



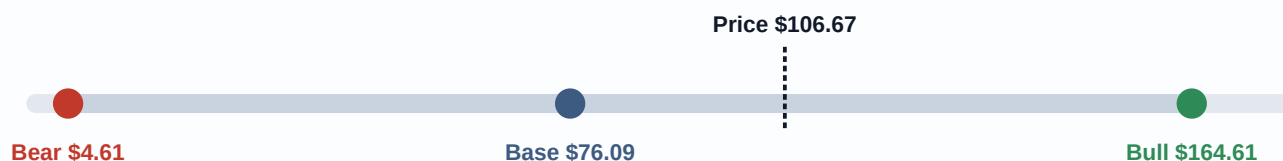
Initiated 2026-10-29 · Price \$106.67 (as of 2026-10-29 10:21 ET intraday, stockanalysis) · Mkt cap \$34.66bn (324.9mm shares)
· Industrials / passenger airlines · Model: verified

Rating: Sell — Conviction: Medium

United's premium and loyalty franchise has passed a ~60% jet-fuel spike through to fares (Q3 unit revenue +15.9%), but the equity still doesn't pay. Fuel is guided at ~\$4.80/gal for Q4, cutting Q4 adjusted EPS to \$0.50–1.50; Q3 free cash flow was negative and capex runs at about twice D&A. A Base case that rebuilds margin to its FY2025 level by 2029 is worth well below the price on both DCF methods, so \$107 prices close to a full fuel normalization. Sell.

Conviction tests (3a-v-c): T1 pass (Base -37.8% at +1pp, -17.1% at -1pp; Sell at both) · T2 fail (Gordon \$56.22 (-47.3%) → Sell; exit multiple \$95.95 (-10.0%) → Hold) · T3 pass (revenue, operating income, D&A and capex from EDGAR XBRL; NWC from 10-K balance sheets; cash, debt and shares from the Q3 8-K; no **est** facts) · T4 pass (the Hormuz/fuel outcome is the bull-vs-bear axis itself, not an event outside the cases; no pending deal, litigation or contract binary)

MODEL VALUE RANGE VS PRICE



Business overview

United is a U.S. hub-and-spoke network carrier with 1,575 mainline and regional aircraft at Q3 2026 (+6% y/y) and a large long-haul international network that it is expanding by 10 destinations in 2027. FY2025 revenue was \$59.1bn. Nine-month 2026 revenue was \$50.2bn: passenger 91%, cargo 3%, and other 6%, which is mostly MileagePlus co-brand and loyalty. Earnings turn on three things. First, the spread between unit revenue (TRASM 20.19¢ in Q3, +15.9%) and fuel, which averaged \$3.90/gal in Q3 against \$2.43 a year earlier and runs at about 4.8bn gallons a year (est., from nine-month fuel expense ÷ price). Second, non-fuel unit cost (CASM-ex +7.8% in Q3). Third, mix: premium and loyalty revenue each grew 17%.

Competition

Delta is the closest comparable. Its Q3 2026 reported revenue rose about 21%, premium revenue rose 18%, and it cut FY2026 adjusted EPS guidance to \$5.10–5.60 from \$6.50–7.50 on fuel (press summaries of the 2026-10-09 release). American and Alaska are loss-making on a trailing basis (stockanalysis), and Southwest is the largest domestic point-to-point competitor. Pressure would show up first in long-haul international yields as United adds 10 destinations in 2027. On stockanalysis's lease-inclusive basis, Delta trades at 9.2x TTM EV/EBITDA and 12.7x forward P/E against United's 7.6x and 12.4x.

Bull case

1. **Premium and loyalty pass-through holds** — TRASM +15.9% against +60% fuel, contracted business +26%, Q4 revenue guided >+20%. If fares stick as fuel eases, margin overshoots FY2024's 14.1%. Plays out if close-in corporate and premium leisure demand stays resilient through 2027. *Model: rev_growth, ebitda_margin*
2. **Fuel normalization** — management says Q3 and FY2026 EPS would beat the high end of the original guidance if fuel returned to early-July prices. Each \$0.01/gal is ~2.5¢ of quarterly EPS. Plays out if the Saudi-led talks and mine clearance restore Gulf flows. *Model: ebitda_margin*
3. **Investment-grade upgrade** — all three agencies sit one notch below investment grade with positive or stable outlooks, and the revolver was just upsized to \$5bn. An upgrade lowers debt cost and narrows the multiple gap to Delta. Plays out if net leverage keeps trending to Fitch's "upper 1x" by 2027. *Model: wacc, exit_ev_ebitda*

Bear case

1. **Fuel stays high and pass-through breaks** — Q4 is guided at \$4.80/gal, \$0.45 above consensus. If Brent stays above \$100 into 2027, fares must rise again into a 5% 10Y and possible Fed hikes, and demand elasticity reasserts itself. Plays out if the energy ceasefire fails or Hormuz traffic stays far below baseline. *Model: ebitda_margin, rev_growth*
2. **The 2026 revenue jump is a surcharge, not growth** — 2026 revenue rose ~16% on +1.3–2.7% capacity. A one-time fare step that reverses with fuel; Base models flat 2027, bear –6%. *Model: rev_growth*
3. **Capex keeps FCF thin** — FY2026 capex is guided at ~\$7.5bn against ~\$3.1bn of D&A. Nine-month FCF was \$1.4bn against \$3.3bn a year earlier, and Q3 was –\$1.8bn. Buybacks have stopped (\$27mm year to date). Committed 787, 737 MAX and A321neo deliveries keep capex near 10% of a smaller revenue base. *Model: capex_pct_rev, nwc_pct_rev*
4. **Cyclical de-rating** — airlines trough at mid-single-digit EV/EBITDA, and United's 1.30 beta amplifies risk-off moves. *Model: exit_ev_ebitda, wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/E forward (consensus)	12.4x	TTM P/E 9.8x today	DAL 12.7x · LUV 13.7x · AAL n/a (loss)	stockanalysis, 2026-10-29
EV/EBITDA, model basis (mkt cap – cash & ST inv. + debt & finance leases + pension ÷ FY2025 op. income + D&A; ex-operating leases)	6.2x	FY2023–25 EBITDA margin 12.8%–14.1%	DAL 9.2x · LUV 9.1x · AAL 10.9x · ALK 15.4x (stockanalysis, lease-inclusive TTM)	10-K/8-K; stockanalysis, 2026-10-29
FCF yield (TTM)	3.3%	9M FCF \$1.4bn (2026) vs \$3.3bn (2025)	DAL 5.8% · LUV –2.1% · AAL –1.1%	stockanalysis; Q3 8-K, 2026-10-29
Capex ÷ D&A	~2.4x (FY2026 guide)	2.7x / 1.9x / 2.0x FY2023–25	n/a	EDGAR XBRL; Q3 investor update

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$4.61 · Base \$76.09 · Bull \$164.61 per share, i.e. implied returns of –95.7% / –28.7% / +54.3% vs \$106.67. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits a third of the way from Base to Bull. The Base exit multiple of 6.0x is a ~3% de-rating from today's 6.2x. The Gordon method is 41% below the exit method (\$56.22 vs \$95.95): with steady-state capex at 8.5% of revenue against 4.7% D&A, perpetuity FCF supports only about 4x EBITDA. Bear's Gordon value floors at \$0.00 (the exit method gives \$9.23). The gap to Base is five years of negative FCF raising net debt. No tail run: no customer or product is ≥50% of revenue, and the bear is already a break rather than a plateau.

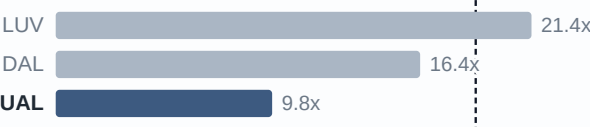
Balance sheet: net leverage 1.5x FY2025 EBITDA on the model's basis (net debt \$11.7bn ex-operating leases; the company's own adjusted figure, with leases and on TTM EBITDAR, is 2.4x). Coverage 4.8x. Liquidity is \$14.7bn of cash and short-term investments plus an undrawn \$5bn revolver (\$17.7bn total before the upside). The nearest material maturity is \$1.85bn of current debt and finance leases. Ratings: S&P BB+, Moody's Ba1, Fitch BB+ (10-Q).

Model note: Built and verified (LibreOffice recalculation matched all 3,207 formula cells). Unverified inputs: none. Assumptions without basis: none. Scenario consistency CHECKs: none. EBITDA is reported operating income plus D&A, after aircraft rent and special items. Y1 margin excludes 2026's \$749mm net special credit (sale-leaseback gains); sale-leasebacks shift aircraft cost from capex into rent, not separately modeled. NWC is -26.6% of FY2025 revenue (advance ticket sales and loyalty deferrals). WACC 8.9% equals the CAPM arithmetic in its basis (10Y 5.05%, β 1.30, 5% ERP, 6.8% pre-tax debt est., 57/43 weights = 8.86%), with no haircut. Base Y1 EPS \$6.97 is 3.8% above the ~\$6.72 implied by nine-month adjusted EPS of \$5.72 plus the Q4 guide midpoint, within tolerance. Debt coupons and maturity are estimates with no value effect.

RELATIVE VALUE VS PEERS

Metric	UAL	DAL	LUV	AAL	ALK	Peer median	vs median
P/E (TTM)	9.8x	16.4x	21.4x	n/a	n/a	18.9x	-48%
P/E (forward)	12.4x	12.7x	13.7x	n/a	n/a	13.2x	-6%
PEG	0.8x	0.7x	0.2x	n/a	n/a	0.5x	+80%
EV/EBITDA (TTM)	7.6x	9.2x	9.1x	10.9x	15.4x	10.0x	-25%
EV/Sales (TTM)	0.8x	1.0x	0.8x	0.6x	0.6x	0.7x	+17%
P/B	1.9x	2.3x	2.9x	n/a	1.1x	2.3x	-19%
FCF yield	3.3%	5.8%	-2.1%	-1.1%	-16.4%	-1.6%	+4.9pp

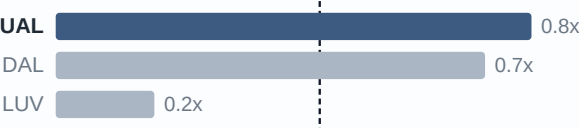
P/E (TTM)



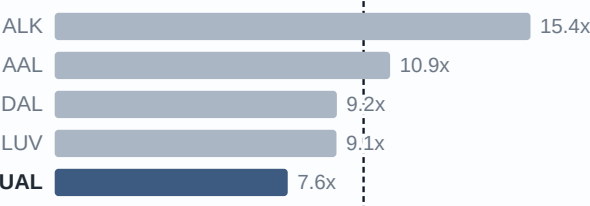
P/E (forward)



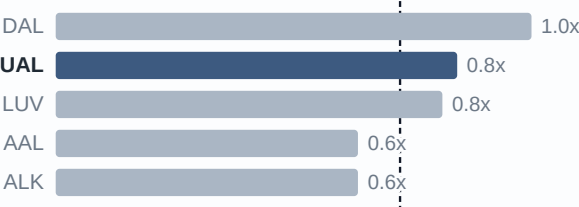
PEG



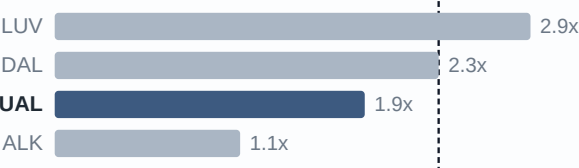
EV/EBITDA (TTM)



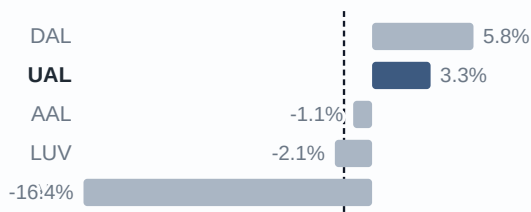
EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-29. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 10:18-10:21 ET with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-29.

Notes. Source's PEG on analyst growth estimates. LUV's 0.17 reflects a depressed earnings base recovering, not durable growth. AAL and ALK n/a (net loss). AAL and ALK reported trailing net losses; n/a at source. AAL book value is negative (-\$6.37/share).

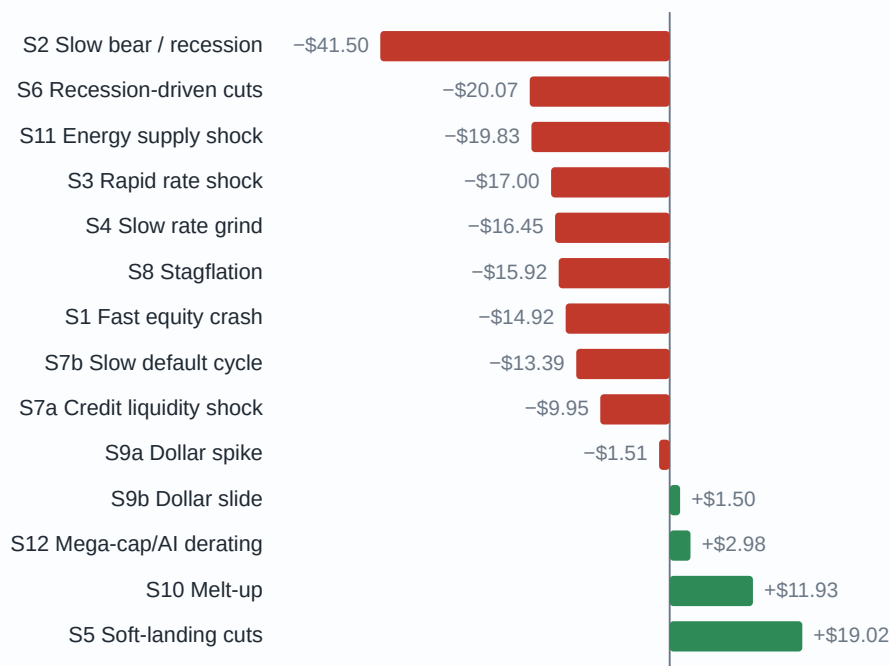
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	1.30-beta cyclical de-rates with the market; no operating channel	Med	-\$14.92
S2 Slow bear / recession	-	Demand falls, fares give back the surcharge, fixed costs cut margin 4pp, trough multiple. About 58% of Base – Bear (\$71.48) on purpose: a two-year dip, not the bear's five years of negative FCF	High	-\$41.50
S3 Rapid rate shock	-	+1pp discount rate on levered equity; fixed-rate aircraft debt mutes the interest channel	Med	-\$17.00
S4 Slow rate grind	-	Same channel, slower; consumer travel budgets squeezed	Med	-\$16.45
S5 Soft-landing cuts	+	Lower rates, steady demand, cyclical re-rating	High	+\$19.02
S6 Recession-driven cuts	-	Breaking labor market cuts business and leisure demand; lower rates don't offset	High	-\$20.07
S7a Credit liquidity shock	-	\$14.7bn cash and a \$5bn revolver mean no funding stress, but levered equity de-rates	Low	-\$9.95
S7b Slow default cycle	-	Corporate travel trimmed; secured aircraft refinancing gets dearer	Med	-\$13.39
S8 Stagflation	-	Fuel and labor inflate faster than fares; nominal revenue up	Med	-\$15.92
S9a Dollar spike	±	Outbound U.S. travel and cheaper dollar oil vs weaker inbound and FX sales	Low	-\$1.51
S9b Dollar slide	±	Mirror image	Low	+\$1.50
S10 Melt-up	+	High-beta cyclical outruns fundamentals	Med	+\$11.93
S11 Energy supply shock	-	Fuel is the largest swing cost (~4.8bn gal/yr, est.); a further spike outruns fare pass-through and dents demand	High	-\$19.83
S12 Mega-cap/AI derating	+	Rotation into cheap domestic cyclicals; no operating channel	Low	+\$2.98

Currently active/on watch per the playbook: S3 partially active (10Y 5.05% on 2026-10-28); S8, S10 and S11 on watch (Brent ~\$110.70 on 2026-10-28).

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: jet fuel falls below ~\$3.25/gal on the forward curve while Q4–Q1 TRASM holds double-digit growth; or the 2027 guide shows capex toward \$6bn with positive FCF. **Downgrades if:** n/a (already Sell). Conviction falls if margin rebuilds faster than Base.

Watch items

- **W1:** Q4 2026 adjusted EPS vs \$0.50–1.50 and the first 2027 EPS/capex outlook — met if 2027 capex ≤\$6.5bn and FCF positive — Q4 8-K — mid-January 2027 — *Model: ebitda_margin, capex_pct_rev*
- **W2:** Average fuel price per gallon — missed (for the bull) if Q1 2027 averages ≥\$4.00 — Q1 2027 8-K — April 2027 — *Model: ebitda_margin*
- **W3:** TRASM growth with fuel — 2027 revenue growth turns negative while ASMs grow ≥3% — 8-K releases — Jan/Apr 2027 — *Model: rev_growth*
- **W4:** Investment-grade upgrade by S&P or Fitch (positive outlooks) — met on either action — agency release / 10-Q — 2027 — *Model: wacc*

Sources

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- Repository macro log, 2026-10-28 (10Y 5.05%, Brent ~\$110.70) — [logs/macro-2026-10.md](#) — accessed 2026-10-29

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.