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BUS1-20 Section 04
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The two publicly traded companies that will be analyzed throughout this report are United Airlines and Delta Airlines, two airline companies that are direct competitors with each other. They both service the public with both domestic and international flights across the United States. The most recent annual 10-K filings for both companies was 2021, a year where most airline companies were severely impacted by COVID-19. This means that this year's financials are likely going to be significantly lower than average, and make both companies seem to be a bad investment.

Seeing as both of these companies are direct competitors, the net profit margin is a good indicator of whether or not a company is earning enough profit to support their costs, with a good margin around 20%. Delta had a net profit margin of 0.94%, while United had a 7.97%. United has a far superior net profit margin, as that represents that they are able to control their costs and provide services and still receive a profit. We also measured the current ratio, which is a direct measure of a company's assets and liabilities, typically sitting in the 1.5–3 range. United had a current ratio of 1.19, while Delta had a ratio of 0.76. Both of these ratios are below the average ratio value, but United is the closer of the two. When looking at the return on assets percentage, a measure of how profitable a company is in relation to its total assets, we found that Delta had an ROA of 0.39%, while United had an ROA of 3.08%. United has the better ROA, but yet again these companies are both below the typical 5% average for companies. The debt-to-equity ratio, a measure of how much debt a company is using to finance their equity, is typically around 2 to 2.5, while Delta had a debt-to-equity ratio of 17.64 and United had a ratio of 12.56. This is a sign both of these companies are in financial distress and struggling to pay its debtors. The final ratio we looked at was the return on equity ratio, or the ROE, a measure of the profitability of a company in direct comparison to its equity, typically around 18%. Delta had an ROE of 10.33%, while United had an ROE of 17.87%, extremely close to the industry average.

Based on the information presented above, it is evident that United Airlines is the superior company in direct comparison to Delta, and would ultimately be a better investment option as well. United will not only bring in a greater return for investors, but also has a clear competitive advantage over other airline companies. Though United is the better option, both companies seem to have rather high debt-to-equity ratios. Double digit ratios in this field are likely to repel future investors, as it means that a company has a large amount of debt relative to their stockholders' equity. In order for a company like Delta to substantially outperform United, Delta must have a higher return on assets, as well as a higher net profit margin. By improving both of these areas, Delta will bring in more profit, while also reducing the expenses in any given financial accounting period.

Obviously, neither of these companies look like good investments on paper. Neither of these companies were in the “good” range for any of the ratios we explored. Although this may be true, it is important to note that this was in the tail end of the COVID-19 pandemic, where nearly all airline travel was limited, resulting in some of the hardest years of these companies. Luckily, almost all major airlines are multi billion dollar companies, so they were able to make it through the pandemic regardless of their poor financials for 2020 and 2021. Nevertheless, we still believe that it would be wisest to invest in United Airlines, especially seeing as the pandemic has been on the decline for some time now. This implies that they are likely to resume typical business, meaning now may be the best time to invest.

Delta Airlines, Inc. (DAL) Ratios:

Current ratio: $\$15,940/20,966 = 0.76$

Net profit margin: $(\$280/29,899) \times 100 = 0.94\%$

Return on assets: $(\$280/72,227.50) \times 100 = 0.39\%$

Debt-to-equity ratio: $\$68,572/3,887 = 17.64$

Return on equity: $(\$280/2,710.5) \times 100 = 10.33\%$

Link to Delta:

https://www.sec.gov/ix?doc=/Archives/edgar/data/0000027904/000002790422000003/dal-20211231.htm#i37f8d64a00d24bce88d1b135486c9e43_145

United Airlines, Inc. (UAL) Ratios:

Current ratio: $\$21,834/18,304 = 1.19$

Net profit margin: $(\$1,964/24,634) \times 100 = 7.97\%$

Return on assets: $(\$1,964/63,861.5) \times 100 = 3.08\%$

Debt-to-equity ratio: $\$63,146/5,029 = 12.56$

Return on equity: $(\$1,964/10,989) \times 100 = 17.87\%$

Link to United:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/0000319687/000010051722000009/ual-20211231.htm>

Delta Airlines Screenshots:

DELTA AIR LINES, INC.
Consolidated Balance Sheets

(in millions, except share data)	December 31,	
	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,933	\$ 8,307
Short-term investments	3,386	5,789
Accounts receivable, net of an allowance for uncollectible accounts of \$50 and \$89	2,404	1,396
Fuel inventory	694	377
Expendable parts and supplies inventories, net of an allowance for obsolescence of \$176 and \$188	404	355
Prepaid expenses and other	1,119	1,180
Total current assets	15,940	17,404
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation and amortization of \$18,671 and \$17,511	28,749	26,529
Operating lease right-of-use assets	7,237	5,733
Goodwill	9,753	9,753
Identifiable intangibles, net of accumulated amortization of \$893 and \$883	6,001	6,011
Cash restricted for airport construction	473	1,556
Equity investments	1,712	1,665
Deferred income taxes, net	1,294	1,988
Other noncurrent assets	1,300	1,357
Total noncurrent assets	56,519	54,592
Total assets	\$ 72,459	\$ 71,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of debt and finance leases	\$ 1,782	\$ 1,732
Current maturities of operating leases	703	678
Air traffic liability	6,228	4,044
Accounts payable	4,240	2,840
Accrued salaries and related benefits	2,457	2,086
Loyalty program deferred revenue	2,710	1,777
Fuel card obligation	1,100	1,100
Other accrued liabilities	1,746	1,670
Total current liabilities	20,966	15,927
Noncurrent Liabilities:		
Debt and finance leases	25,138	27,425
Noncurrent air traffic liability	130	500
Pension, postretirement and related benefits	6,035	10,630
Loyalty program deferred revenue	4,849	5,405
Noncurrent operating leases	7,056	5,713
Other noncurrent liabilities	4,398	4,862
Total noncurrent liabilities	47,606	54,535
Commitments and Contingencies		
Stockholders' Equity:		
Common stock at \$0.0001 par value; 1,500,000,000 shares authorized, 649,720,387 and 647,352,203 shares issued	—	—
Additional paid-in capital	11,447	11,259
Accumulated deficit	(148)	(428)
Accumulated other comprehensive loss	(7,130)	(9,038)
Treasury stock, at cost, 9,752,872 and 9,169,683	(282)	(259)
Total stockholders' equity	3,887	1,534
Total liabilities and stockholders' equity	\$ 72,459	\$ 71,996

The accompanying notes are an integral part of these Consolidated Financial Statements.

DELTA AIR LINES, INC.
Consolidated Statements of Cash Flows

(in millions)	Year Ended December 31,		
	2021	2020	2019
Cash Flows From Operating Activities:			
Net income/(loss)	\$ 280	\$ (12,385)	\$ 4,767
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring charges	5	4,111	—
Depreciation and amortization	1,998	2,312	2,581
Deferred income taxes	115	(3,110)	1,473
Pension, postretirement and postemployment payments less/(greater) than expense	(2,038)	898	(922)
Impairments and equity method losses	337	2,432	62
Changes in certain assets and liabilities:			
Receivables	(981)	1,168	(775)
Fuel inventory	(318)	354	(139)
Noncurrent assets	(76)	210	111
Air traffic liability	1,814	(572)	454
Loyalty program deferred revenue	376	455	87
Profit sharing	108	(1,650)	354
Other payables, deferred revenue and accrued liabilities	1,986	240	144
Noncurrent liabilities	(399)	1,185	(16)
Other, net	57	559	244
Net cash provided by/(used in) operating activities	3,264	(3,793)	8,425
Cash Flows From Investing Activities:			
Property and equipment additions:			
Flight equipment, including advance payments	(1,596)	(896)	(3,344)
Ground property and equipment, including technology	(1,651)	(1,003)	(1,592)
Proceeds from sale-leaseback transactions	—	465	—
Purchase of equity investments	—	(2,099)	(170)
Sale of equity investments	—	—	279
Purchase of short-term investments	(12,655)	(13,400)	—
Redemption of short-term investments	15,036	7,608	206
Other, net	(32)	87	58
Net cash used in investing activities	(898)	(9,238)	(4,563)
Cash Flows From Financing Activities:			
Proceeds from short-term obligations	—	3,261	1,750
Proceeds from long-term obligations	1,902	22,790	2,057
Proceeds from sale-leaseback transactions	—	2,306	—
Payments on debt and finance lease obligations	(5,834)	(8,559)	(3,320)
Repurchase of common stock	—	(344)	(2,027)
Cash dividends	—	(260)	(980)
Fuel card obligation	—	364	(339)
Other, net	80	(202)	(21)
Net cash (used in)/provided by financing activities	(3,852)	19,356	(2,880)
Net (Decrease)/Increase in Cash, Cash Equivalents and Restricted Cash	(1,486)	6,325	982
Cash, cash equivalents and restricted cash at beginning of period	10,055	3,730	2,748
Cash, cash equivalents and restricted cash at end of period	\$ 8,569	\$ 10,055	\$ 3,730
Supplemental Disclosure of Cash Paid for Interest	\$ 1,506	\$ 761	\$ 481
Non-Cash Transactions:			
Right-of-use assets acquired under operating leases	\$ 2,113	\$ 1,077	\$ 464
Flight and ground equipment acquired under finance leases	1,049	381	650
Other financings	—	280	—
Operating leases converted to finance leases	42	—	190

The accompanying notes are an integral part of these Consolidated Financial Statements.

DELTA AIR LINES, INC.
Consolidated Statements of Operations

(in millions, except per share data)	Year Ended December 31,		
	2021	2020	2019
Operating Revenue:			
Passenger	\$ 22,519	\$ 12,883	\$ 42,277
Cargo	1,032	608	753
Other	6,348	3,604	3,977
Total operating revenue	29,899	17,095	47,007
Operating Expense:			
Salaries and related costs	9,728	9,001	11,601
Aircraft fuel and related taxes	5,633	3,176	8,519
Ancillary businesses and refinery	3,957	1,785	1,245
Contracted services	2,420	1,953	2,942
Landing fees and other rents	2,019	1,833	2,176
Depreciation and amortization	1,998	2,312	2,581
Regional carrier expense	1,736	1,584	2,158
Aircraft maintenance materials and outside repairs	1,401	822	1,751
Passenger commissions and other selling expenses	953	643	2,211
Passenger service	756	551	1,312
Aircraft rent	430	399	423
Restructuring charges	(19)	8,219	—
Profit sharing	108	—	1,643
Government grant recognition	(4,512)	(3,946)	—
Other	1,405	1,232	1,827
Total operating expense	28,013	29,564	40,389
Operating Income/(Loss)	1,886	(12,469)	6,618
Non-Operating Expense:			
Interest expense, net	(1,279)	(929)	(301)
Impairments and equity method losses	(337)	(2,432)	(62)
Gain/(loss) on investments, net	56	(105)	119
Loss on extinguishment of debt	(319)	(8)	—
Pension and related benefit/(expense)	451	219	(65)
Miscellaneous, net	(60)	137	(111)
Total non-operating expense, net	(1,488)	(3,118)	(420)
Income/(Loss) Before Income Taxes	398	(15,587)	6,198
Income Tax (Provision)/Benefit	(118)	3,202	(1,431)
Net Income/(Loss)	\$ 280	\$ (12,385)	\$ 4,767
Basic Earnings/(Loss) Per Share	\$ 0.44	\$ (19.49)	\$ 7.32
Diluted Earnings/(Loss) Per Share	\$ 0.44	\$ (19.49)	\$ 7.30
Cash Dividends Declared Per Share	\$ —	\$ 0.40	\$ 1.51

The accompanying notes are an integral part of these Consolidated Financial Statements.

United Airlines Screenshots:

UNITED AIRLINES HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS
(In millions, except per share amounts)

	Year Ended December 31,		
	2021	2020	2019
Operating revenue:			
Passenger revenue	\$ 20,197	\$ 11,805	\$ 39,625
Cargo	2,349	1,648	1,179
Other operating revenue	2,088	1,902	2,455
Total operating revenue	24,634	15,355	43,259
Operating expense:			
Salaries and related costs	9,566	9,522	12,071
Aircraft fuel	5,755	3,153	8,953
Depreciation and amortization	2,485	2,488	2,288
Landing fees and other rent	2,416	2,127	2,543
Regional capacity purchase	2,147	2,039	2,849
Aircraft maintenance materials and outside repairs	1,316	858	1,794
Distribution expenses	677	459	1,651
Aircraft rent	228	198	288
Special charges (credits)	(3,367)	(2,616)	246
Other operating expenses	4,433	3,486	6,275
Total operating expense	25,656	21,714	38,958
Operating income (loss)	(1,022)	(6,359)	4,301
Nonoperating income (expense):			
Interest expense	(1,657)	(1,063)	(731)
Interest capitalized	80	71	85
Interest income	36	50	133
Unrealized gains (losses) on investments, net	(34)	(194)	153
Miscellaneous, net	40	(1,327)	(27)
Total nonoperating expense, net	(1,535)	(2,463)	(387)
Income (loss) before income taxes	(2,557)	(8,822)	3,914
Income tax expense (benefit)	(593)	(1,753)	905
Net income (loss)	\$ (1,964)	\$ (7,069)	\$ 3,009
Earnings (loss) per share, basic	\$ (6.10)	\$ (25.30)	\$ 11.63
Earnings (loss) per share, diluted	\$ (6.10)	\$ (25.30)	\$ 11.58

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,283	\$ 11,269
Short-term investments	123	414
Restricted cash	37	255
Receivables, less allowance for credit losses (2021—\$28; 2020—\$78)	1,663	1,295
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2021—\$546; 2020—\$478)	983	932
Prepaid expenses and other	745	635
Total current assets	21,834	14,800
Operating property and equipment:		
Flight equipment	39,584	38,218
Other property and equipment	8,764	8,511
Purchase deposits for flight equipment	2,215	1,166
Total operating property and equipment	50,563	47,895
Less—Accumulated depreciation and amortization	(18,489)	(16,429)
Total operating property and equipment, net	32,074	31,466
Operating lease right-of-use assets	4,645	4,537
Other assets:		
Goodwill	4,527	4,527
Intangibles, less accumulated amortization (2021—\$1,544; 2020—\$1,495)	2,803	2,838
Restricted cash	213	218
Deferred income taxes	659	131
Notes receivable, less allowance for credit losses (2021—\$622; 2020—\$522)	76	31
Investments in affiliates and other, net	1,344	1,000
Total other assets	9,622	8,745
Total assets	\$ 68,175	\$ 59,548

(continued on next page)

UNITED AIRLINES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
	2021	2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,562	\$ 1,595
Accrued salaries and benefits	2,121	1,960
Advance ticket sales	6,354	4,833
Frequent flyer deferred revenue	2,239	908
Current maturities of long-term debt	3,002	1,911
Current maturities of other financial liabilities	834	18
Current maturities of operating leases	556	612
Current maturities of finance leases	76	182
Other	560	706
Total current liabilities	18,304	12,725
Long-term debt	30,361	24,836
Long-term obligations under operating leases	5,152	4,986
Long-term obligations under finance leases	219	224
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	4,043	5,067
Pension liability	1,920	2,460
Postretirement benefit liability	1,000	994
Other financial liabilities	863	1,140
Other	1,284	1,156
Total other liabilities and deferred credits	9,110	10,817
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 323,810,825 and 311,845,232 shares at December 31, 2021 and 2020, respectively	4	4
Additional capital invested	9,156	8,366
Stock held in treasury, at cost	(3,814)	(3,897)
Retained earnings	625	2,626
Accumulated other comprehensive loss	(942)	(1,139)
Total stockholders' equity	5,029	5,960
Total liabilities and stockholders' equity	\$ 68,175	\$ 59,548

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Year Ended December 31,		
	2021	2020	2019
Operating Activities:			
Net income (loss)	\$ (1,964)	\$ (7,069)	\$ 3,009
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities -			
Deferred income tax (benefit)	(583)	(1,741)	882
Depreciation and amortization	2,485	2,488	2,288
Operating and non-operating special charges, non-cash portion	32	1,448	175
Unrealized (gains) losses on investments	34	194	(153)
Other operating activities	393	320	185
Changes in operating assets and liabilities -			
(Increase) decrease in receivables	(448)	135	44
(Increase) decrease in other assets	(292)	484	(252)
Increase in advance ticket sales	1,521	14	438
Increase in frequent flyer deferred revenue	307	699	271
Increase (decrease) in accounts payable	985	(1,079)	324
Decrease in other liabilities	(403)	(26)	(302)
Net cash provided by (used in) operating activities	2,067	(4,133)	6,909
Investing Activities:			
Capital expenditures, net of flight equipment purchase deposit returns	(2,107)	(1,727)	(4,528)
Purchases of short-term and other investments	(68)	(552)	(2,933)
Proceeds from sale of short-term and other investments	397	2,319	2,996
Proceeds from sale of property and equipment	107	6	49
Loans made to others	—	—	(174)
Other, net	(1)	4	30
Net cash provided by (used in) investing activities	(1,672)	50	(4,560)
Financing Activities:			
Repurchases of common stock	—	(353)	(1,645)
Proceeds from issuance of debt, net of discounts and fees	11,096	15,676	1,786
Proceeds from equity issuance	532	2,103	—
Payments of long-term debt, finance leases and other financing liabilities	(5,205)	(4,449)	(1,391)
Other, net	(27)	(20)	(30)
Net cash provided by (used in) financing activities	6,396	12,957	(1,280)
Net increase in cash, cash equivalents and restricted cash	6,791	8,874	1,069
Cash, cash equivalents and restricted cash at beginning of year	11,742	2,868	1,799
Cash, cash equivalents and restricted cash at end of year	\$ 18,533	\$ 11,742	\$ 2,868
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt, finance leases and other	\$ 814	\$ 1,968	\$ 515
Right-of-use assets acquired through operating leases	771	198	498
Equity interest in Avianca Group International Limited ("AVG") received in consideration for a loan	164	—	—
Notes receivable and warrants received for entering into aircraft and other ancillary business agreements	131	—	—
Lease modifications and lease conversions	123	527	(2)
Cash Paid (Refunded) During the Period for:			
Interest	\$ 1,424	\$ 874	\$ 648
Income taxes	—	(29)	29

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.