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United Airlines Holdings

The Shockwave Is Still at Sea: Initiating at Underweight

Brent futures fell 13% on 8 April as a two-week US-Iran ceasefire promised to reopen the Strait of Hormuz, and United's shares now sit only 8% below their pre-war close; the S&P 500 is 1% lower. The market is trading the flash. We think the shockwave is still at sea: a ceasefire stops the missiles, but it does not speed up the tankers. Hormuz traffic was still below 10% of normal on 9 April, physical Dated Brent traded at \$122 on 8 April, ~\$27 over June futures, and the last cargoes loaded before the war have only just reached Europe and the US. United does not hedge fuel, and its chief executive has put the extra bill at ~\$11bn a year at March prices. Yet consensus FY26 EPS of \$12.34 still sits inside January's \$12-14 guidance. We initiate at Underweight with a Dec-26 price target of \$75.

- **Initiating at Underweight, Dec-26 PT \$75.** Our PT blends three Dec-26 scenarios (Table 1). Base (50%): jet fuel tracks the 9 April futures strip (\$3.75/gal for 2Q-4Q26E), United recaptures ~61% of the extra cost in 2026 and demand softens into 2H; 4.75x FY27E Adj. EBITDA of \$8.0bn less YE26E net debt of \$14.7bn, or \$72/share. Bull (25%): the truce holds, Gulf flows normalise within weeks and jet falls below \$3/gal by 3Q; 5.25x on \$9.9bn, or \$118. Bear (25%): the truce lapses and jet averages \$4.54/gal for the rest of 2026; 6.0x depressed FY27E EBITDA of \$5.0bn, or \$39. **We weight bull and bear equally; the asymmetry is in the payoff, -60% against +21%.** Consensus PT is \$133 (23 Buy, 2 Hold, 0 Sell); the lowest current Street PT we can find is \$110.
- **The fuel bill arrives before the fare increases.** United carried \$8.1bn of advance ticket sales at year-end, sold at pre-war fares, while it buys jet fuel at spot: Argus' US jet index rose from \$2.50/gal before the war to \$4.81 on 7 April. On the strip, 2026 fuel costs ~\$4.2bn more than the pre-war curve implied (Figure 2). Fare and fee increases recover ~61% of that over the year (55% in 2Q, against Delta's 40-50%), helped by ~5 points of capacity cuts, and weaker demand takes back ~\$1.0bn. **We forecast FY26E Adj. EPS of \$6.33, 49% below consensus; even with no demand hit, the strip alone takes it to ~\$8.43.**
- **Bicycle-speed barrels, corrected.** The popular framing is right on the mechanism: a laden tanker sails at ~12-13 knots, so Gulf cargoes take ~3 weeks to reach China and 5-6 weeks to reach Rotterdam or Houston, and the last pre-war barrels reached Europe and the US in early April (Figure 4). Two details need correcting. Asia did not wait for April: its pre-war cargoes ran out in late March. And the world has not lost "20%" of its oil: pipelines can reroute up to 5.5 mb/d of the ~20 mb/d that crosses Hormuz, and the IEA projected an ~8 mb/d fall in world supply in March, still the largest disruption on record (Figure 6).

Underweight

UAL, UAL US
Price (9 Apr 26): \$97.67
Price Target (Dec-26): \$75.00
Initiation of coverage

Airlines

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Quarterly Forecasts (FYE Dec)

Adj. EPS (\$)	2025A	2026E	2027E
Q1	0.91	1.03	0.82
Q2	3.87	1.84	3.49
Q3	2.78	1.25	2.50
Q4	3.10	2.21	2.79
FY	10.62	6.33	9.60

Shockwave Dashboard

Metric	9 Apr	27 Feb	Chg
Dated Brent (\$/bbl)*	122.1	71.3	+71%
Brent, front month (\$/bbl)	95.9	72.5	+32%
Brent, Dec-26 (\$/bbl)	80.2	68.6	+17%
US jet fuel (\$/gal)**	4.81	2.50	+92%
US retail gasoline***	4.12	2.94	+40%
UAL share price (\$)	97.67	106.30	-8%
S&P 500	6,825	6,879	-1%

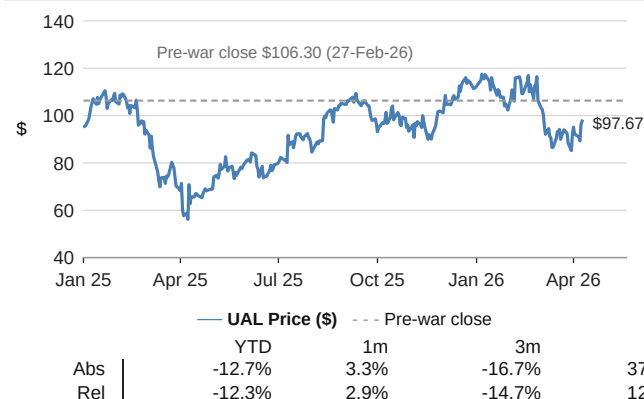
*8-Apr, the latest print public by 10-Apr; ~\$27 over June futures (LSEG). **7-Apr (Argus via AP). ***EIA weekly, 6-Apr vs 23-Feb. Hormuz transits: 3 on 9-Apr (Lloyd's List via USNI News), under 10% of pre-war levels.

Sources for: Shockwave Dashboard: EIA (Europe Brent spot, retail gasoline), NYMEX and S&P Dow Jones Indices via Yahoo Finance, Argus via AP, LSEG via Reuters, Lloyd's List Intelligence via USNI News, S&P Global. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Shares O/S, 24-Mar-26 (mn)	324.6
52-week range (\$)	119.21-61.02
Market cap (\$ mn)	31,704
Exchange rate	1.00
Debt, fin. leases, other fin. liab., 31-Dec-25 (\$ mn)	24,988
Cash and short-term investments, 31-Dec-25 (\$ mn)	12,240
Total liquidity, 31-Dec-25 (\$ mn)	15,200
Ratings (S&P Moody's Fitch)	BB+ Ba1 BB+
Avg. daily volume, 3m (mn)	7.4
Next results	21 Apr 2026 (1Q26)
Consensus (Buy Hold Sell)	23 2 0
Consensus PT (\$)	133.15
Consensus FY26E Adj. EPS (\$)	12.34

Key Metrics (FYE Dec)

\$ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Revenue	59,070	63,803	65,017
Fuel expense	11,396	16,693	14,216
Adj. EBITDA	7,911	6,417	8,043
Adj. pre-tax income	4,580	2,672	4,043
Adj. EPS	10.62	6.33	9.60
Cashflow from operations	8,431	5,612	7,620
FCF	2,710	(1,888)	(380)
Margins and Growth			
Revenue Growth Y/Y (%)	3.5%	8.0%	1.9%
Fuel / revenue	19.3%	26.2%	21.9%
Adj. EBITDA margin	13.4%	10.1%	12.4%
Adj. pre-tax margin	7.8%	4.2%	6.2%
Adj. EPS Growth Y/Y (%)	0.1%	(40.4%)	51.7%
Ratios			
Avg. fuel price (\$/gal)	2.44	3.57	2.95
Net debt / Adj. EBITDA	1.6x	2.3x	1.9x
Liquidity / revenue	26%	22%	22%
Capex / Revenue	10%	12%	12%
Valuation			
FCF yield	8.5%	(6.0%)	(1.2%)
EV/Adj. EBITDA	5.6x	7.2x	5.9x
Adj. P/E	9.2x	15.4x	10.2x

Summary Investment Thesis and Valuation

Investment Thesis

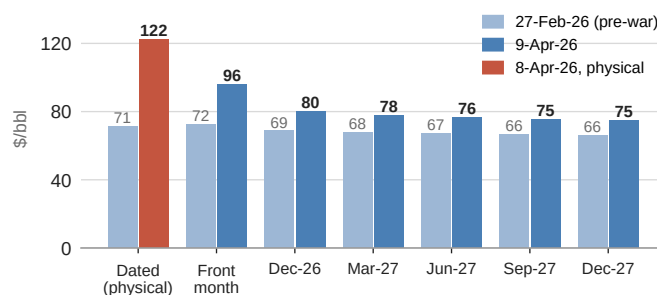
United is a global network carrier (330bn ASMs in 2025) with large Pacific and Atlantic franchises and, like American and Delta, no fuel hedges. Fuel was 21% of its 2025 operating expense at \$2.44/gal. NY Harbor diesel futures, the closest liquid proxy for jet, are 47% above their pre-war level even after the ceasefire, and Dec-27 still prices 15% above the pre-war curve. Management has cut ~5 points of 2Q-3Q capacity and raised fares and fees, and bookings are strong. But costs reprice daily while revenue reprices as tickets are sold, and the consumer is being squeezed: US gasoline is up 40% since February, March CPI rose 0.9% m/m and preliminary April consumer sentiment of 47.6 would be a record low. In 1990-91 and 2008 it was the demand hit that followed the fuel spike that did the damage. We rate shares Underweight.

Valuation

Our \$75 Dec-26 PT is a probability-weighted blend of three scenarios. Base (50%): 4.75x FY27E Adj. EBITDA of \$8.0bn, a discount to the ~5.0x NTM EBITDA we estimate United traded on before the war, less YE26E net debt of \$14.7bn, on 327.6M diluted shares, for \$72. Bull (25%): 5.25x on \$9.9bn, close to consensus, for \$118. Bear (25%): 6.0x depressed FY27E EBITDA of \$5.0bn, a premium multiple for depressed earnings, for \$39. On our numbers the shares trade on 15.4x FY26E and 10.2x FY27E Adj. EPS, against 7.9x on consensus. We rate shares Underweight.

Fuel Exposure

Brent term structure (\$/bbl): physical vs. paper



Fuel sensitivity	FY26E impact	Per share
\$0.10/gal on 2Q-4Q26E jet fuel	\$357M	\$0.84
\$10/bbl on crude (about \$0.24/gal)	\$850M	\$2.01
10pt of the extra fuel cost recaptured	\$380M	\$0.90
Company: \$1/bbl on 2026 fuel expense	\$116M	\$0.27

Source: Company filings (10-K FY25, quarterly releases), NYMEX and S&P 500 via Yahoo Finance, Barchart (26-Mar-26) and Zacks (2-Apr-26) for consensus, EIA, K2 Capital estimates. Rel. performance vs S&P 500. Net debt: debt, finance leases and other financial liabilities less cash and short-term investments; excludes operating leases (\$6.0bn) and pension. Fuel sensitivities are before fare recapture and profit sharing.

- **Fuel and Capacity Update. (1)** United burned 4.66bn gallons in 2025 at \$2.44/gal (\$11.4bn, 21% of operating expense); its 10-K puts each \$1/bbl at ~\$116M of 2026 fuel expense, implying ~4.9bn planned gallons, and it does not hedge. **(2)** January guidance of \$1.00-1.50 for 1Q26 and \$12-14 for FY26 carried no fuel assumption and has not been formally updated. On 17 March management flagged ~\$400M of 1Q fuel headwind, said revenue would need to rise ~\$4.6bn to offset fuel fully, and had March unit revenue tracking ~+14%. **(3)** A 20 March memo to employees cut ~5 points of planned 2Q-3Q capacity (3 off-peak, 1 at O'Hare, 1 from pausing Tel Aviv and Dubai), put the extra fuel bill at ~\$11bn a year against a best-ever annual profit below \$5bn, and said plans assume oil goes to \$175/bbl and stays above \$100 until the end of 2027. **(4)** Checked-bag fees rose \$10 on 3 April; JetBlue, Delta and Southwest made similar moves. **(5)** Liquidity was \$15.2bn at year-end, after which United raised \$2bn of unsecured notes; \$4.1bn of debt principal falls due in 2026. **All told, we estimate 2026 fuel expense of \$16.7bn, \$5.3bn above 2025, and FY26E Adj. EPS of \$6.33, about half of consensus.**
- **4Q25 Summary.** Revenue rose 4.8% y/y to \$15.4bn on 6.5% more capacity; TRASM fell 1.6% and CASM-ex rose 0.4%. Fuel averaged \$2.49/gal. Adj. pre-tax income was \$1.30bn (8.5% margin) and Adj. EPS \$3.10, after a ~\$250M hit from the government shutdown. For FY25, Adj. EPS was \$10.62 on revenue of \$59.1bn; free cash flow was \$2.7bn after \$5.9bn of capex, and adjusted net leverage was 2.2x. 1Q26 results are due after the close on 21 April. See Figure 1.

Table 1: United Airlines Dec-26 PT Methodology

\$ in millions, except per share and fuel

	Bull	Base	Bear
Jet fuel, 2Q-4Q26E average (\$/gal)	3.18	3.75	4.54
Jet fuel, FY27E average (\$/gal)	2.60	2.95	3.50
FY27E Revenue	66,481	65,017	62,155
Adj. EBITDA margin	14.9%	12.4%	8.0%
FY27E Adj. EBITDA (NTM at Dec-26)	9,902	8,043	5,003
x EV / NTM Adj. EBITDA	5.25x	4.75x	6.00x
Implied Enterprise Value	51,986	38,204	30,018
Less: YE26E Net Debt (incl. finance leases)	(13,237)	(14,736)	(17,255)
Target Equity Value	38,749	23,468	12,763
Shares outstanding, 24-Mar-26 (M)	324.6	324.6	324.6
RSUs and other dilution (M)	3.0	3.0	3.0
Total Diluted Shares (M)	327.6	327.6	327.6
Value per Share	\$118.28	\$71.64	\$38.96
Implied P/E on FY27E Adj. EPS	8.4x	7.5x	16.4x
Scenario Probability	25%	50%	25%
Dec-26 Price Target (probability-weighted)		\$75.00	
Return Potential		-23%	

Source: Company reports, NYMEX, K2 Capital estimates. Fuel is United's all-in price per gallon; the base case tracks the 9-Apr-26 NY Harbor ULSD strip plus a crisis-widened jet basis. Net debt: debt, finance leases and other financial liabilities less cash and short-term investments; operating leases, whose cost sits in EBITDA, and pension are excluded. EBITDA is Adj. operating income plus D&A. No equity issuance assumed in any scenario.

Figure 1: United Airlines Earnings Trends

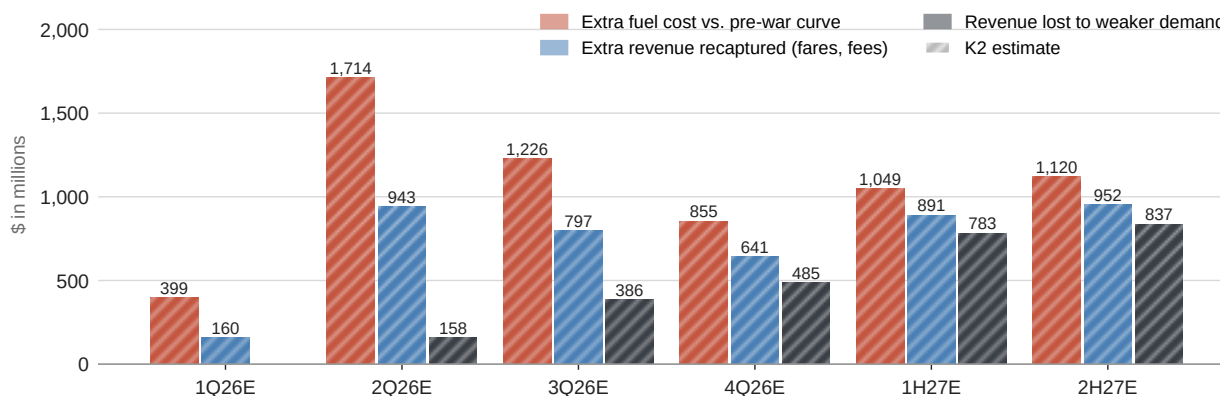
\$ in millions, except where stated

	4Q24	1Q25	2Q25	3Q25	4Q25
Capacity, ASMs (bn)	78.3	75.2	84.3	87.4	83.4
TRASM (cents)	18.77	17.58	18.06	17.42	18.47
CASM-ex (cents)	12.89	13.17	12.36	12.15	12.94
Total operating revenue	14,695	13,213	15,236	15,225	15,397
Aircraft fuel expense	(2,676)	(2,701)	(2,775)	(2,997)	(2,923)
Fuel gallons consumed (M)	1,115	1,067	1,188	1,233	1,175
Average fuel price (\$/gal)	2.40	2.53	2.34	2.43	2.49
Fuel / revenue	18.2%	20.4%	18.2%	19.7%	19.0%
Operating income (GAAP)	1,503	607	1,325	1,395	1,386
Adj. pre-tax income	1,432	391	1,670	1,215	1,304
Adj. pre-tax margin	9.7%	3.0%	11.0%	8.0%	8.5%
Adj. EPS (\$)	3.26	0.91	3.87	2.78	3.10

Source: Company reports. Adj. pre-tax income and Adj. EPS exclude special items as defined by the company; 4Q25 includes a ~\$250M hit from the US government shutdown.

Figure 2: The Fuel Bill Arrives Before the Fare Increases

\$ in millions, base case, measured against the 27-Feb-26 (pre-war) fuel curve; extra revenue is fare and fee recapture; demand loss is unit revenue lost as the consumer slows



Source: K2 Capital estimates. FY26E fuel expense \$16.7bn at \$3.57/gal, against \$12.5bn for the same gallons on the pre-war curve. Recapture of 40% in 1Q26E rising to 75% in 4Q26E and 85% in FY27E (Delta guided 40-50% for 2Q26). Pre-tax gap in 2026 (extra fuel less recapture plus demand loss): ~\$2.7bn, partly offset by capacity mix and lower profit sharing.

Figure 3: Dec-26 Equity Value per Share: Multiple vs. FY27E Jet Fuel Price

Base-case YE26E net debt (\$14.7bn) and 327.6M diluted shares; FY27E EBITDA flexed for jet fuel at 85% recapture; red: below 75% of current price, amber: below current price

EV / NTM EBITDA vs. FY27E jet (\$/gal)	\$2.40	\$2.65	\$2.95	\$3.30	\$3.70
4.00x	\$57	\$56	\$53	\$51	\$47
4.50x	\$70	\$68	\$65	\$62	\$59
4.75x	\$77	\$74	\$72	\$68	\$65
5.00x	\$83	\$81	\$78	\$74	\$71
5.50x	\$96	\$93	\$90	\$86	\$82
6.00x	\$109	\$106	\$102	\$98	\$94

Source: K2 Capital estimates. With 85% recapture, each \$0.10/gal on FY27E jet moves value by only ~\$0.9/share; the multiple matters more. Only 6.0x, a premium to the ~5.0x we estimate United traded on before the war, gets the base case back to today's price.

Bicycle Speed: Why the Shock Arrives Late

A laden supertanker steams at 12-13 knots, about 23km/h: roughly the pace of a brisk cyclist. At that speed a Gulf cargo takes ~4 days to reach India's west coast, ~3 weeks to reach China, Japan and Korea, and 5-6 weeks to reach Rotterdam or Houston around the Cape (Figure 4). The strikes began on 28 February, but every barrel already at sea kept sailing. That is why March felt like a price shock rather than a shortage, and why the IEA could still point in mid-March to "about three weeks of crude at sea" for China. On our arithmetic the last pre-war cargo reached Northwest Europe around 6-Apr and the US Gulf Coast around 9-Apr. **What lands in the West from here was loaded after the war began, at roughly 20-30% of the pre-war rate.** A tanker leaving the Gulf on 10 April reaches Rotterdam only in mid-May.

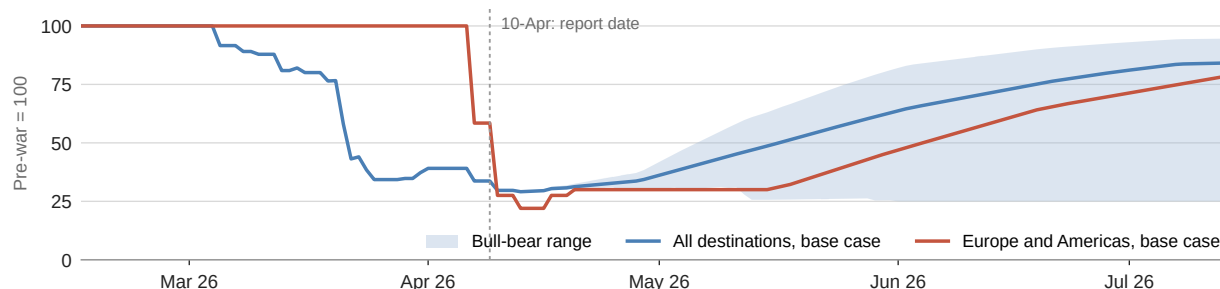
Figure 4: The Last Pre-War Cargo: Voyage Times from the Gulf

Destination	Share of flows	Discharge port	Distance (nm)	Days at 12.5kn	Last pre-war cargo lands	If loaded 10-Apr, lands
India (west coast)	14%	Sikka	1,250	4	4-Mar	14-Apr
Southeast Asia	11%	Singapore	3,650	12	12-Mar	22-Apr
Africa and other	2%	Mombasa	2,700	9	9-Mar	19-Apr
China	31%	Ningbo	5,900	20	20-Mar	30-Apr
Japan and Korea	23%	Ulsan / Chiba	6,400	21	21-Mar	1-May
Other Asia-Pacific	6%	Kaohsiung	5,500	18	18-Mar	28-Apr
Europe (via Cape)	9%	Rotterdam	11,200	37	6-Apr	17-May
Americas (via Cape)	4%	Houston	12,000	40	9-Apr	20-May

Source: EIA (84% of Hormuz crude and condensate went to Asia in 2024; China, India, Japan and Korea 69%), K2 Capital estimates of the destination split of crude and product flows, approximate port-to-port distances from Ras Tanura; Europe and the Americas routed via the Cape given the Red Sea risk. Last pre-war loading assumed 28-Feb-26.

Figure 5: Seaborne Arrivals of Gulf-Origin Oil, Modelled

Arrivals at destination as % of pre-war Hormuz-equivalent flows; base case assumes the truce holds and loadings recover to ~65% of pre-war by mid-May



Source: K2 Capital model. Loadings: Hormuz transits below 10% of normal (IEA, S&P Global CAS); bypass via the East-West pipeline (7 mb/d capacity) and ADCOP (1.5-1.8 mb/d) adding up to 5.5 mb/d (IEA). Post-truce: CAS projected 25% of pre-war vessel traffic within a week and 50% by 22-Apr; we assume fields and refineries restart more slowly. Bear case: the truce lapses on 21-Apr.

Figure 6: From "20% of World Oil" to the Real Gap

mb/d unless stated	Volume	% of demand
<i>Gross: what crosses the Strait</i>		
Pre-war Hormuz flows (~15 crude, ~5 products)	20.0	19.1%
Less: extra egress via Saudi and UAE pipelines (max.)	-5.5	-5.2%
Flows with no route out	14.5	13.8%
<i>Net: what the world lost in March</i>		
Fall in world supply, Feb to Mar average (IEA)	8.1	7.7%
Less: IEA emergency stocks (400mb / ~120 days)	-3.3	-3.2%
Less: demand lost to flight cuts and LPG (IEA)	-1.0	-1.0%
Gap left for commercial stocks and price	3.8	3.6%

Source: IEA OMR (12-Mar-26) and collective action (11-Mar-26), US DOE, K2 Capital calculations.

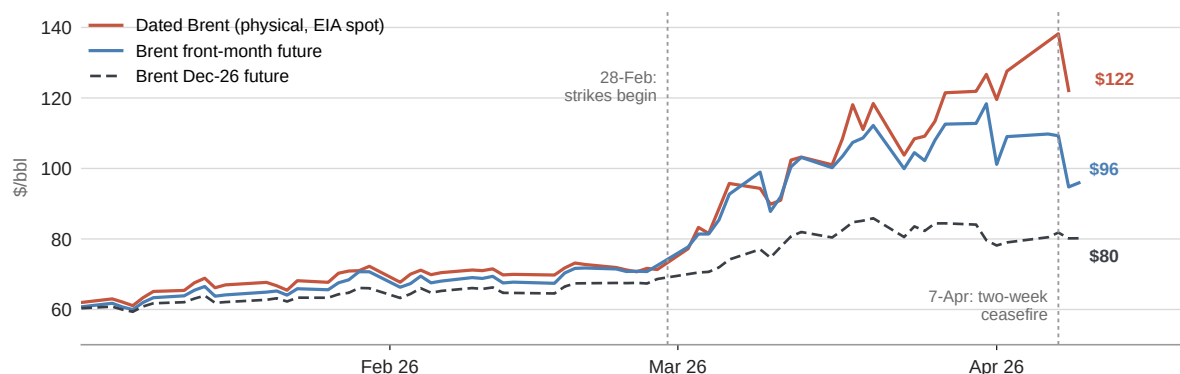
Decomposing the headline. About 20 mb/d, a fifth of world demand, crossed Hormuz before the war. Saudi Arabia's East-West pipeline (7 mb/d) and the UAE's Fujairah line can add up to 5.5 mb/d of egress, and Yanbu was loading ~5 mb/d of crude by late March. The IEA projected an ~8 mb/d fall in world supply in March, a monthly average (Gulf shut-ins topped 10 mb/d by 10 March); stocks and lost demand close part of the gap, and the EIA sees global stocks drawing ~5.1 mb/d in 2Q. **On our model ~1.1bn barrels of Gulf arrivals will have been lost by end-June, against ~0.35bn of emergency release.**

Paper Barrels Got the Ceasefire. Physical Ones Did Not.

The futures market sold the ceasefire; the physical market did not. On 8 April Brent and WTI futures fell 13% and 16%, but Dated Brent, the benchmark for cargoes loading in the coming weeks, traded almost \$27 above June futures (LSEG), and Forties set an all-time high of \$146.43 on 9 April. The gap says that barrels for delivery now are scarce and barrels for later are expected to be plentiful. Producers are not restarting fields and refineries for a two-week truce, Iran is charging tolls of up to \$2M a vessel, and IATA expects jet supply to take "a period of months" to normalise even after the Strait reopens. **Airlines buy fuel at the physical price, not the futures price, and jet is the tightest barrel of all:** the Gulf supplied about half of Europe's jet imports in 2025, and four Italian airports were rationing jet fuel in early April.

Figure 7: Physical vs. Paper: Dated Brent, Front-Month and December 2026 Brent Futures

\$ per barrel, daily closes to 9-Apr-26 (Dated Brent to 8-Apr-26, the latest print public by 10-Apr)



Source: EIA (Europe Brent spot FOB), NYMEX Brent futures via Yahoo Finance, LSEG and S&P Global as reported by Reuters and Bloomberg. Platts Dated Brent reached \$141.37 on 2-Apr, the highest since 2008; Forties hit an all-time high of \$146.43 on 9-Apr.

Figure 8: Oil Shocks and US Airlines: What Rhymes and What Does Not

	Supply shock	Jet fuel move	US airline outcome	What it means for 2026
1990-91 Gulf War	Iraq-Kuwait: ~4.3 mb/d lost (IEA)	USGC jet \$0.60/gal on 1-Aug-90 to \$1.43 on 12-Oct (+140%)	Record 1990 operating loss of \$2.4bn and ~\$13bn lost over 1990-94; Continental, Pan Am, America West and TWA filed for Chapter 11; Eastern, Midway and Pan Am ceased flying	The spike faded within months; recession and leverage did the damage
2008	No physical loss; demand-led spike, Dated Brent \$144 on 3-Jul	USGC jet \$4.21 on 3-Jul; \$4.81 on 12-Sep (Hurricane Ike)	US carriers spent \$15.9bn more on fuel than in 2007 and net losses approached \$20bn; United lost \$5.3bn and cut 4Q domestic capacity 14%	Capacity cuts came late, and fares could not keep up once the economy turned
2022 Russia	~1 mb/d of Russian output (EIA)	USGC jet \$2.67 on 23-Feb to a record \$5.07 on 28-Apr; NY Harbor \$7.61	Costs were passed through: pent-up post-Covid demand and scarce seats; the S&P airline index rose 8.3% on 15-Mar-22 as carriers saw a path to profit	The bull case: recapture works when demand is strong and seats are short
2026 Hormuz	~8 mb/d fall in world supply in March (IEA), the largest on record	Argus US jet \$2.50 to \$4.81 on 7-Apr (+92%)	United cuts ~5pts of 2Q-3Q capacity; fares booked +15-20%; Delta recaptures 40-50% in 2Q; consensus FY26E EPS still \$12.34	Stronger balance sheets than 1990, but no hedges, a squeezed consumer and record-low sentiment

Source: IEA (peak supply losses), EIA (jet fuel and Brent spot), Christian Science Monitor (12-Jul-91), Flight International (4-Jan-95), Aviation Strategy (Jul-08), Business Travel News (Jun-09), Bloomberg (15-Mar-22), Argus via AP (2026), Delta Air Lines (8-Apr-26), United Airlines, Zacks, K2 Capital.

Investment Thesis, Valuation and Risks

United Airlines Holdings (*Underweight; Price Target: \$75.00*)

Investment Thesis

United is a high-quality, unhedged airline whose earnings are about to absorb the largest oil supply disruption on record, with a lag. Jet fuel reprices daily; fares reprice as tickets are sold, weeks or months before travel; and the cargoes that kept Western supply normal through March have now landed. On the 9 April futures strip, 2026 fuel costs \$4.2bn more than the pre-war curve implied. Fares, fees and capacity cuts recover most of it, but not all, and demand softens as US consumers absorb gasoline above \$4/gal. Consensus has moved only ~7% in a month: FY26E EPS of \$12.34 still sits inside guidance set before the war. We forecast \$6.33. We rate shares Underweight.

Valuation

Our \$75 Dec-26 PT is a probability-weighted blend of a base case (50%) at 4.75x FY27E Adj. EBITDA of \$8.0bn less YE26E net debt of \$14.7bn (\$72/share), a bull case (25%) at 5.25x on \$9.9bn (\$118) and a bear case (25%) at 6.0x on \$5.0bn (\$39). We rate shares Underweight.

Risks to Rating and Price Target

Upside Risks: a durable settlement that reopens Hormuz fully by May, with Gulf production and refining restarting faster than we assume and jet fuel back below \$3/gal by 3Q; full recapture of fuel through fares, as in 2022, if demand stays as strong as United's record bookings suggest; deeper industry capacity cuts that lift unit revenue; further strategic stock releases or a relaxation of product-export curbs in China and Korea; and a broad rally in cyclicals as oil falls.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. Hormuz transits recover above 50% of pre-war levels by 15 May (S&P Global CAS, Lloyd's List), and Dated Brent's premium to front-month futures stays below \$5/bbl for two consecutive weeks.
2. Argus' US jet fuel index falls below \$3.25/gal by 30 June, against \$4.81 on 7 April and the \$3.75/gal 2Q-4Q average implied by the 9 April strip.
3. United guides 2Q26 Adj. EPS above \$2.50 on 21 April, or reaffirms FY26 guidance of \$12-14 (we model \$1.84 and \$6.33).
4. Fare recapture exceeds 80% of the extra fuel cost in 2Q26 (we assume 55%; Delta guided 40-50%), with United's 2Q TRASM up more than 15% y/y.
5. US demand holds: TSA throughput stays positive y/y through Memorial Day and the University of Michigan sentiment index recovers above 55 (47.6 preliminary for April).

Signposts

11 Apr: US-Iran talks in Islamabad. 14 Apr: IEA Oil Market Report. 21 Apr: two-week truce expires; United 1Q26 results after the close (call 22 Apr). 24 Apr: final April University of Michigan sentiment. 28-29 Apr: FOMC. 3 May: OPEC+ eight-country meeting. Mid-May: first post-truce cargoes reach Northwest Europe on our voyage arithmetic. 25 May: Memorial Day.

United Airlines Holdings: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E	FY28E	Income Statement - Quarterly	1Q26E	2Q26E	3Q26E	4Q26E	
Passenger revenue	51,829	53,438	57,720	58,818	62,247	Total revenue	14,492	16,793	16,089	16,429	
Cargo and other revenue	5,234	5,632	6,083	6,199	6,560	Aircraft fuel	(3,305)	(5,024)	(4,447)	(3,917)	
Total revenue	57,063	59,070	63,803	65,017	68,807	Other operating expense (ex. D&A)	(9,841)	(10,066)	(10,170)	(10,616)	
Aircraft fuel	(11,756)	(11,396)	(16,693)	(14,216)	(13,783)	Adj. EBITDA	1,346	1,703	1,472	1,896	
Salaries and related	(16,678)	(17,647)	(18,060)	(18,977)	(20,052)	D&A	(770)	(785)	(800)	(815)	
Other operating expense	(20,493)	(22,115)	(22,633)	(23,781)	(25,128)	Adj. operating income	576	918	672	1,081	
Adj. EBITDA	8,136	7,911	6,417	8,043	9,844	Net interest and other	(140)	(140)	(145)	(150)	
D&A	(2,928)	(2,939)	(3,170)	(3,400)	(3,600)	Adj. pre-tax income	436	778	527	931	
Adj. operating income	5,208	4,972	3,247	4,643	6,244	Tax	(98)	(175)	(119)	(209)	
Special items (pre-tax)	(112)	(259)	-	-	-	Adj. net income	338	603	408	722	
Operating income (GAAP)	5,096	4,713	3,247	4,643	6,244	Adj. EPS	1.03	1.84	1.25	2.21	
Net interest and other	(928)	(407)	(575)	(600)	(580)	Fuel gallons (M)	1,109	1,182	1,202	1,187	
Pre-tax income (GAAP)	4,168	4,306	2,672	4,043	5,664	Avg. fuel price (\$/gal)	2.98	4.25	3.70	3.30	
Tax	(1,019)	(953)	(601)	(910)	(1,274)	Shares outstanding (wtd, diluted)	327.6	327.6	327.4	327.2	
Net income (GAAP)	3,149	3,353	2,071	3,133	4,390						
Adj. pre-tax income	4,607	4,580	2,672	4,043	5,664	Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Adj. net income	3,534	3,491	2,071	3,133	4,390	Fuel / revenue	20.6%	19.3%	26.2%	21.9%	20.0%
Reported EPS (diluted)	9.45	10.20	6.33	9.60	13.55	Adj. EBITDA margin	14.3%	13.4%	10.1%	12.4%	14.3%
Adj. EPS	10.61	10.62	6.33	9.60	13.55	Adj. operating margin	9.1%	8.4%	5.1%	7.1%	9.1%
DPS	-	-	-	-	-	Adj. pre-tax margin	8.1%	7.8%	4.2%	6.2%	8.2%
Shares outstanding (wtd, diluted)	333.2	328.5	327.4	326.5	324.0	ROE	-	24.0%	12.6%	16.5%	19.5%
Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E	ROA	-	4.5%	2.6%	3.8%	5.0%
Cash and short-term investments	14,475	12,240	11,000	11,000	11,500	Net debt / equity	1.1x	0.8x	0.8x	0.7x	0.6x
Receivables and other current	4,408	4,618	4,988	5,083	5,379	Net debt / Adj. EBITDA	1.7x	1.6x	2.3x	1.9x	1.6x
Current assets	18,883	16,858	15,988	16,083	16,879	P/E (x)	9.2x	9.2x	15.4x	10.2x	7.2x
PP&E incl. finance-lease ROU (net)	42,908	46,121	50,451	55,051	59,951	P/BV (x)	2.5x	2.1x	1.8x	1.5x	1.3x
Operating lease ROU and other	8,477	8,511	8,511	8,511	8,511	EV/Revenue (x)	0.8x	0.8x	0.7x	0.7x	0.7x
Total assets	74,083	76,448	79,908	84,603	90,299	EV/Adj. EBITDA (x)	5.6x	5.6x	7.2x	5.9x	4.8x
Current debt and finance leases	3,453	4,426	3,860	3,962	4,018	FCF yield	13.5%	8.5%	(6.0%)	(1.2%)	2.9%
Air traffic and loyalty liabilities	10,964	11,852	12,802	13,046	13,806	Avg. fuel price (\$/gal)	2.65	2.44	3.57	2.95	2.75
Payables and other current	8,897	9,855	8,975	9,026	8,862	Capex / Sales	9.8%	9.9%	11.8%	12.3%	12.4%
Current liabilities	23,314	26,133	25,637	26,034	26,686	Revenue y/y Growth	-	3.5%	8.0%	1.9%	5.8%
Long-term debt and finance leases	25,203	20,562	21,876	22,454	22,766	Adj. EBITDA y/y Growth	-	(2.8%)	(18.9%)	25.3%	22.4%
Other LT liabilities (incl. op. leases)	12,891	14,471	14,892	15,529	16,421	Adj. EPS y/y Growth	-	0.1%	(40.4%)	51.7%	41.1%
Total liabilities	61,408	61,166	62,405	64,017	65,873	Fuel expense y/y Growth	-	(3.1%)	46.5%	(14.8%)	(3.0%)
Shareholders' equity	12,675	15,282	17,503	20,586	24,426						
Total liabilities & equity	74,083	76,448	79,908	84,603	90,299						
BVPS	38.66	47.24	53.92	63.54	75.98						
Net debt (incl. finance leases)	14,181	12,748	14,736	15,416	15,284						
Cash flow from operating activities	9,445	8,431	5,612	7,620	9,432						
o/w D&A	2,928	2,939	3,170	3,400	3,600						
Cash flow from investing activities	(2,651)	(6,350)	(7,500)	(8,000)	(8,500)						
o/w Capital expenditure	(5,615)	(5,874)	(7,500)	(8,000)	(8,500)						
as % of sales	10%	10%	12%	12%	12%						
Cash flow from financing activities	(4,182)	(4,945)	648	380	(432)						
o/w Share repurchases	(162)	(637)	(100)	(300)	(800)						
Net change in cash	2,612	(2,864)	(1,240)	-	500						
Free cash flow	4,270	2,710	(1,888)	(380)	932						

Source: Company reports, K2 Capital estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which, FY24A-FY25A are actuals as reported; Adj. EBITDA is Adj. operating income plus D&A (company-defined Adj. EBITDA: \$8,076M in FY25). FY26E-FY28E exclude special items, so GAAP and adjusted lines coincide. FY24A-FY25A net change in cash includes restricted cash; projections are on a cash plus short-term investments basis. Debt includes finance leases and other financial liabilities; operating lease liabilities sit in other LT liabilities. EV uses the current market cap and period-end net debt.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the S&P 500. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (\$)	Price Target (\$)
10-Apr-26	UW (initiation)	97.67	75.00

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Sources and methodology: Prices are as of the close on 9 April 2026 unless stated. Company data are from United Airlines Holdings' Form 10-K for 2025 (filed 12 February 2026), its quarterly earnings releases and Investor Updates (4Q24-4Q25), its 2026 proxy statement, Forms 8-K on its February 2026 note issues, and management remarks at the J.P. Morgan Industrials Conference (17 March 2026) and in an employee memo (20 March 2026), as reported. Peer data are from Delta Air Lines' 1Q26 results (8 April 2026) and American Airlines' Form 8-K (17 March 2026). Market and consensus data are from NYMEX and S&P Dow Jones Indices via Yahoo Finance, Barchart and Zacks. Other sources include the IEA Oil Market Report (12 March 2026) and collective-action releases (11 and 19 March 2026); the EIA (spot and retail fuel prices, World Oil Transit Chokepoints, April 2026 Short-Term Energy Outlook); the US DOE; the BLS (March 2026 CPI); the University of Michigan; the Federal Reserve; IATA; Argus; S&P Global Commodity Insights and Commodities at Sea; Lloyd's List Intelligence; LSEG; Kpler; and reporting by Reuters, Bloomberg, Axios, AP, Fortune, USNI News and others. Historical airline data are from the EIA, the Christian Science Monitor (1991), Flight International (1995), Aviation Strategy (2008) and Business Travel News (2009). Voyage times, the seaborne-arrivals model and all estimates are K2 Capital calculations and are subject to change without notice.

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