



United Airlines Holdings, Inc.

UAL

EQUITY RESEARCH REPORT

September 02, 2026

[UAL] — UNITED AIRLINES HOLDINGS, INC.

Report Date: 2026-09-02

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric | Value

Recommendation | AVOID

Current Price | €90.39 (USD \$104.63)

Fair Value (Base Case, 7% hurdles discounted) | €68.78

Margin of Safety | -23.9% (negative)

Target Entry (trigger for re-review) | below ~€69.00

Return Profile | Value

Dividend Yield | 0.0% (no dividend)

Expected Dividend Growth | N/A

Expected Price Appreciation (10Y, base) | +4.1% CAGR

Total Expected Return (Base) | +4.1% CAGR

Bear Case Total Return | -7.3% CAGR

Bull Case Total Return | +7.7% CAGR

Probability-Weighted Return | +2.2% CAGR

Risk Assessment | Value

Wealth Preservation Score | 19 / 100

Downside Protection Score | 15 / 100

Quality Score | 25 / 100

Risk Level | ELEVATED

Probability of >50% Loss | >15% (unacceptable)

Recession Profile | VULNERABLE

One-Line Thesis:

United Airlines is a leveraged, dividend-free, peak-cycle airline with no durable moat, trading above its own historical P/E average with a negative margin of safety, which fails every wealth-preservation gate this framework applies.

INVESTMENT THESIS

United Airlines does not qualify for a Moschovakis Capital position under the wealth-preservation mandate. Three independent tests produce the same result. The bear case destroys capital. The base case fails to clear the 7% hurdle. The balance sheet exposes you to permanent loss in a downturn. No amount of analyst enthusiasm changes those arithmetic facts.

The company's financial profile worsened even as revenue grew. Fiscal 2025 produced \$59.1 billion of revenue, up 3.5% year over year, yet EBITDA declined 4.6% to \$7.7 billion and free cash flow collapsed 33.2% to \$2.6

billion. The most recent quarter reported in the data, Q2 CY2026, shows operating margin falling to 6.2% from 8.7% a year earlier and free cash flow margin compressing to 1.8% from 6.1%. Revenue grew and cash generation shrank. That combination is the opposite of what a preservation investor wants. It means the business is spending more capital to produce each dollar of profit, a pattern that consumes shareholder equity through the cycle.

The valuation offers no cushion for this fragility. The trailing P/E sits between 10.35 and 10.88, while United's own five-year average is 8.29 and its ten-year average is 8.88. You are paying roughly 20 to 25% above the company's historical norm at a point when unit economics are deteriorating. Discounting the base-case terminal value back to today at the 7% required return produces a fair value near €68.78, which stands 24% below the current €90.39 quote. The margin of safety is negative. A 4% high-yield savings account beats this stock's probability-weighted return of about 2.2% per year without any drawdown risk.

The bear case settles the question. Airlines are among the most economically sensitive businesses in the public markets. United lost more than half its equity value in the 2020 demand collapse and required federal payroll support to stay solvent. The current balance sheet shows a current ratio of 0.65 and debt that Beanvest describes as having grown over the last two years. In a revenue decline of 30% sustained for two years, United would likely burn cash, suspend any residual shareholder returns, and issue equity at depressed prices. The probability of a greater than 50% permanent loss exceeds 15%, which violates the framework's absolute threshold. You should own a savings account, a utility, or a defensive compounder before you own this.

1. BUSINESS QUALITY ASSESSMENT

United Airlines runs a global network-carrier model. It moves passengers and cargo across a vast network, fills seats through dynamic pricing, and monetizes ancillary fees plus its MileagePlus loyalty program. Revenue depends on business travelers who contribute to co-branded credit card economics, leisure demand that fills the back of the aircraft, and cargo that rides in the belly of passenger flights. The model has interdependencies: corporate travel feeds loyalty revenue, and cargo shares capacity with passenger service. That diversification is real but it does not create a moat.

Beanvest assigns United a moat score of 32 out of 100, labeled weak. The analysis states the company offers limited evidence of a durable competitive moat and that margins and returns on capital sit below levels indicating meaningful competitive advantage. The same source rates overall business quality at 48 out of 100, below average. For a preservation mandate, this matters more than any single quarter. A weak moat means competitors can replicate United's network economics without structural difficulty. Southwest, American, and Delta attack the same customer base. Low-cost carriers pressure fares from below. United's own 10-K risk factors name the highly competitive nature of the industry and its susceptibility to price discounting and capacity shifts. Fermentation of that competition, meaning relentless fare pressure, erodes whatever pricing power the network creates.

The company's strategic answer is United Next. The initiative aims to expand aircraft gauge, push premium cabins like Polaris and transcontinental lie-flat configurations, and use technology-driven merchandising to raise incremental margins. The business-drivers data identifies this as the core investment thesis among institutional holders. Premium mix and loyalty overhaul are supposed to de-commoditize the product. The strategy has merits. Premium revenue commands higher unit yields, and co-branded credit card revenue is stickier than ticket revenue. Yet the most recent reported quarter shows margin contraction, not expansion. Operating margin fell 250 basis points year over year in Q2 CY2026. A strategy that produces worsening margins while it scales deserves skepticism.

The earnings trajectory confirms the point. Q3 2025 brought a revenue miss and a single-day share decline exceeding 5%. Q4 2025 rebounded with record revenue of \$15.4 billion and an earnings beat. Q2 CY2026 then showed an EPS beat of \$1.99 against \$1.85 but an adjusted EBITDA miss of \$1.74 billion against \$1.79 billion. The pattern is a business whose margins oscillate around a weak structural level, not a business compounding profitability. For sector classification, airlines sit at the far end of the cyclical spectrum. The framework requires truly exceptional balance-sheet strength plus a valuation discount to touch a highly cyclical name. United offers neither. The sector stage alone places this near the top of the avoid pile, and the business-quality stage confirms it.

2. FINANCIAL FORTRESS ANALYSIS

United's solvency profile fails the first and most important gate for wealth preservation. The most direct warning sign sits in the working capital position. StockTitan reports a current ratio of 0.65. The framework's threshold for comfort is 1.5x, with removal mandated below 1.0x. Airlines do carry prepaid ticket liabilities that inflate current liabilities structurally, and the framework's standard filter may read an airline's negative working capital as worse than it actually is. But the qualitative evidence corroborates the concern rather than explains it away. Beanvest notes that United's debt leverage grew over the last two years and that cash holdings barely cover current debt obligations in the red-flag zone of its analysis. The same source scores the financial position 61 out of 100, average at best, and calls the debt manageable only in the context of sufficient cash generation. That cash generation is now in question.

Free cash flow is the solvent anchor for any airline. TTM free cash flow stands at \$2.54 billion, with fiscal 2025 at \$2.6 billion after a 33.2% year-over-year decline. The Q2 CY2026 free cash flow margin collapsed to 1.8% from 6.1% a year earlier. Capital expenditures of \$6.37 billion against operating cash flow of \$8.91 billion leave a thin \$2.54 billion cushion on \$62.9 billion of revenue. That is a 4.0% FCF margin on a TTM basis, and the most recent quarter ran at less than half that rate. When an airline's FCF margin compresses toward 2% while it carries net debt, any demand shock converts operating losses into liquidity stress.

I cannot complete several standard solvency calculations because the supplied data omits the underlying figures. The packet does not provide United's debt-to-equity ratio, interest expense, or interest coverage ratio in numeric form. I will not invent those numbers. What I can say from the peer section, which summarizes GuruFocus competitor data, is that American Airlines screens best for capital preservation on low debt-to-equity and high interest coverage, implying United screens worse than American on exactly those two dimensions. The framework weights those two metrics heavily in the balance-sheet sub-score. United earns low marks on both by inference, and the missing data itself is a risk flag: a preservation analyst must be able to verify debt service capacity explicitly, and the absence of that verification counts against the position.

The recession stress test produces a clear answer. If revenue fell 30% for two years, United's thin FCF cushion would not hold. The company would likely suspend all discretionary capital returns, draw on credit facilities, and raise equity or seek government support as it did in 2020. Solvency assessment: MARGINAL. That verdict alone is enough to disqualify the stock under the framework's absolute requirements, regardless of how attractive the upside might look. No valuation discount described in this report, and none present in the data, can offset a marginal solvency rating. The mandate is preservation first, and a margin.

3. DIVIDEND ANALYSIS

United Airlines Holdings pays no dividend. The company suspended its common dividend during the 2020 downturn and has not reinstated it. Management provides no dividend guidance in the supplied data. The framework's dividend-sustainability section therefore does not apply, and the absence of a dividend removes an entire source of realized return that would otherwise dampen drawdowns. The total-return analysis in Section 5

relies entirely on price appreciation, with no income cushion.

4. VALUATION ANALYSIS

United trades expensively relative to its own history. FullRatio reports a trailing P/E of 10.88 as of August 25, 2026. StockAnalysis reports 10.35 and a forward P/E of 8.31. Chartmill reports 11.92 trailing and 7.06 forward. The spread across sources is noise around one central fact: the trailing multiple now exceeds United's three-year average of 7.79, its five-year average of 8.29, and its ten-year average of 8.88. You are paying roughly 22% above the five-year norm and about 23% above the ten-year norm for a cyclical business whose margins are currently falling. The framework treats a stock trading above its historical multiple with elevated caution, and it requires exceptional quality to justify that premium. United's quality score of 48 out of 100 does not come close.

The cheap-looking multiples mislead. EV/EBITDA of 6.45 to 7.46 appears low, but EV multiples in a capital-intensive airline compress the denominator with depreciation that understates replacement cost. P/FCF of 14.11 is not cheap given that free cash flow fell 33% last fiscal year and nearly halved on a margin basis in the latest quarter. The 7.09% FCF yield looks attractive until you recognize that the FCF base is shrinking. Price-to-book of 2.15 to 2.36 offers no asset-based protection. Price-to-sales of 0.57 reflects the industry's structurally low margins, not an overlooked bargain.

The analyst community prices a much brighter future than the fundamentals support. The average target of \$161.41 implies 54% upside from \$104.63, translating to about €139.46. The low target sits at \$95.00 (€82.07), only 9% below the current price, and the high target reaches \$203.00 (€175.36). WallStreetZen models EPS growing 20.5% annually, from \$10.47 today to \$15.59 in year two and \$18.37 in year three, on revenue growth of 6.26% annually. Those estimates require United to expand margins while absorbing fuel costs, labor inflation, and low-cost carrier pressure. TD Cowen's August 24, 2026 action signals the direction of travel: it maintained Buy but cut its target from \$205 to \$192. Targets are falling even inside the bull camp.

The margin of safety calculation formalizes the problem. The base case in Section 5 produces a terminal value of roughly €135.29 in ten years. Discounting that back to today at the 7% required return yields a fair value of €68.78. At the current €90.39, the stock trades 31% above its hurdle-discounted fair value. Margin of safety is negative, roughly -23.9%. Using a 10% discount rate, which is appropriate for a levered cyclical, the implied present value falls to about €52.16 and the stock trades 73% above fair value. Either way, the arithmetic says overvaluation, not discount. The framework's valuation verdict is EXPENSIVE relative to required returns, and the margin of safety does not exist.

5. SCENARIO ANALYSIS

The bear case is the decisive scenario. A recession hits in the first two years, and United's revenue stagnates while fuel and labor costs reset higher. In 2020 the airline required federal payroll support, and its equity fell by more than half. A 30% demand shock compresses unit revenue faster than capacity can retreat. I model EPS troughing near \$5.50 with the multiple contracting to nine times, the ten-year historical norm, producing a year-ten price around \$49.50 (€42.76). With no dividend, total return is approximately -7.3% per year over the decade. Capital held in this stock under that scenario loses more than half its purchasing power and never recovers to today's price within the horizon. The framework's absolute requirement that the bear case stay non-negative fails outright. This single failure mandates an avoid by itself.

The base case assumes the economy grows at trend, United maintains share, and United Next delivers modestly. EPS compounds around 5% annually from \$10.69 to roughly \$17.40 by year ten, and the market applies a nine-times multiple, consistent with United's history. Terminal price reaches \$156.60 (€135.29). Total return, with no dividend, is about +4.1% per year. That is below the 7% hurdle by nearly 300 basis points and barely matches a high-yield savings account with none of the volatility. The base case does not justify ownership.

Even granting the analyst community's more aggressive assumptions, where EPS reaches \$18 to \$20 and the multiple expands to eleven times, the bull case delivers about +7.7% per year, only marginally above the hurdle while requiring everything to go right.

The probability-weighted result sits at approximately +2.2% per year. That weighs a 25% bear probability of -7.3%, a 50% base probability of +4.1%, and a 25% bull probability of +7.7%. The figure lands below the 4% risk-free alternative and far below the 7% hurdle. United fails the most basic comparison in this framework. A savings account produces more expected return than this stock with zero drawdown risk, zero permanent loss risk, and zero margin-of-safety deficit. The exercise also reveals the downside skew: the bear case loss is nearly twice the magnitude of the bull case gain relative to today, which is the opposite of the asymmetric profile this mandate requires.

Scenario | Price Target (EUR) | Total CAGR | Weight | Contribution

Bear | €42.76 | -7.3% | 25% | -1.8%

Base | €135.29 | +4.1% | 50% | +2.1%

Bull | €190.07 | +7.7% | 25% | +1.9%

Expected | || | +2.2%

6. RISK ASSESSMENT

Fuel price sensitivity dominates United's risk stack. The company's largest variable cost moves with crude and refining spreads, and the supplied risk assessment names rising oil prices tied to pandemic and war disruptions as a direct threat to margins. The Barchart headline in the market-expectations data confirms the live channel: UAL shares slide as fuel costs weigh on the airline. Jet fuel passing through the income statement cannot be fully hedged away, and hedging itself carries counterparty and basis risk. A sustained crude spike would compress EPS even without a demand decline.

Competitive pressure from low-cost carriers and industry capacity growth compounds the fuel problem. United's 10-K risk factors cite the industry's susceptibility to price discounting and capacity additions, including through alliances and joint business arrangements. GuruFocus names discounting from low-cost airlines as a structural threat. The margin compression visible in Q2 CY2026, where operating margin fell to 6.2% from 8.7%, suggests fare dilution is already underway. When capacity growth exceeds demand, unit revenue per available seat mile falls, and fixed costs spread thin. United's answer, premium mix and United Next, takes years to offset a fare environment that can deteriorate in months.

Balance-sheet leverage and liquidity strain represent the preservation investor's central worry. The current ratio of 0.65, debt that grew over the last two years, and a free cash flow margin that collapsed to 1.8% in the latest quarter create a financing risk that one source described as a potential insolvency signal because cash barely covers current debt. Loyalty program concentration adds a second structural risk: the MileagePlus program generates highly profitable co-branded credit card revenue, and United's 10-K flags unfavorable developments affecting that program as a named risk. A regulatory change to credit card interchange, a partner dispute, or a loyalty accounting change would hit the most reliable earnings stream.

Operational complexity, technology dependence, and geopolitics round out the exposure. Congested hub operations create cascading delay risk. A significant IT failure or cybersecurity breach would disrupt bookings and operations. Russian airspace restrictions and emission regulations impose geopolitical and regulatory cost inflation. Labor disruptions, compliance costs, and adverse publicity risk all appear in the risk inventory. The short interest picture reinforces institutional skepticism: 23.5 million shares short, 7.3% of float, up 85.1% since August 2025, with days-to-cover at 5.4 and rising. The market's own positioning leans bearish into a rising valuation. For

a wealth-preservation mandate, the permanent loss probability exceeds the 10% ceiling. United's 2020 drawdown, its current leverage, and its thin FCF cushion together put the probability of a greater than 50% loss above 15%. This stands outside the framework's acceptable range by a wide margin.

7. MANAGEMENT & GOVERNANCE

Beanvest scores United's management quality at 36 out of 100, labeled weak. The source states management raises concerns, though the truncated excerpt omits the full justification. The capital allocation score of 64 out of 100 sits in the average band, with the analysis noting returns on capital exceed the cost of capital but that management balances reinvestment with shareholder returns only reasonably well, leaving room for improvement. For a preservation mandate, a weak management score on low insider alignment is disqualifying by itself.

Insider ownership is thin. Chartmill reports insider ownership of 0.63%, against institutional ownership of 89.08%. The company posts zero insider purchases in the trailing three and twelve months, with insider holdings change of -0.56%. Management with minimal equity stake reflects the post-consolidation governance structure created when United Continental emerged from bankruptcy and merger history. The recent SEC record shows CEO Scott Kirby sold 120,000 shares on December 3, 2025 under a 10b5-1 plan at a weighted average price of \$107.865, roughly where the stock trades today. Systematic selling does not signal malfeasance, but combined with near-zero insider buying and low ownership, it confirms management shares little of the downside risk preservation investors are being asked to carry.

Capital allocation history over the past five years is not detailed in the supplied data. There is no dividend, no documented buyback activity, and no M&A timeline in the packet. What the data does show is consistent with a company that reinvests heavily in fleet modernization and debt management rather than returning capital to shareholders. That reinvestment produced shrinking free cash flow in fiscal 2025 and falling margins in the latest quarter. The framework's standard for wealth preservation requires a management team that has demonstrated value-per-share growth, not merely revenue growth. The available evidence shows revenue growing while equity value per share is diluted by debt and the absence of any dividend. Governance verdict: weak alignment, weak management score, and no demonstrable shareholder-return culture.

8. PEER COMPARISON

The stated peer set is American Airlines, Delta Air Lines, and Alaska Air Group. The supplied comparison data contains table headers only, with no populated numeric values for P/E, EV/EBITDA, debt-to-equity, interest coverage, dividend yield, ROIC, or dilution across any of the four carriers. I will not fill empty cells with invented numbers. The only substantive peer conclusion available from the source is the summary statement: American screens best for capital preservation with low debt-to-equity and high interest coverage. That statement, by its structure, means United and Delta rank below American on the two metrics this framework weights most heavily in the balance-sheet sub-score. United therefore enters the peer ranking at a disadvantage on exactly the dimensions that matter for downside protection.

The qualitative picture is consistent. United's moat score of 32 out of 100 and quality score of 48 place it in the mediocre cohort of a sector that Beanvest considers competitively vulnerable. None of the four network carriers offers a durable moat by the framework's standards. All share the same cyclical exposure to fuel, demand shocks, and fare discounting. Alaska Air carries a different route profile but the same airline economics. Delta has historically led the group on operational reliability and free cash flow conversion, which would make it the more credible candidate if any airline were to be considered. American, per the summary, shows the strongest balance-sheet profile on the screening metrics. United's marginal solvency assessment and negative margin of safety mean it ranks behind its two primary peers on preservation characteristics and fails the absolute

requirements regardless of ranking.

The peer comparison confirms the individual analysis. United is not the best capital-preservation choice in its own industry, and no airline meets the framework's financial fortress thresholds anyway. In a sector where the best-in-class name still fails wealth-preservation standards, a sub-average name with a weak moat, a shrinking FCF base, and no dividend offers nothing the mandate can use. The peer section reinforces the avoid.

9. KEY METRICS SUMMARY

Metric | Value | Source

Current Price | €90.39 / \$104.63 | Live (authoritative)

Market Cap | \$39.06B reported; ~\$34.3B implied at \$104.63 | StockStory / derived

Trailing P/E | 10.35–10.88 | StockAnalysis / FullRatio

5Y AVG P/E | 8.29 | FullRatio

10Y AVG P/E | 8.88 | FullRatio

Forward P/E | 7.06–8.31 | Chartmill / StockAnalysis

EV/EBITDA | 6.45–7.46 | FullRatio / StockAnalysis

P/FCF | 14.11 | StockAnalysis

P/B | 2.15–2.36 | StockAnalysis / FullRatio

P/S | 0.57 | StockAnalysis

FCF Yield | 7.09% | StockAnalysis

TTM Revenue | \$62.90B | StockAnalysis

TTM Net Income | \$3.50B | StockAnalysis

TTM Diluted EPS | \$10.69 | StockAnalysis

TTM Operating Cash Flow | \$8.91B | StockAnalysis

TTM Capex | –\$6.37B | StockAnalysis

TTM FCF | \$2.54B | StockAnalysis

FY2025 Revenue | \$59.1B (+3.5%) | StockTitan

FY2025 EBITDA | \$7.7B (–4.6%) | StockTitan

FY2025 Net Income | \$3.4B (+6.5%) | StockTitan

FY2025 FCF | \$2.6B (–33.2%) | StockTitan

Current Ratio | 0.65 | StockTitan

TTM Operating Margin | 6.95% | StockAnalysis

Q2 CY26 Operating Margin | 6.2% (vs 8.7% prior) | StockStory

Insider Ownership | 0.63% | Chartmill

Institutional Ownership | 89.08% | Chartmill

Short Interest | 23.5M shares, 7.3% float | StockTitan

Days to Cover | 5.4 | StockTitan

Analyst Target | \$161.41 avg (low \$95 / high \$203) | Yahoo/StockAnalysis

Dividend | None | —

Moat Score | 32/100 (Weak) | Beanvest

Quality Score | 48/100 (Average) | Beanvest

Management Score | 36/100 (Weak) | Beanvest

FY26 EPS Guidance | \$9.00–\$11.00 | ir.united.com

3Q26 EPS Guidance | \$2.50–\$3.50 | ir.united.com

10. MONITORING CHECKLIST

Item | Check Frequency | Watch For

Current ratio | Quarterly | Stay below 1.0x is negative; any further decline signals liquidity strain

Free cash flow margin | Quarterly | Latest 1.8% must recover toward 4–6%; sub-2% for two quarters is a distress signal

CASM-ex trend | Quarterly | Rising unit costs break the United Next thesis

TRASM / PRASM | Quarterly | Declining unit revenue confirms fare dilution

Fuel cost per gallon | Monthly | Above \$2.60/gal signals margin pressure

FY26 EPS guidance | Quarterly | Slip below \$9.00 low end = thesis erosion

Debt schedule | Semi-annual | Any big refinancing cliff with no committed facility

Short interest / days-to-cover | Monthly | Rising above 8% float compounds downside

Analyst target revisions | Ongoing | Confirms margin expectations resetting (TD Cowen cut)

Dividend action | Semi-annual | Reinstatement would change return profile

Loyalty program revenue | Quarterly | Regulatory or partner disruption to MileagePlus

11. MARKET EXPECTATIONS & CONSENSUS

The market prices United as a cheap cyclical with a growth kicker that the fundamentals have not yet delivered. Consensus one-year target sits at \$161.41, roughly 54% above today's \$104.63 and equivalent to about €139.46. WallStreetZen models EPS growth of 20.5% annually from the current \$10.47 base, reaching \$15.59 in year two and \$18.37 in year three, on revenue growth of 6.26% annually to \$68.5 billion, then \$72.0 billion, then \$75.5 billion. The forward P/E of roughly 7.1 to 8.3 implies the market remains skeptical of that EPS path even as the target set implies the target price path is real. That contradiction is the core tension in the stock.

The most recent quarterly data divides the consensus. Q2 CY2026 beat on EPS, \$1.99 against \$1.85, and met revenue at \$17.67 billion against \$17.62 billion. But adjusted EBITDA missed at \$1.74 billion against \$1.79 billion, operating margin fell to 6.2% from 8.7%, and free cash flow margin collapsed to 1.8% from 6.1%. The market rewards EPS beats that come from cost and non-operating items while the core operating line deteriorates. The consensus bull case holds that United Next expands premium mix and MileagePlus co-brand revenue to defend margins. The bear case holds that fuel costs and low-cost carrier pressure keep margins below the prior-year run rate. The Barchart fuel headline and the EBITDA miss both point to the bear case gaining ground.

Short interest confirms the skepticism. Twenty-three and a half million shares sit short, 7.3% of float, up 85.1% since August 2025, with days-to-cover at 5.4 and rising. Elevated and rising short interest into a stock trading above its historical P/E is a positioning risk. What validates the consensus is a margin recovery toward 8.7%

operating margin, a free cash flow margin return toward 5%, and FY26 EPS landing above the \$11.00 guidance ceiling. What disappoints is a continuation of the Q2 pattern: EBITDA misses compounding, fuel costs staying elevated, and guidance slipping below \$9.00. The framework's confidence in the consensus path is low. Analyst targets carry relationship bias, as the source itself cautions, and a target set that was \$205 per share in August now stands at \$192 after one TD Cowen revision.

Forward Valuation Snapshot

Metric | Value | vs. Sector | Assessment

Forward P/E | 7.06–8.31 | below Industrials 26.31 trailing | appears cheap, but low multiple reflects cyclical peak skepticism

Trailing P/E | 10.35–10.88 | 59% below sector avg | above UAL's own 5Y/10Y averages, a preservation red flag

EV/EBITDA | 6.45–7.46 | not provided | low, but capital-intensive denominator understates replacement cost

PEG | not provided | not provided | cannot compute from supplied data

Beta | not provided | not provided | airlines historically run beta above 1.2, cyclical factor exposure

Dividend Yield | 0.0% | below sector | no income cushion

12. KEY BUSINESS DRIVERS

Driver 1: Available Seat Miles (ASMs)

Why it matters: ASMs measure total capacity, the volume base that determines how fixed costs spread across the network.

Current level: not provided in the data; FY25 revenue grew 3.5% on the back of capacity expansion.

Bull threshold: ASM growth at or below GDP growth keeps supply disciplined.

Bear threshold: ASM growth running above 6% while demand flags, flooding the market with seats.

Next data point: Q3 2026 earnings call, whenever the company reports.

Driver 2: Passenger Revenue per Available Seat Mile (PRASM)

Why it matters: PRASM is the yield metric that shows whether United monetizes each seat better than costs grow.

Current level: not provided; Q2 CY2026 operating margin compression implies unit revenue lagged unit cost.

Bull threshold: PRASM up year over year with stable load factor confirms pricing power.

Bear threshold: PRASM down with flat load factor confirms fare dilution.

Next data point: Q3 2026 monthly traffic release and earnings.

Driver 3: Cost per Available Seat Mile excluding fuel (CASM-ex)

Why it matters: CASM-ex is the core operating efficiency gauge for the United Next thesis.

Current level: not provided; margin compression in Q2 CY2026 suggests CASM-ex inflected upward.

Bull threshold: CASM-ex flat to down as aircraft gauge increases and premium cabins scale.

Bear threshold: CASM-ex rising 3% or more with no offset from premium mix.

Next data point: Q3 2026 earnings.

Driver 4: MileagePlus co-brand card revenue

Why it matters: The loyalty overhaul generates high-margin, predictable revenue that shields the P&L from travel volatility.

Current level: not provided; 10-K names unfavorable loyalty developments as a risk.

Bull threshold: partner revenue growing at a mid-teens rate with expanding spend per cardholder.

Bear threshold: regulatory challenge or partner renegotiation compressing program economics.

Next data point: quarterly 10-Q loyalty disclosure.

Driver 5: FY26 adjusted EPS against \$9.00–\$11.00 guidance

Why it matters: The full-year guide is the cleanest single test of whether United Next is working.

Current level: guidance midpoint \$10.00 against TTM \$10.69.

Bull threshold: delivering above \$11.00 on margin recovery.

Bear threshold: slipping below the \$9.00 low end.

Next data point: Q3 and Q4 2026 earnings updates to full-year guide.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy | Ticker/Symbol | Relationship | Signal

Jet fuel / crude oil | WTI CL (NYMEX) or USO | cost driver; leads margin moves | bullish if oil falls below \$70/bbl; bearish if it breaks above \$90

Airline sector ETF | JETS | sector beta; leads UAL direction | bullish if JETS holds above 50-day moving average; bearish if it breaks below

Delta Air Lines | DAL | closest peer; confirms sector fundamentals | bullish if DAL reports margin recovery; bearish if DAL guides down

High-yield credit spread | HYG or JNK CCC spreads | recession signal; leads demand shocks | bullish if spreads narrow below 400bps; bearish if they widen above 550bps

Monitoring rule: If jet fuel breaks above \$90 per barrel or JETS loses its 50-day moving average for five consecutive sessions, re-run the United bear case within five days, because the fuel and sector signals move faster than company filings.

EXIT TRIGGERS (conditions that would change the AVOID recommendation)

- Balance-sheet de-leveraging: If United reduces net debt to below 1.0x trailing EBITDA and raises interest coverage above 5x, upgrade solvency from MARGINAL to ADEQUATE and re-run the full framework.
- Free cash flow recovery: If free cash flow margin sustains above 5% for two consecutive quarters, the FCF deterioration thesis weakens and warrants re-examination.
- Margin restoration: If operating margin returns to the prior-year 8.7% level and holds for two quarters, the United Next margin story regains credibility.
- Price-based margin of safety: If the stock falls below roughly €69.00 (a –24% move), the hurdle-discounted fair value gap closes and the valuation stage shifts from expensive to acceptable on a through-cycle basis.
- Dividend reinstatement: If United initiates a dividend with a payout below 40% of through-cycle EPS and a fortress solvency profile, the total-return arithmetic changes materially.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Reason: The bear case destroys capital (–7.3% CAGR), the base case fails the 7% hurdle (+4.1% CAGR), the solvency assessment is MARGINAL with a 0.65 current ratio and a collapsed free cash flow margin, and the probability of a greater than 50% permanent loss exceeds the 10% ceiling. Wealth Preservation Score of 19 out of 100. No margin of safety at the current €90.39 price.

What Would Change Assessment: Net debt below 1.0x trailing EBITDA, free cash flow margin above 5% for two quarters, operating margin restored to 8.7%, a dividend initiated, or a price below approximately €69.00 restoring a positive margin of safety. Until one of those occurs, the stock fails the preservation mandate and a 4% savings account or a defensive compounder remains the correct allocation.

ANALYST NOTES

Key Assumptions: EUR/USD conversion of 0.8639 applied to the authoritative \$104.63 price (€90.39). Base-case EPS compounds 5% annually from \$10.69 to \$17.40 with a terminal multiple of 9x. Bear-case EPS of \$5.50 with a 9x multiple. Bull-case EPS of \$20.00 with an 11x multiple. Fair value discounted at the 7% hurdle. Probability weighting 25/50/25. United suspended its dividend in 2020 and pays none; all total returns exclude dividends.

Limitations: The supplied data omits exact debt-to-equity, interest expense, interest coverage, share-count trend, dilution rate, segment revenue split, geographic split, beta, PEG, and peer numeric multiples. Those items are marked as not provided rather than estimated. The reported \$39.06 billion market capitalization reconciles to an earlier ~\$119 share price, not today's \$104.63; the report notes the discrepancy and derives an approximate \$34.3 billion current market cap from the TTM EPS and the authoritative price. The reported P/E discrepancy across sources (10.35, 10.88, 11.92) reflects differing earnings windows and was presented as a range.

Confidence Level: HIGH on the AVOID recommendation. The conclusion does not depend on a single metric or a single scenario. It lands the same way from the solvency gate, the hurdle-rate test, the historical valuation comparison, the margin-of-safety arithmetic, and the recession stress test. A high-conviction avoid requires the same discipline as a high-conviction buy: the conclusion holds under multiple independent lines of evidence, and none of them supports ownership at €90.39.

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