

United Airlines: Where Should the Next Dollar Go?

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A strong quarter, several claims on cash

On July 18, 2024, United Airlines Holdings, Inc. (UAL) had released its second-quarter results and filed its quarterly report. The quarter was profitable, demand was strong in several customer segments, and cash generation had improved United's flexibility. At the same time, the airline was operating through a domestic capacity oversupply, carrying significant debt and lease obligations, and managing a long schedule of aircraft commitments.

Two weeks earlier, on July 2, United had voluntarily repaid the remaining \$1.8 billion balance on its MileagePlus term loan, whose interest rate was near 11%. The move reduced an expensive financing burden. It also left the board with a forward-looking question: after the recent payoff, how should United prioritize any discretionary cash generated during the remainder of 2024?

For this classroom exercise, assume you are advising UAL's board at its next capital-allocation review. The board has asked for a policy recommendation, not a share-price forecast. Should United prioritize more debt reduction and liquidity, fund strategic investments in its product and network, or allow shareholder repurchases when cash remains after other priorities? You may recommend a combination, but must state the order of priority and the conditions that would change it. This hypothetical assignment does not describe an actual board meeting or imply management's private intentions.

A high-volume business facing mixed signals

United's second-quarter schedule was the largest in its history, with nearly 2,700 daily departures. It carried 44.4 million passengers, a second-quarter record. The company also reported that premium revenue rose 8.5% year over year and Basic Economy revenue rose 38%. Management attributed resilience to a mix of premium and basic-fare demand, loyalty, and domestic road-warrior market share.

Yet capacity growth and unit revenue did not move together. In the quarter, capacity increased 8.3% from a year earlier, while total operating revenue rose 5.7% and total revenue per available seat mile (TRASM) declined 2.4%. Adjusted cost per available seat mile excluding fuel and selected other items (CASM-ex) increased 2.1%. United described domestic industry capacity as excessive and said published schedules implied a roughly three-point deceleration in growth beginning around mid-August. It had already reduced its planned domestic

fourth-quarter capacity by about three percentage points versus its previous plan.

These data could support more caution on growth, or a view that targeted product and network investment would help United earn better revenue from its scale. The public disclosures do not break out route-level returns, the incremental value of premium seating or digital service, or the expected return on each aircraft investment.

How much flexibility is actually available?

United reported \$2.9 billion in second-quarter operating cash flow and \$1.9 billion of free cash flow under its disclosed non-GAAP definition. At June 30, the company had \$15.2 billion of unrestricted cash, cash equivalents, and short-term investments. Its \$18.2 billion of available liquidity was a broader measure that also included undrawn credit facilities.

Those figures sit beside substantial obligations. United reported \$26.6 billion of total debt and finance lease obligations at quarter-end. A broader filing measure of fixed obligations-including debt, finance and operating leases, and other financial liabilities-was approximately \$34.3 billion, with \$5.5 billion due in the next twelve months. The two obligation totals have overlapping components and different definitions; they cannot be added together. United also reported trailing-twelve-month adjusted net debt to adjusted EBITDAR of 2.6x, a non-GAAP ratio.

Aircraft and other capital commitments add another layer. As of June 30, United listed \$57.4 billion in firm commitments, including aircraft and spare engines, improvements, and other capital items. \$5.6 billion of that contractual schedule fell in the last six months of 2024, \$6.6 billion in 2025, and the remainder over later years. These contract-based commitments are not a single-year cash forecast. Aircraft delivery timing can change, and United's adjusted-capital-expenditure measure excludes some equipment acquired through debt, finance leases, or other financial liabilities.

The July 17 Investor Update forecast adjusted capital expenditures below \$6.5 billion for full-year 2024. It also expected the mainline fleet to grow from 958 aircraft at the end of Q2 to 996 by year-end, subject to delivery changes. The forecast and commitment schedule use different scopes and should not be treated as directly comparable amounts.

Competing uses for capital

United's filing says management reviews working capital, leverage, debt maturities, aircraft commitments, and future investments when assessing shareholder returns and financing flexibility. Debt agreements restrict dividends and share repurchases; United reported that it was in compliance with its covenants at June 30. Covenant compliance does not reveal the remaining headroom under every restriction.

There are plausible arguments for each of three policies:

1. **Balance-sheet first.** Continue retiring costly or near-term debt and preserve liquidity against demand, operational, fuel, or delivery shocks. This could reduce fixed claims and protect future borrowing flexibility. The cost is that cash may remain unused even if strategic investments or a shareholder distribution would create more value.
2. **Investment first.** Fund projects with attractive expected returns in aircraft, customer experience, network, and product, while maintaining scheduled debt reduction. Targeted investment may strengthen revenue quality and differentiation. The cost is execution risk; recent capacity growth was faster than revenue growth, and disclosed materials do not identify project-level returns.

3. **Conditional repurchases.** Allow buybacks only from cash remaining after operational liquidity, committed investment, and debt priorities have been met. Repurchases can be paused more easily than a recurring dividend. Authorization alone does not establish that shares are undervalued, that funds are surplus, or that buying shares would outperform debt repayment or investment.

Delta's June-quarter report provides a contemporaneous industry example: it reported \$2.7 billion of first-half free cash flow and \$2.1 billion of debt repayment, while announcing a 50% increase in its quarterly dividend beginning in September. Delta's capital structure, earnings, investment needs, and definitions differ from United's. The example shows one carrier's choices, not a transferable answer.

The board's assignment

Recommend an order of priority for discretionary cash over the remainder of 2024 and explain how the board should revisit it as new information arrives. In your memo:

- Distinguish cash on hand, available liquidity, operating cash flow, reported free cash flow, debt, lease and other fixed obligations, and aircraft commitments.
- Compare the strongest case for each policy and address the risk in your preferred approach.
- State any minimum-liquidity buffer, debt threshold, investment hurdle, or repurchase trigger you use as an assumption. Do not present it as United policy.
- Identify two or three measures or events that would cause you to change course, and what information United should collect before setting exact dollar amounts.

The central issue is not whether United can report positive quarterly free cash flow. It is which claims on cash should come first, and what conditions would make cash truly discretionary.

Exhibits

Exhibit 1. United Q2 2024 financial and operating snapshot

Measure	Q2 2024 or June 30 position
Total operating revenue (GAAP)	\$15.0bn; +5.7% YoY
Capacity	+8.3% YoY
TRASM	−2.4% YoY
Adjusted CASM-ex	+2.1% YoY
Pre-tax earnings (GAAP)	\$1.7bn
Operating cash flow (GAAP)	\$2.876bn
Free cash flow (United non-GAAP measure)	\$1.918bn
Adjusted capital expenditures (United non-GAAP measure)	\$0.958bn
Unrestricted cash, cash equivalents, and short-term investments (June 30)	\$15.2bn
Available liquidity, including undrawn facilities (June 30)	\$18.2bn
Debt and finance lease obligations (June 30)	\$26.6bn
Broader fixed obligations including operating leases and other liabilities	\$34.3bn; \$5.5bn due within 12 months
Adjusted net debt / adjusted EBITDAR (non-GAAP)	2.6x

Notes: Year-over-year percentages compare Q2 2024 with Q2 2023. Free cash flow subtracts United's adjusted capital expenditure from operating cash flow. Available liquidity includes undrawn credit and is not the same as unrestricted cash. The \$26.6bn and \$34.3bn measures overlap and have different definitions; do not add them. The 2.6x ratio is non-GAAP and is not a covenant threshold. Figures are rounded where shown. [S1, S2]

Exhibit 2. Capital commitments and planned investment

Contractual firm commitments at June 30, 2024	Amount
Last six months of 2024	\$5.6bn
2025	\$6.6bn
2026	\$5.5bn
2027	\$4.7bn
2028	\$7.2bn
After 2028	\$27.8bn
Total	\$57.4bn

United's July 17 Investor Update estimated adjusted 2024 capital expenditures below \$6.5bn and a year-end mainline fleet of 996 aircraft, versus 958 at June 30. Firm commitments include aircraft and related spare engines, improvements, and non-aircraft capital items, based on contractual schedules. Deliveries and commitment timing may change. The capex forecast and commitment schedule use different definitions and are not a reconciliation. [S3, S4]

Exhibit 3. Capacity, revenue, and product indicators

Q2 2024 indicator	Reported change or status
Capacity	+8.3% YoY
Total operating revenue	+5.7% YoY
TRASM	−2.4% YoY
Premium revenue	+8.5% YoY
Basic Economy revenue	+38% YoY
Passengers carried	44.4m; record second quarter
Planned domestic Q4 capacity	Reduced by about 3 percentage points vs prior plan

Premium/basic revenue growth and management's explanation are company-reported; the release does not quantify incremental customer-level profitability. Growth-rate differences do not identify an elasticity or route-level margin. [S2](#)

Exhibit 4. Delta Airlines June-quarter capital allocation (company-reported)

Delta Q2 2024 statement	Reported figure/action
First-half free cash flow	\$2.7bn
First-half debt repayment	\$2.1bn
Quarterly dividend	Announced 50% increase beginning in September quarter

Delta uses its own reporting definitions and had a different financing and investment position. This is an example of a competitor's actions, not an estimate of what United can afford. [S5](#)

Selected source locators

- **S1.** United Airlines Holdings, Inc., [Form 10-Q for quarter ended June 30, 2024](#), filed July 18, 2024; Part I, Item 2, “Liquidity and Capital Resources,” pp. 31-33; statements of cash flows; operating results, pp. 25-30.
- **S2.** United, [Q2 2024 earnings release, Exhibit 99.1](#), July 17, 2024; “Second-Quarter Financial Results,” opening commentary, “Operations,” and cash-flow/non-GAAP reconciliation tables.
- **S3.** United Airlines Holdings, Inc., [FY2023 Form 10-K](#), filed Feb. 29, 2024; United Next and aircraft-delivery risks; Note 12, capital commitments.

- **S4.** United, [Q2 2024 Investor Update, Exhibit 99.2](#), July 17, 2024; FY2024 guidance and fleet plan.
- **S5.** Delta Air Lines, [June-quarter 2024 financial results](#), July 11, 2024; free cash flow, debt repayment, and quarterly dividend announcement.

All sources and locators refer to disclosures available by July 18, 2024. Management forecasts and interpretations are identified as such. Non-GAAP measures follow issuer definitions; they are supplemental and may not be comparable across carriers.