

 **COLUMBIA UNIVERSITY**
School of Professional Studies



UNITED

**EQUITY RESEARCH
REPORT**

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SUMMARY

This report assesses the target stock price of United Airlines and its valuation based on three methodologies.

The first method uses the market value and stock price to determine the enterprise value. The second method uses comparable EBITDA trading multiples. The third method uses discount cash flow (DCF) valuation.

This report also contains commentary on general industry/sector trends, an assessment of the current competitive landscape, and technical analysis & comparison with competitors and the broader US market.

#1

- Stock Price
- \$55.87

#2

- Trading Multiple
- \$63.50

#3

- Discount Cash Flow
- \$49.55



COMPANY PROFILE

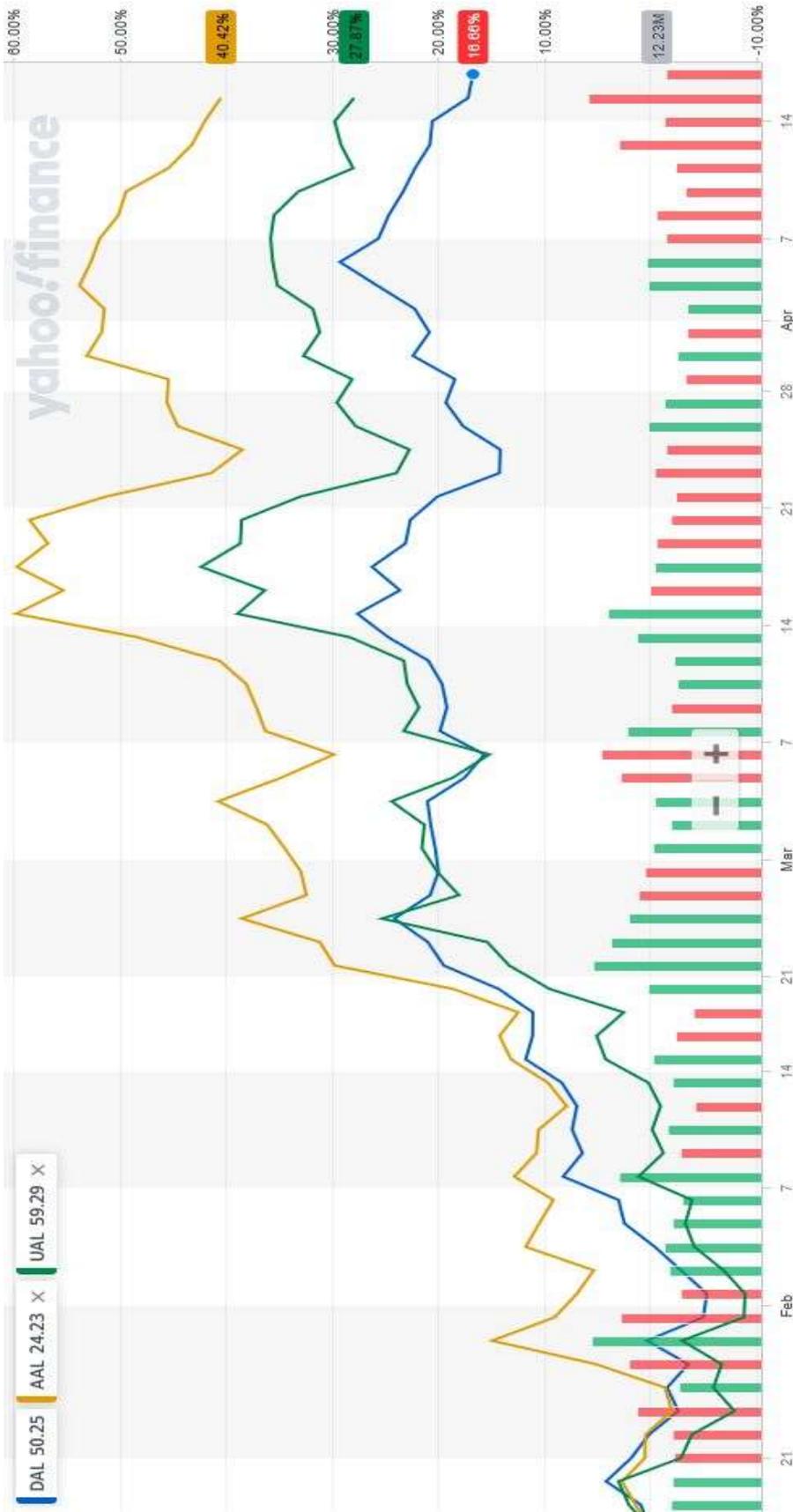
United Airlines, Inc. is a major American airline headquartered at Willis Tower in Chicago, Illinois, with 86,852 employees (which includes the entire holding company United Airlines Holdings) and 721 aircraft. It was the brainchild of William Boeing and emerged from his consolidation of numerous carriers and equipment manufacturers from 1928 to 1930, the oldest of these being Varney Air Lines, originally founded in 1926.

United operates a large route network spanning 238 domestic destinations and 118 international destinations in 48 countries or regions across five continents. By spring 2021, United will once again fly regularly to all 6 inhabited continents following the reinstatement of scheduled year-round flights to Africa.

United has eight hubs, with Chicago–O'Hare being its largest in terms of passengers carried and the number of departures. It is a founding member of the Star Alliance, the world's largest airline alliance with a total of 28 member airlines. Regional service is operated by independent carriers under the brand name United Express. Measured by fleet size and the number of routes, it is the third largest airline in the world.



QUARTERLY PERFORMANCE COMPARISON



COMPETITIVE LANDSCAPE

Delta Airlines (DAL) has a market cap of \$29.834B and over 74,000 employees.

TTM profit margin of -102%, operating margin of 89.93, ROA of -10.03%, and ROE of -176.16%.

TTM revenue, EBITDA, and operating cash flow were \$17.34B, -\$9.58B and -\$3.46B respectively.

As of 2021-04-12 DAL traded at \$48.82 per share.

American Airlines (AAL) has a market cap of \$14.129B and over 102,700 employees.

TTM profit margin of -51.25%, operating margin of -63.78%, ROA of -11.3%, and ROE of -195.27%.

TTM revenue, EBITDA, and operating cash flow were \$17.34B, -\$8.75B, and -\$6.54B.

As of 2021-04-12 AAL traded at \$22.91 per share



Revenue decreased between FY19 – 20 by over -64% due to the disruptions to ticket sales from COVID-19 travel bans. This downturn broke a 2 year trend of revenue growth from FY17 – 2018 (9.5%) and FY18 – 2019 (4.7%).

Gross profit decreased by -32.8% in FY20 in comparison to 28.8% pre-COVID in FY19 for a total of \$-17.5B. In comparison, between FY18 and FY19 gross profit increased by 1.8%, for a total of \$1.33B.

Operating expenses decreased heavily from FY19 to FY20 following severe layoffs & cost cutting measures, dropping from 18.32% to just 2.66%. Prior, operating expenses remained controlled at 17.82% & 18.56% in FY18 and FY 17 respectively.

Net income experienced a severe loss of \$10B from FY19 to FY20, a -335% decrease, primarily due to drastically reduced revenue.



FINANCIAL ANALYSIS

Total debt increased between FY19 and FY20 by \$14.73B, which raised the cap ratio from 66.58% to 86.35%. Much of this was attributed to \$504mm added in short-term debt to help weather the drop in revenue from the COVID-19 crisis.

Operating activities net cash decreased by \$14.73B from FY19 to FY20m compared to the previous year, which saw an increase of \$1.08b. Working capital changed by -\$296mm from FY19 to FY20.

Investing activities cash flow decreased by \$3.625B between FY19 and FY20, reversing a steady increase since FY17. Much of this is derived from a decrease in capital expenditure.

Financing activities net cash flow grew significantly in FY20, mostly driven by \$10.7B & \$327mm increase in long / short term debt, a 304% / 185% increase from FY19.

FINANCIAL RATIO ANALYSIS (000's)					
	Dec 31	Dec 31	Dec 31	Dec 31	4 Year Average
	2020	2019	2018	2017	Avg
EBITDA (\$ 000's)	-2,951,000	6,835,000	6,019,000	5,823,000	3,931,500
	<i>COVID-19</i>				
<u>TREND ANALYSIS</u>					
Revenue Growth	-64.5%	4.7%	9.5%	N/A	-16.8%
<u>LIQUIDITY RATIOS</u>					
Current Ratio	1.1x	0.5x	0.5x	0.5x	0.6x
Quick Ratio	1.0x	0.4x	0.4x	0.4x	0.6x
Accounts Receivable Turnover	11.5x	31.9x	30.8x	56.3x	32.6x
Accounts Receivable Days	31.60	11.43	11.87	06.48	15.3x
<u>SOLVENCY RATIOS</u>					
Total Debt / Total Capitalization	86.4%	66.6%	65.9%	69.0%	72%
EBITDA/ Interest (Coverage Rat	-3.0x	10.6x	9.1x	10.4x	6.8x
Total Debt / EBITDA (Leverage f	-0.1x	0.3x	0.3x	0.3x	0.2x
<u>PROFITABILITY RATIO</u>					
Gross Profit	-32.8%	28.8%	27.0%	28.3%	13%
EBITDA Margin	-19.2%	15.8%	14.6%	15.4%	7%
ROA	-12.6%	6.2%	4.9%	10.1%	2%
ROE	-20.2%	7.0%	5.7%	12.1%	1%

INCOME STATEMENT (000's)				
	Dec 31	Dec 31	Dec 31	Dec 31
(\$000's)	2020	2019	2018	2017
Total Revenue	15,355,000	43,259,000	41,303,000	37,736,000
Cost of Revenue	20,385,000	30,786,000	30,165,000	27,056,000
Gross Profit	-5,030,000	12,473,000	11,138,000	10,680,000
Total Operating Expenses	409,000	7,926,000	7,359,000	7,006,000
EBIT (Operating Income or Loss)	-5,439,000	4,547,000	3,779,000	3,674,000
Interest Expense	992,000	646,000	659,000	559,000
EBT & other Income/Expenses	-6,431,000	3,901,000	3,120,000	3,115,000
Other Income/Expenses Net	2,391,000	-13,000	462,000	116,000
EBT	-8,822,000	3,914,000	2,658,000	2,999,000
Income Tax Expense	-1,753,000	905,000	529,000	868,000
Net Income	-7,069,000	3,009,000	2,129,000	2,131,000

BALANCE SHEET STATEMENT (000's)				
	Dec 31	Dec 31	Dec 31	Dec 31
(\$000's)	2020	2019	2018	2017
Assets				
<u>Current Assets</u>				
Cash And Cash Equivalents	11,269,000	2,762,000	1,694,000	1,482,000
Other Short Term Investments	414,000	2,182,000	2,256,000	2,316,000
Total Cash	11,683,000	4,944,000	3,950,000	3,798,000
Net Receivables	1,295,000	1,364,000	1,346,000	1,340,000
Inventory	932,000	1,072,000	985,000	924,000
Total Current Assets	13,910,000	7,380,000	6,281,000	6,062,000
<u>Non-current assets</u>				
Gross property, plant and equipment	52,432,000	49,465,000	41,743,000	38,144,000
Accumulated Depreciation	-16,429,000	-14,537,000	-13,414,000	-11,936,000
Net property, plant and equipment	36,003,000	34,928,000	28,329,000	26,208,000
Long Term Investments	1,000,000	1,180,000	966,000	852,000
Goodwill	5,087,000	5,069,000	5,069,000	5,059,000
Intangible Assets	2,278,000	2,463,000	2,613,000	3,003,000
Other long-term assets	1,270,000	1,591,000	1,534,000	1,142,000
Total non-current assets	45,638,000	45,231,000	38,511,000	36,264,000
Total Assets	59,548,000	52,611,000	44,792,000	42,326,000
<u>Liabilities</u>				
Accounts Payable	1,595,000	2,703,000	2,363,000	2,196,000
Accrued liabilities	1,960,000	2,271,000	2,184,000	2,166,000
Deferred revenues	5,741,000	7,259,000	6,667,000	6,052,000
Current Portion of Long Term Debt	1,911,000	1,407,000	1,230,000	1,565,000
Total Current Liabilities	12,725,000	14,938,000	13,212,000	12,676,000
<u>Non-Current Liabilities</u>				
Long Term Debt	35,796,000	21,570,000	18,052,000	18,054,000
Deferred taxes liabilities	00	1,736,000	814,000	225,000
Deferred revenues	5,067,000	2,836,000	2,719,000	2,565,000
Total non-current liabilities	40,863,000	26,142,000	21,585,000	20,844,000
Total Liabilities	53,588,000	41,080,000	34,797,000	33,520,000
<u>Stockholders' Equity</u>				
Common Stock	1,000	1,000	1,000	1,000
Retained Earnings	5,959,000	11,530,000	9,994,000	8,805,000
Total stockholders' equity	5,960,000	11,531,000	9,995,000	8,806,000
Liabilities & Stockholders Equ	59,548,000	52,611,000	44,792,000	42,326,000
<i>Error</i>	<i>00</i>	<i>00</i>	<i>00</i>	<i>00</i>

SUMMARY CASH FLOW ANALYSIS (000's)				
	Dec 31	Dec 31	Dec 31	Dec 31
(\$000's)	2020	2019	2018	2017
Net Income	-7,069,000	3,009,000	2,129,000	2,131,000
Depreciation	1,892,000	1,123,000	1,478,000	11,936,000
Amortization (Intangibles)	-185,000	-150,000	-390,000	3,003,000
Deferred Taxes	-1,736,000	922,000	589,000	225,000
ST Deferred Revenue	-1,518,000	592,000	615,000	6,052,000
Cash Income	-8,616,000	5,496,000	4,421,000	23,347,000
<u>Working Capital Activity</u>				
Net Receivables	69,000	-18,000	-6,000	-1,340,000
Inventory	140,000	-87,000	-61,000	-924,000
Accounts Payable	-1,108,000	340,000	167,000	2,196,000
Accrued liabilities	-311,000	87,000	18,000	N/A
Total Working Capital	227,000	523,000	711,000	-1,989,000
Depreciation	2,488,000	2,288,000	2,240,000	2,149,000
Operating Cash Flow	50,000	-4,560,000	-4,563,000	-3,930,000
<u>Investment Activities</u>				
Capital Expenditure	(1,727,000)	(4,528,000)	(4,177,000)	(3,998,000)
Long-Term Investment	180,000	-214,000	-114,000	-852,000
Other Long-Term Assets	673,000	243,000	378,000	-12,207,000
Total Investment Activities	-874,000	-4,499,000	-3,913,000	-17,057,000
<u>Financing Activity</u>				
ST Debt	504,000	177,000	-335,000	1,565,000
LT Debt	14,226,000	3,518,000	-2,000	18,054,000
LT Deferred Revenue	2,231,000	117,000	154,000	2,565,000
Other Long-Term Liabilities	00	00	00	00
Total Financing Activities	16,961,000	3,812,000	-183,000	22,184,000
Free Cash Flow	-5,860,000	2,381,000	2,004,000	-585,000
Cash and Cash Equivalents	8,507,000	1,068,000	212,000	1,482,000
Other Short-Term Investments	-1,768,000	-74,000	-60,000	2,316,000
Beginning Cash	4,944,000	3,950,000	3,798,000	00
Cash and Cash Equivalents	2,762,000	1,694,000	1,482,000	00
Other Short-Term Investments	2,182,000	2,256,000	2,316,000	00
Ending Cash	-916,000	6,331,000	5,802,000	-585,000
Cash and Cash Equivalents	11,269,000	2,762,000	1,694,000	1,482,000
Other Short-Term Investments	414,000	2,182,000	2,256,000	2,316,000

PROJECTION ANALYSIS

With the US entering the recovery phase, coupled with a strong economic stimulus package from the Biden administration and the mass roll-out of vaccinations, a recovery in the broad airline and travel industry is anticipated as Americans make up for lost travel and vacation time during the last year of the pandemic.

Projected revenue & EBITDA growth assumptions were extrapolated from the historical FY17 – FY19 average annual rate of 7.09%. The average 7.09% growth rate has been set as the default for FY21, in anticipation of a 5th consecutive quarter of losses for United, but accounting for likely slow, steady recovery over the next 3 quarters.

By FY22, the growth rate is projected to double to 14.19%, again to 28.38% in FY23, and finally 56.75% in FY24, before halving to 28.38% in FY25 and again to 14.10% in FY26, eventually reaching 2019 growth rates.

These projections are intended to be conservative in the case of an extended and slow recovery, and are gauged to bring 2025 EBITDA to \$6.7B, close to the 2019 EBITDA of \$6.8B.



(\$000's)	HISTORICAL					PROJECTED				
	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Revenue	37,736,000	41,303,000	43,259,000	15,355,000	16,444,303	18,777,461	24,105,845	37,786,631	48,509,151	55,391,749
Revenue Growth		9.5%	4.7%	-64.5%	7.1%	14.2%	28.4%	56.8%	28.4%	14.2%
Cost of Revenue	27,056,000	30,165,000	30,786,000	20,385,000	11,834,320	13,513,402	17,348,032	27,193,558	34,910,135	39,863,271
Gross Profit	10,680,000	11,138,000	12,473,000	(5,030,000)	4,609,982	5,264,058	6,757,813	10,593,074	13,599,016	15,528,478
Gross profit	28.3%	27.0%	28.8%	-32.8%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Total Operating Expenses	7,006,000	7,359,000	7,926,000	409,000	3,237,933	3,697,339	4,746,514	7,440,303	9,551,600	10,906,804
EBIT (Operating Income or Loss)	3,674,000	3,779,000	4,547,000	(5,439,000)	1,372,049	1,566,719	2,011,299	3,152,771	4,047,417	4,621,674
Interest Expense	559,000	659,000	646,000	992,000						
EBT & other Income/Expenses	3,115,000	3,120,000	3,901,000	(6,431,000)						
Other Income/Expenses Net	116,000	462,000	(13,000)	2,391,000						
EBT	2,999,000	2,658,000	3,914,000	(8,822,000)						
Income Tax Expense	868,000	529,000	905,000	(1,753,000)						
Net Income	2,131,000	2,129,000	3,009,000	(7,069,000)						
Depreciation	2,149,000	2,240,000	2,288,000	2,488,000	899,351.78	1,026,954	1,318,368	2,066,580	2,653,003	3,029,418
Working Capital	(1,989,000)	711,000	523,000	227,000	- 128,287.89	(146,490)	(188,058)	(294,787)	(378,437)	(432,131)
Capital Expenditure	(3,998,000)	(4,177,000)	(4,528,000)	(1,727,000)	-1,708,832.20	(1,951,286)	(2,504,992)	(3,926,649)	(5,040,895)	(5,756,109)
Current Portion of Long Term Debt	1,565,000	1,230,000	1,407,000	1,911,000						
Long Term Debt	18,054,000	18,052,000	21,570,000	35,796,000						
Total Debt	19,619,000	19,282,000	22,977,000	37,707,000	35,821,650	33,936,300	32,050,950	30,165,600	28,280,250	26,394,900
OPERATING ASSUMPTIONS	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
EBITDA (\$ 000's)	5,823,000	6,019,000	6,835,000	-2,951,000	2,271,401	2,593,673	3,329,666	5,219,351	6,700,420	7,651,092
Revenue Growth		9.5%	4.7%	-64.5%	7.09%	14.19%	28.38%	56.75%	28.38%	14.19%
Cost of Revenue as % of Revenue	71.7%	73.0%	71.2%	132.8%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%
Operating Expense as % of Revenues	18.6%	19.5%	21.0%	1.1%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
Working Capital as % of Revenues	5.3%	-1.7%	-1.2%	-1.5%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Capex % Revenue	10.6%	10.1%	10.5%	11.2%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%
Depreciation % Revenue	5.7%	5.4%	5.3%	16.2%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Total Debt	19,619,000	19,282,000	22,977,000	37,707,000	35,821,650	33,936,300	32,050,950	30,165,600	28,280,250	26,394,900
Debt Reapayment \$					1,885,350	1,885,350	1,885,350	1,885,350	1,885,350	1,885,350
Estimated Debt Repayment % of 12/2020				5.0%						



VALUATION ANALYSIS

ENTERPRISE VALUATION ANALYSIS									
		EV (000's)	Debt (000's)	Cash (000's)	Eq Value (000's)	Shares Outs (000's)	Stock Price	Recommendation) (-10%+10%)	
Market Value (as of 2021-04-16 close)		41,611,730	37,707,000	11,683,000	15,587,730.00	279,000	\$ 55.87		
Average EBITDA Industry Trading Multiples		43,741,789	37,707,000	11,683,000	17,717,789	279,000	\$ 63.50	BUY (+13.66%)	
Discount Cash Flow Valuation Analysis		39,847,098	37,707,000	11,683,000	13,823,098	279,000	\$ 49.55	SELL (-11.32%)	
Average of other methods		41,794,444			15,770,444		\$ 56.52	HOLD (+1.17%)	

Market Value							
Company	Ticker	Stock Price	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000)	Cash (\$000)	Enterprise Value (\$000)
United Airlines	LAL	\$ 55.87	279,000	15,587,730	37,707,000	11,683,000	41,611,730

Average EBITDA Industry Trading Multiples										
Company	Ticker	Stock Price	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000)	Cash (\$000)	Enterprise Value (\$000)	EBITDA (\$000) 2019 - PreCovid	EBITDA Multiple	5 Yr Beta
Spirit Airlines	SAVE	\$ 36.01	97,810	3,522,138	3,450,832	1,896,062	5,076,908	739,638	6.86x	1.76x
Southwest Airlines	LUV	\$ 62.66	565,000	35,402,900	10,111,220	13,334,000	32,180,120	4,258,000	7.56x	1.26x
Delta Airlines	DAL	\$ 48.82	636,000	31,049,520	29,157,000	14,096,000	46,110,520	9,080,000	5.08x	1.51x
American Airlines Group	AAL	\$ 22.91	484,000	11,088,440	32,593,000	6,864,000	36,817,440	5,669,000	6.49x	1.93x
Alaska Air Group	ALK	\$ 71.30	124,390	8,869,007	3,495,000	3,346,000	9,018,007	1,502,000	6.00x	1.86x
United Airlines	LAL	\$ 55.87	279,000	15,587,730	37,707,000	11,683,000	41,611,730	6,835,000	6.09x	1.90x
EBITDA * Average Multiple	6,835,000	6.40x						Average	6.40x	1.70x
UAL's Enterprise Value	43,741,789	Stock Value=	\$ 63.50							

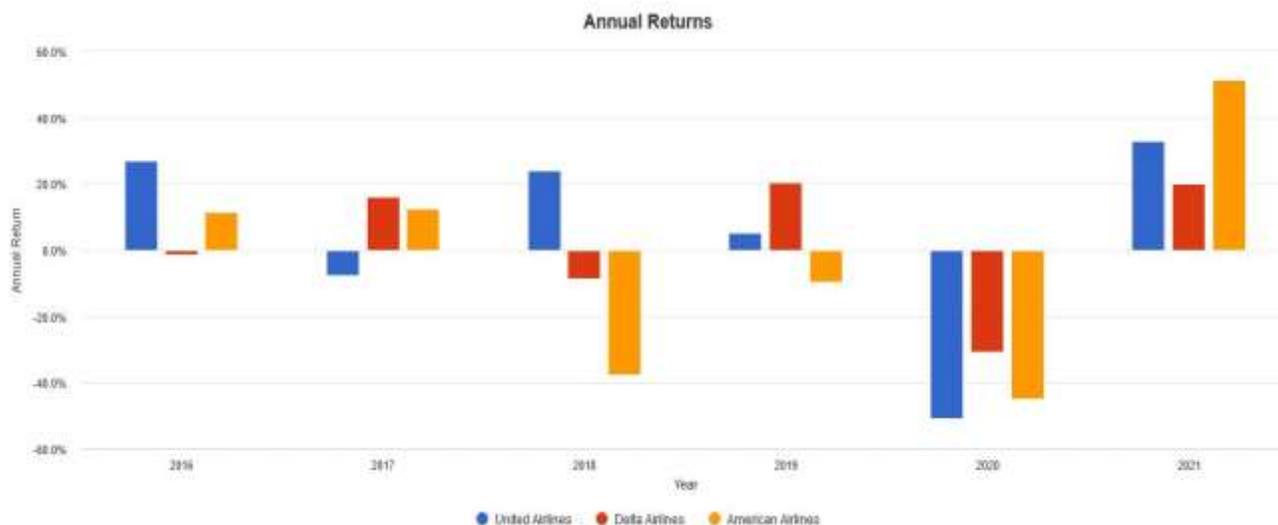
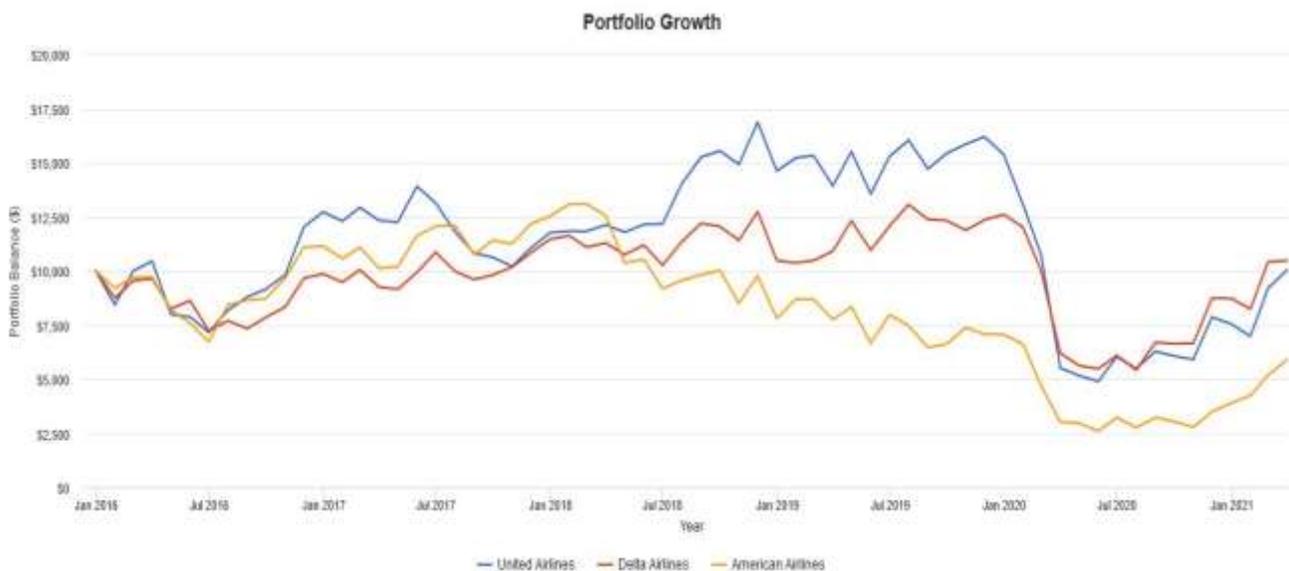
Discount Cash Flow Analysis										
		year =								
		HISTORICAL			PROJECTED			EXIT YEAR		
		2018-12-31	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31
Revenues		41,303,000	43,259,000	15,355,000	16,444,303	18,777,461	24,105,845	37,786,631	48,509,151	55,391,749
Revenue Growth			4.7%	-64.5%	7.1%	14.2%	28.4%	56.8%	28.4%	14.2%
Cost of Revenues (CoGS)		(30,165,000)	(30,786,000)	(20,385,000)	(11,834,320)	(13,513,402)	(17,348,032)	(27,193,558)	(34,910,135)	(39,863,271)
Operating Expenses (Excl. Non-rec.)		(7,359,000)	(7,926,000)	(409,000)	(3,237,933)	(3,697,339)	(4,746,514)	(7,440,303)	(9,551,600)	(10,906,804)
EBIT		3,779,000	4,547,000	(5,439,001)	1,372,049	1,566,719	2,011,299	3,152,771	4,047,417	4,621,674
Less Taxes (tax rate x of EBIT)	22.00%				- 301,850.84	- 344,678.20	- 442,485.80	- 693,609.71	- 890,431.71	- 1,016,768.31
Plus Depreciation					899,352	1,026,954	1,318,368	2,066,580	2,653,003	3,029,418
Less Working Capital					(128,288)	(146,490)	(188,058)	(294,787)	(378,437)	(432,131)
Less Capex					(1,708,832)	(1,951,286)	(2,504,992)	(3,926,649)	(5,040,895)	(5,756,109)
Cash Flow					132,430	151,220	194,131	304,306	390,657	446,084
EBITDA			-\$ 2,951,000.00	\$ 2,271,401.00	\$ 2,593,672.96	\$ 3,329,666.34	\$ 5,219,351.30	\$ 6,700,420.07	\$ 7,651,092.13	
Debt (assuming 5% reduction of intial principal per year)			37,707,000	35,821,650	33,936,300	32,050,950	30,165,600	28,280,250	26,394,900	
Terminal Value	Assumptions	Growth								
EBITDA Multiple Method	6.40x	(EBITDA x EBITDA Multiple)								
Perpetuity Method	3.76%	3.00% Next Year's Cash Flow / (Discount Rate - Growth)								
Average		(Forecasted average US GDP growth)								
Less Debt Outstanding (at Exit)										
Plus Cash (at Exit)										
Equity Value at Terminal		22,373,667								
		PV (for \$1)								
Equity Cash Flows	11.44%				132,430	151,220	194,131	304,306	22,764,323	
		PV (1) =	0.8973439	\$118,835						
		PV (2) =	0.8052260	\$121,766						
		PV (3) =	0.7225646	\$140,272						
		PV (4) =	0.6483889	\$197,308						
		PV (5) =	0.5818278	\$13,244,916						
		PV=		\$13,823,098						
Enterprise Value =		PV of Equity + PV of Debt								
PV of Equity =		\$13,823,098								
+ PV of Debt =		37,707,000								
- PV of Cash =		(11,683,000)								
UAL Enterprise Value		39,847,098								
		Stock Val=	\$ 49.55							

Cost of Equity Calculation		Interest Calculation	
5 Year Treasury Bill Rate	0.80%	30,342,000	Avg Debt
Avg Market Risk Premium	5.60%	992,000	Interest
UAL Beta	1.90x	3.27%	Rate
Expected Equity Return	11.44%		

WACC Calc:					
	Amount	% Cap	RoR	AT RoR	WACC
Total Debt	37,707,000	86.4%	3.27%	2.55%	2.20%
BV Equity	5,960,000	13.6%	11.44%	11.44%	1.56%
	43,667,000	100.0%			3.76%

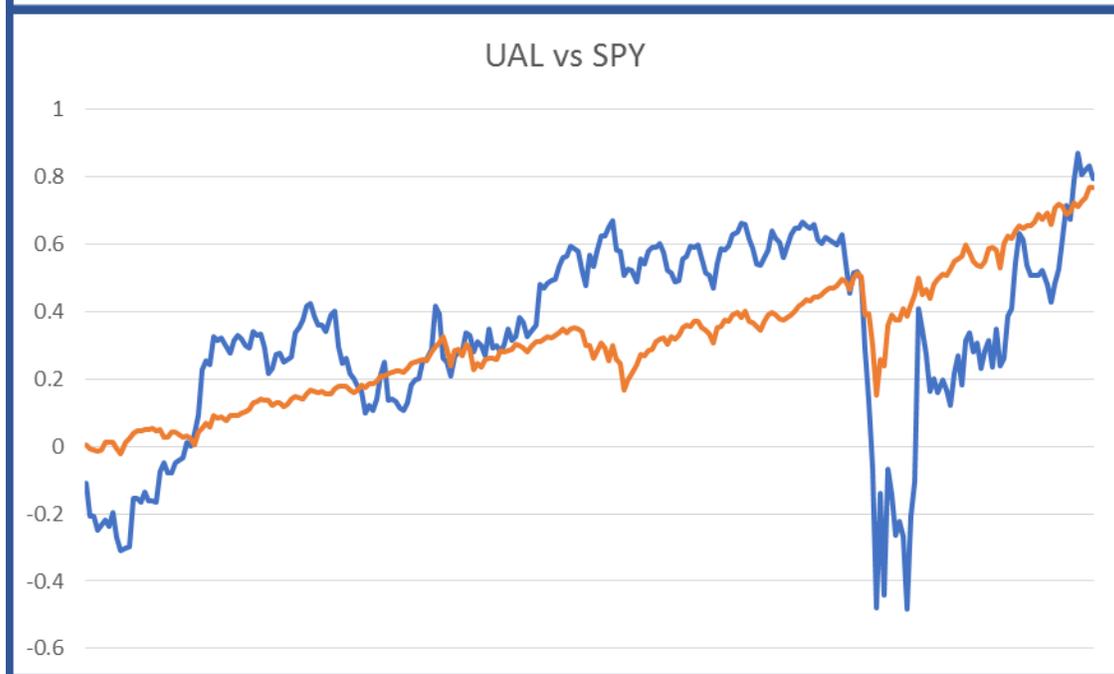
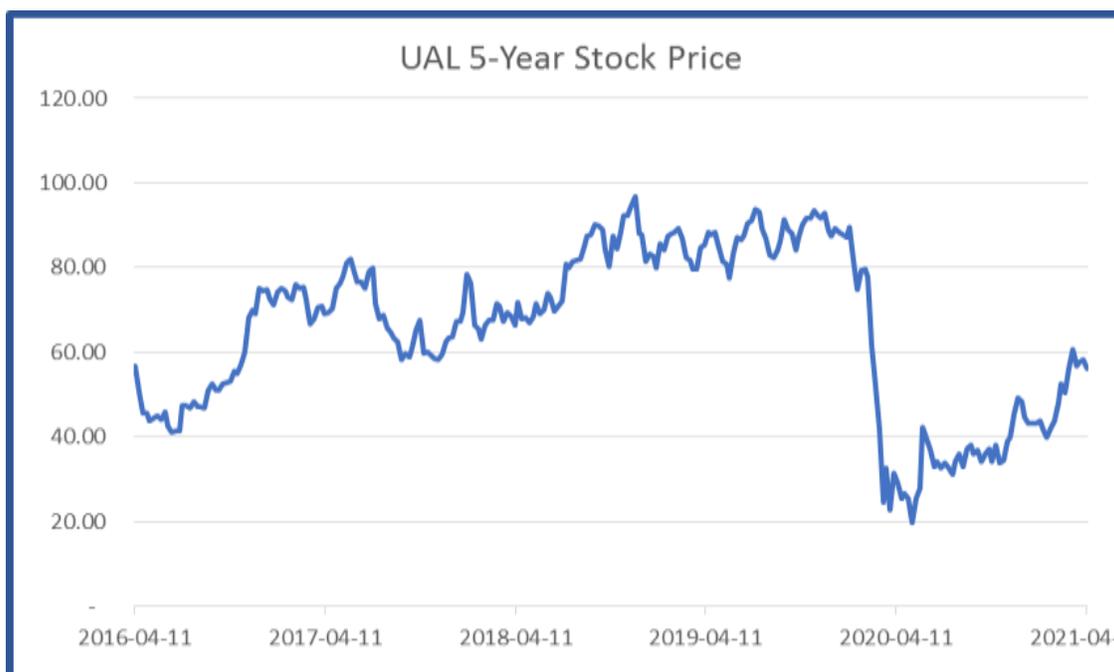
TECHNICAL ANALYSIS

The following charts compare the back tested growth of \$10,000 invested over 5 years from 2016 - 2021 in each airline, assuming dividends reinvested, and UAL performance against the most liquid S&P 500 ETF (NYSE:SPY):



Portfolio	Initial Balance	Final Balance	CAGR	Stdev	Best Year	Worst Year	Max. Drawdown	Sharpe Ratio	Sortino Ratio	US Mkt Correlation
United Airlines	\$10,000	\$10,042	0.08%	44.36%	33.04%	-50.90%	-71.00%	0.22	0.31	0.58
Delta Airlines	\$10,000	\$10,479	0.90%	37.46%	20.40%	-30.77%	-58.50%	0.19	0.27	0.6
American Airlines	\$10,000	\$5,906	-9.54%	44.05%	51.55%	-44.82%	-80.18%	-0.03	-0.04	0.63

Name	Annualized Return						Annualized Volatility	
	3 Month	YTD	1 year	3 year	5 year	Full	3 year	5 year
United Airlines	33.04%	33.04%	82.38%	-6.09%	-0.79%	0.08%	50.72%	44.11%
Delta Airlines	20.07%	20.07%	69.23%	-2.44%	1.70%	0.90%	43.99%	37.73%
American Airlines	51.55%	51.55%	96.06%	-22.20%	-9.47%	-9.54%	51.97%	44.94%



5-Year Beta: 1.9020 (UAL) vs 1.00 (SPY)



StdDev: 7.90

52 Week Range: \$18.18 - \$63.70



StdDev: 2.50

52 Week Range: \$272.02 - \$417.91



DISCUSSION & RECOMMENDATIONS

Using the stock price and market value gives us an enterprise value for UAL of \$41.611B. UAL exhibits higher than average volatility, with a beta of 1.90 compared to the industry average of 1.70 and median of 1.81.

The comparable EBITDA trading multiples methodology puts the enterprise value of UAL at \$43.741B, and the theoretical value of the stock at **\$63.50, a +13.66% upside** from its current market price of \$55.87. When compared to its competitors, UAL's EBITDA multiple of 6.09x is slightly below the average of 6.40x and is close to the median of 6.29x, with good room for growth and further expansion following sector recovery from the effects of COVID-19.

The DCF methodology puts the enterprise value of UAL at \$39.847B, and the theoretical value of the stock at **\$49.55, a -11.32 downside from** its current market price of \$55.87. This methodology assumes conservative, but steady revenue/EBITDA growth projections over the next 4 years, with a target of 2019 EBITDA levels reached by 2025. However, if low interest rates prevail, stimulus packages continue, and vaccine rollouts ramp up and remain consistent, it is entirely possible that actual growth rates will exceed the ones built into this analysis, which are inherently weighted to be more risk averse in the event that the COVID-19 recovery is prolonged or hindered in any way.

Averaging the results of both methods gives a theoretical stock price of **\$56.52, a +\$1.17 upside** from its current market price of \$55.87 as of April 16th, 2021. As such, the stock appears to be fairly valued, and it is recommended that investors **HOLD** the stock in anticipation of a gradual recovery in the travel sector and the broader US economy.

