieve comfortable revenue growth simultaneously as their debt servicing cost increases making travel more expensive for consumers and capital projects costlier.

United's major cost factors include fuel, salaries and flight expenses. Fuel or salary is typically the primary expense, though this can vary due to the volatility in fuel prices. The variability in costs is also affected by passenger volumes, when passenger volumes decrease fuel costs follows as a direct less flights occur. In contrast labour costs are relatively fixed and cannot be offset quickly short-term drops in demand. Similarly to what occurred during the pandemic, flight restrictions caused lessened passenger volumes decrease, fuel costs fell by roughly 65% compared to its previous year (2019-2020) while salaries equated to a 20% decrease.

Labor & supply chain issues:

Operational disruptions such as labour shortages (shortfall of pilots and other critical roles), and supply chain issues puts the airline industry at risk. Shortages of pilots and other critical staff have been a recurring problem for the industry. United's recent union contracts for pilots seeks to improve labour relations and secure functional operations. The continuous competition for qualified staff creates a risk for wage inflation that would increase cost.

Supply chain disruptions affect aircraft deliveries; this dampens overall operational efficiency leading to higher costs and delays. United is among Boeing's largest airline customers, this includes a scheduled order for the 737 MAX 10 jets. United's fleet renewal and growth are therefore slower and less optimal than originally planned. In May 2025, United's chief commercial officer Andrew Nocella stated that they may not receive the new sets of jets until 2027-2028 which was previously planned for 2025. These supply constraints are not unique to United but rather represent a structural backdrop for the industry as a whole. The delays, though meaningful have not forced a strategic retreat from growth.

Geopolitical Instability:

As for a global network carrier and as the U.S. largest airlines in international traffic, United is particularly sensitive to geopolitical conflicts, trade disputes and new tariffs which in effect can restrict routes, close airspace, disrupt flights and demand. Ongoing or potential conflicts in the Middle-East and Asia can decrease demand or force route adjustments which increases costs.

Valuation Model (DCF)

\$121,2

Implied Share Value

Using a DCF to estimate the intrinsic value in United Airlines.

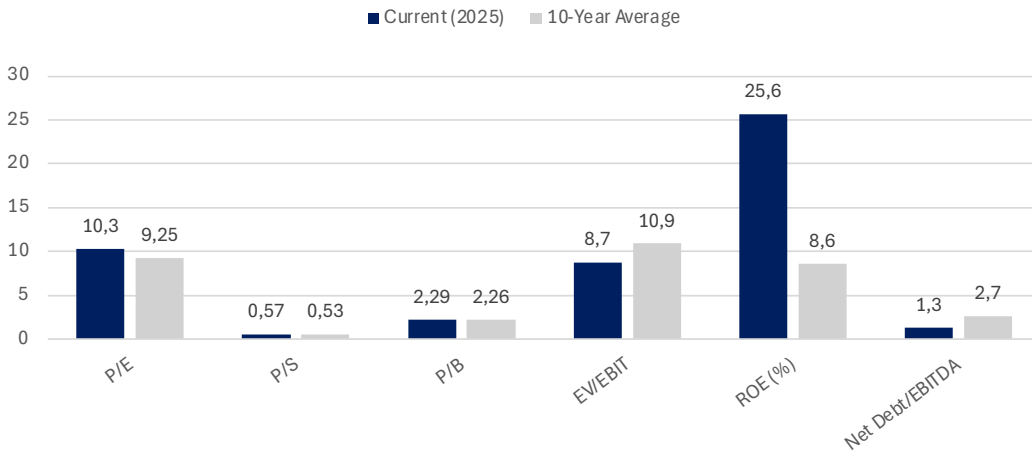
- ◆ WACC: 8,7%
- ◆ Terminal Growth Rate (TGR): 2%
- ◆ Implied EV: 53,88 Bn

**Note: Terminal Value is calculated using normalized maintenance Capex (~105% of D&A), differing from the growth-focused Capex in the explicit forecast period.*

	Terminal Growth Rate				
WACC	1,0%	1,5%	2,0%	2,5%	3,0%
7,7%	125,2	138,9	154,9	174,0	197,2
8,2%	111,6	123,2	136,6	152,5	171,4
8,7%	99,7	109,7	121,2	134,5	150,1
9,2%	89,4	98,0	107,9	119,2	132,3
9,7%	80,2	87,8	96,3	106,0	117,2

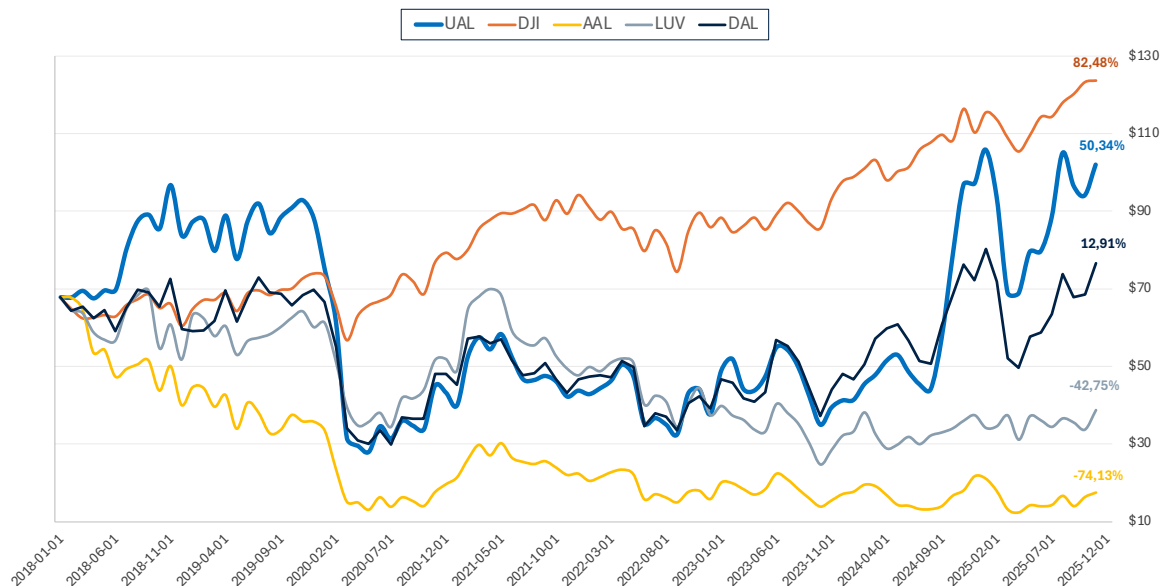
Free Cash Flow Build Up USDm	2025E	2026E	2027E	2028E
Total Revenue	60 989	64 044	65 549	68 728
EBIT	5 377	5 646	5 876	6 126
NOPAT	4 086	4 291	4 466	4 655
D&A	3 162	3 320	3 456	3 602
Change in NWC	(625)	(244)	(209)	(226)
Capex	6 099	6 404	6 666	6 948
Unlevered free cash flows	1 774	1 451	1 465	1 535
Present Value of Free Cash Flows	5 097			
Present Value of Terminal Value	48 779			
Implied Enterprise Value	53 876			

Metrics & historical valuation



Metric	Current (2025)	10-Year Average	Analysis
P/E	10,3	9,25	Slightly Premium (Growth priced in)
P/S	0,57	0,53	In line with historical
P/B	2,29	2,26	In line with historical
EV/EBIT	8,7	10,9	Undervalued
ROE (%)	25,6	8,6	Significantly improved
Net Debt/EBITDA	1,3	2,7	Stronger Balance Sheet

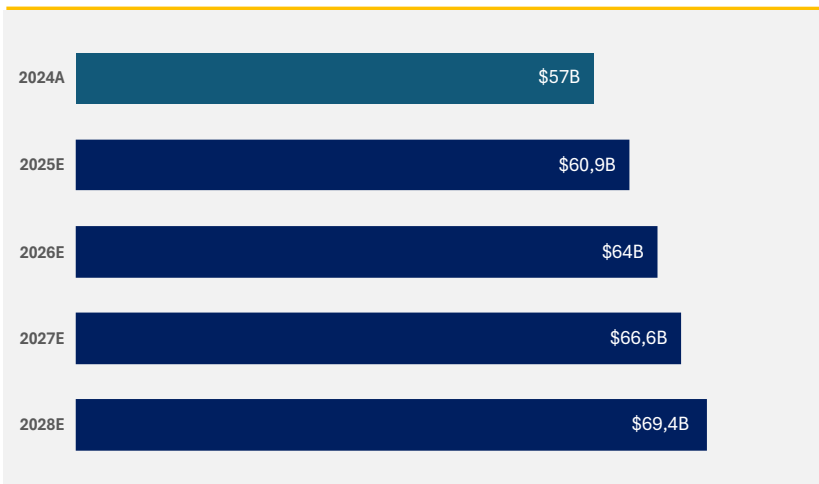
Stock price development of UAL, its top U.S competitors and Dow Jones Industrial (DJI) (2018-)



Revenue Forecast

Forecasted revenue growth

CAGR 5%



Year	Total Revenue (\$B)	Passenger Rev (\$B)	Cargo/Loyalty (\$B)	ASM (B)	RPM (B)	Load Factor (%)	Yield (¢/RPM)
2018A	41,3	37,7	3,6	275	230	84	16,4
2019A	43,3	39,6	3,7	285	239	84	16,6
2020A	15,3	11,8	3,5	123	74	60	16,0
2021A	24,6	20,2	4,4	179	129	72	15,7
2022A	45	40	5,0	248	207	83	19,4
2023A	53,7	49	4,7	281	244	84	20,1
2024A	57,1	51,8	5,3	311	259	83	20,1
2025E	60,9	55,3	5,6	325	271	84	20,4
2026E	64	58,1	5,9	338	282	84	20,6
2027E	66,6	60,4	6,2	350	293	84	20,7
2028E	69,4	63,0	6,4	361	301	84	20,9

Revenue drivers:

- ◆ **Macro-Driven Demand:** Forecast aligns with Federal Reserve projections for real growth and CPI inflation, which strongly correlate with air travel demand.
- ◆ **United NEXT strategy** drives capacity expansion (ASM), supporting volume growth despite yield normalization

**Note: The total revenue forecast is derived from a macro-economic model based on real GDP and CPI projections. I then adjusted operational assumptions, such as (ASM) and Yield, to align with these growth rates.*

Investment Thesis – United Airlines Holdings (UAL)

With the company's primary source of income stemming from passenger revenue, they are highly affected by demand in travel. Factors like recessions, GDP growth rate, inflation rates and overall economic state of the U.S and global markets are central when forecasting future revenue growth. This was exemplified in 2020 when revenue decreased roughly 64% during the global pandemic. The post-pandemic surge in travel demand will, according to the U.S. Department of Transportation, normalize in 2026 from previous high numbers. United has shifted from its previous position. They have managed since 2018, to increase their market share with ~5% point, positioning themselves strongly against their competition.

1. Structural market share gains and resilient demand profile

United is one of the largest players in the significant U.S market and has a leading position in international markets. Scale, hub structure and alliances create high barriers to entry and a network that is difficult for smaller competitors to match.

United generates roughly 90% of revenue from passenger traffic and is therefore highly sensitive to economic cycles and travel demand. During the pandemic, revenue fell sharply but since 2018, United has increased their domestic market share by around 5 percentage points. This positions them more strongly against peers. As post-Covid "revenge travel" normalizes from 2026, it is reasonable to expect United to defend most of these share gains thanks to their scale, hub structure and alliance network. The vastness of United's structure and network also creates high barriers to entry which makes it difficult for smaller competitors to match.

2. Balance sheet on a path to normalization

United Airlines, where they stand today as of the last quarter of 2025 has found footing after surviving the Covid-19 pandemic and flight restrictions. After taking on significant amount of debt, particularly during the pandemic (2020-2021), management is now focused on cash generation and net debt reduction. As capex normalizes and profitability improves, shareholder confidence may improve with it.

3. United NEXT drives structural margin improvement

The United NEXT strategy was launched during the pandemic. It combines fleet modernization with product upgrades. New, more fuel-efficient aircraft and higher-gauge mainline planes increase seats per departure and lower unit costs over time. The new fuel-efficient aircraft and product modernization should generate long-term cost savings. Parallel with this, the revenue side should benefit from upgraded cabins, increased premium capacity and an attractive loyalty platform should support yields. Although the transition period brings some temporary cost pressure, United NEXT is a key driver in this analysis of higher sustainable margins versus the pre-Covid period.

4. Valuation

At current multiples (P/E 10,3x, EV/EBIT 8,7x, P/B 2,29x) United trades at levels that appear to not fully reflect improved earnings profile and balance sheet. This DCF analysis indicates a fair value of USD 121,2 per share, corresponding to roughly 16,5% difference vs current price (104 USD) according to the model-implied value.

Key Risks include economic downturn, higher fuel and labour costs, potential operational disruptions and execution risk in United NEXT. The Fed currently forecasts a GDP growth rate of approx. 2% / year from 2026-2028.

A prognosis 5% CAGR of revenue is highly affected by changes in GDP and the economic state of U.S and global markets. An early recession in 2026 could shift forecasted revenues. However, we believe that expected return adequately compensates for these risks and supports a positive view on the stock over a medium-term horizon.

Appendix

Income statement

United Airlines Holdings Inc.													
\$M-USD	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Total Revenue	36558	37784	41303	43259	15355	24634	44955	53 717	57063	60989	64044	66657	69484
<i>y-o-y change</i>		3,4%	9,3%	4,7%	-64,5%	60,4%	82,5%	19,5%	6,2%	6,9%	5,0%	4,1%	4,2%
Passenger Revenue	33429	34460	37 706	39 625	11 805	20 197	40 032	49 046	51 829	55 500	58 280	60 658	63 230
Cargo Revenue	934	1114	1 237	1 179	1 648	2 349	2 171	1 495	1 743	1 708	1 793	1 866	1 946
Other Operating Revenue	2195	2210	2 360	2 455	1 902	2 088	2 752	3 176	3 491	3 781	3 971	4 133	4 308
COGS incl. Aircraft Fuel	(22 780)	(25 013)	(28 109)	(28 477)	(17 826)	(21 369)	(31 769)	(35 716)	(37 534)	(40 253)	(42 269)	(43 994)	(45 859)
(Aircraft Fuel Expense)	(5 813)	(6 913)	(9 307)	(8 953)	(3 153)	(5 755)	(13 113)	(12 651)	(11 756)	(12 808)	(13 449)	(13 998)	(14 592)
Gross Profit	13 778	12 771	13 194	14 782	(2 471)	3 265	13 186	18 001	19 529	20 736	21 775	22 664	23 624
Gross Margin	38%	34%	32%	34%	-16%	13%	29%	34%	34%	34%	34%	34%	34%
Other OpEx	(5 097)	(5 333)	(5 590)	(6 063)	(3 399)	(4 334)	(6 463)	(7 841)	(8 818)	(9 758)	(10 247)	(10 665)	(11 117)
SG&A Expense	(1 615)	(1 652)	(1 769)	(1 863)	(546)	(776)	(1 700)	(2 198)	(2 466)	(2 440)	(2 562)	(2 666)	(2 779)
D&A	(1 977)	(2 149)	(2 240)	(2 288)	(2 488)	(2 485)	(2 456)	(2 671)	(2 928)	(3 162)	(3 320)	(3 456)	(3 602)
Operating Income	5 089	3 637	3 595	4 568	(8 904)	(4 330)	2 567	5 291	5 317	5 377	5 646	5 876	6 126
<i>Ebit margin</i>	13,9%	9,6%	8,7%	10,6%	-58,0%	-17,6%	5,7%	9,8%	9,3%	8,8%	8,8%	8,8%	8,8%
Net Interest Expenses	(560)	(493)	(504)	(513)	(942)	(1 541)	(1 375)	(947)	(676)	(722)	(758)	(789)	(823)
Net Non-Op. Exp.	(756)	(172)	(509)	(141)	1 024	3 314	(202)	(957)	(473)	(385)	(597)	(421)	(231)
EBT	3 773	2 972	2 582	3 914	(8 822)	(2 557)	990	3 387	4 168	4 269	4 291	4 666	5 072
<i>EBT Margin</i>	10%	8%	6%	9%	(57%)	(10%)	2%	6%	7%	7%	7%	7%	7%
Net Income	2 263	2 131	2 069	3 009	(7 069)	(1 964)	737	2 618	3 149	3 245	3 261	3 546	3 855
<i>Net Income Margin</i>	6,2%	5,6%	5,0%	7,0%	-46,0%	-8,0%	1,6%	4,9%	5,5%	5,3%	5,1%	5,3%	5,5%
EPS (Diluted)	6,77	7,08	7,73	11,63	(25,30)	(6,10)	2,23	7,99	9,58	10,05	10,10	10,98	11,93

Balance Sheet

United Airlines Inc. \$M-USD	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A
Assets									
Total Cash & Short-Term Investments	4 428	3 907	4 055	5 050	12 156	18 656	16 669	14 664	14 652
<i>Cash & Equivalents</i>	2 179	1 591	1 799	2 868	11 742	18 533	7 421	6 334	8 946
<i>Short-Term Investments</i>	2 249	2 316	2 256	2 182	414	123	9 248	8 330	5 706
Receivables, net	1 176	1 340	1 346	1 364	1 295	1 663	1 801	1 898	2 163
Inventory	873	924	985	1 072	932	983	1 109	1 561	1 572
Pre-Paid Expenses	832	1 071	913	814	635	745	689	640	673
Total Current Assets	7 309	7 242	7 299	8 300	15 491	22 297	20 523	18 763	19 060
Total Owned Property & Equipment	21 550	24 479	26 766	30 170	31 466	32 074	34 448	39 815	42 908
Operating lease right-of-use assets	1 768	1 729	1 563	4 758	4 537	4 645	3 889	3 914	3 815
<i>Goodwill and Intangible Assets</i>	8 155	8 062	7 682	7 532	7 365	7 330	7 289	7 252	7 210
<i>Other Assets, Net</i>	1 358	834	1 482	1 851	689	1 829	1 209	1 360	1 090
Total Long-Term Assets	32 831	35 104	37 493	44 311	44 057	45 878	46 835	52 341	55 023
Total assets	40 140	42 346	44 792	52 611	59 548	68 175	67 358	71 104	74 083
Total Current Liabilities	12 286	12 763	13 212	14 938	12 725	18 304	19 992	22 203	23 314
Long Term Debt & Leases	10 740	12 699	13 349	18 311	30 046	35 732	32 857	31 916	29 713
Other Non-Current Liabilities	8 455	8 150	8 236	7 831	10 817	9 110	7 613	7 661	8 381
Total Long Term Liabilities	19 195	20 849	21 585	26 142	40 863	44 842	40 470	39 577	38 094
Total Liabilities	31 481	33 612	34 797	41 080	53 588	63 146	60 462	61 780	61 408
Common Stock Net	3	3	3	3	4	4	4	4	4
Additional capital invested	6 569	6 098	6 120	6 129	8 366	9 156	8 986	8 992	8 980
Retained Earnings (accumulated Deficit)	3 427	4 549	6 668	9 716	2 626	625	1 265	3 831	6 880
Stock held in treasury at cost	(511)	(769)	(1 993)	(3 599)	(3 897)	(3 814)	(3 534)	(3 441)	(3 377)
Comprehensive income	(829)	(1 147)	(803)	(718)	(1 139)	(942)	175	(62)	188
Shareholder's Equity	8 659	8 734	9 995	11 531	5 960	5 029	6 896	9 324	12 675
Total Liabilities & Share Holders Equity	40 140	42 346	44 792	52 611	59 548	68 175	67 358	71 104	74 083



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