

Edgar Filing: United Continental Holdings, Inc. - Form 10-Q

United Continental Holdings, Inc.

Form 10-Q

October 17, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM

10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Executive Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
001-06033	United Continental Holdings, Inc. 233 South Wacker Drive, Chicago, Illinois 60606 (872) 825-4000	Delaware	36-2675207
001-10323	United Airlines, Inc. 233 South Wacker Drive, Chicago, Illinois 60606 (872) 825-4000	Delaware	74-2099724

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

United Continental Holdings, Inc. Yes ☒ No ☐ United Airlines, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

United Continental Holdings, Inc. Yes ☒ No ☐ United Airlines, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

United Continental Holdings, Inc.	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
United Airlines, Inc.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

United Continental Holdings, Inc. ☐

Edgar Filing: United Continental Holdings, Inc. - Form 10-Q

United Airlines, Inc. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

United Continental Holdings, Inc. Yes ☐ No ☒

United Airlines, Inc. Yes ☐ No ☒

The number of shares outstanding of each of the issuer's classes of common stock as of October 12, 2018 is shown below:

United Continental Holdings, Inc. 272,464,412 shares of common stock (\$0.01 par value)

United Airlines, Inc. 1,000 shares of common stock (\$0.01 par value) (100% owned by United Continental Holdings, Inc.)

OMISSION OF CERTAIN INFORMATION

This combined Quarterly Report on Form 10-Q is separately filed by United Continental Holdings, Inc. and United Airlines, Inc. United Airlines, Inc. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format allowed under that General Instruction.

United Continental Holdings, Inc.
 United Airlines, Inc.
 Quarterly Report on Form 10-Q
 For the Quarterly Period Ended September 30, 2018

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>United Continental Holdings, Inc.:</u>	
<u>Statements of Consolidated Operations</u>	<u>3</u>
<u>Statements of Consolidated Comprehensive Income (Loss)</u>	<u>4</u>
<u>Consolidated Balance Sheets</u>	<u>5</u>
<u>Condensed Statements of Consolidated Cash Flows</u>	<u>7</u>
<u>United Airlines, Inc.:</u>	
<u>Statements of Consolidated Operations</u>	<u>8</u>
<u>Statements of Consolidated Comprehensive Income (Loss)</u>	<u>9</u>
<u>Consolidated Balance Sheets</u>	<u>10</u>
<u>Condensed Statements of Consolidated Cash Flows</u>	<u>12</u>
<u>Combined Notes to Condensed Consolidated Financial Statements</u> <u>(United Continental Holdings, Inc. and United Airlines, Inc.)</u>	<u>13</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>37</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>38</u>
<u>Item 1A. Risk Factors</u>	<u>38</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>39</u>
<u>Exhibit Index</u>	<u>39</u>
<u>Signatures</u>	<u>40</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

(In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (a)	2018	2017 (a)
Operating revenue:				
Passenger revenue	\$10,120	\$9,069	\$28,150	\$25,873
Cargo	296	279	903	790
Other operating revenue	587	551	1,759	1,670
Total operating revenue	11,003	9,899	30,812	28,333
Operating expense:				
Salaries and related costs	2,930	2,785	8,534	8,263
Aircraft fuel	2,572	1,809	6,927	5,038
Regional capacity purchase	663	567	1,963	1,652
Landing fees and other rent	596	585	1,757	1,670
Depreciation and amortization	564	556	1,662	1,610
Aircraft maintenance materials and outside repairs	455	451	1,333	1,377
Distribution expenses	427	377	1,162	1,081
Aircraft rent	109	145	355	476
Special charges (Note 10)	17	50	186	145
Other operating expenses	1,467	1,436	4,293	4,126
Total operating expenses	9,800	8,761	28,172	25,438
Operating income	1,203	1,138	2,640	2,895
Nonoperating income (expense):				
Interest expense	(187) (169) (540) (498
Interest capitalized	18	20	51	64
Interest income	28			