

United Airlines sees quarterly profit above Street view

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CHICAGO, July 24 (Reuters) - UAL Corp., the parent of United Airlines, on Monday said its preliminary results show that second-quarter earnings will be more than double Wall Street forecasts, driven by strong revenue and cost cuts, sending its shares up as much as 12 percent.

The No. 2 U.S. airline, which emerged from bankruptcy in February, said it expects net income for the quarter will be \$119 million, or 93 cents per share, including a one-time severance expense of \$22 million.

Excluding the severance expense, profit would be \$141 million, UAL said.

Wall Street analysts have estimated earnings of 44 cents a share, excluding items, according to Reuters Estimates.

"It's a continuation of a positive revenue trend that we're seeing as the carriers have been reporting their numbers," said Jim Corridore, analyst at Standard & Poor's.

AMR Corp., parent of No. 1 U.S. carrier American Airlines, and discount carrier Southwest Airlines Inc. last week both reported second-quarter results that topped Wall Street expectations, as industry-wide capacity reductions and fare increases boosted revenues.

UAL said it expects operating revenue to be up 16 percent to \$5.1 billion for the quarter and sees its operating margin rising to 5.1 percent from 1.1 percent in the 2005 quarter.

"We expect to report results that exceed current second-quarter consensus expectations because of the continuing benefits of our restructuring, strong revenue growth, and our cost control efforts," UAL Chief Executive Glenn Tilton said in a statement.

The company said it had an effective tax rate of zero for the quarter and said cash and short-term investments at the end of the quarter are estimated at \$5.1 billion.

UAL in the year-earlier second quarter had a loss of \$26 million, excluding reorganization and special items.

The company will release final second-quarter results on July 31.

United Airlines, whose cost reduction program includes cutting as many as 1,000 jobs by the end of this year, said it expects to achieve a portion of its planned 2007 savings ahead of schedule in 2006.

It said average costs for jet fuel in the second quarter are estimated at \$2.16 per gallon, and it has 28 percent of its requirements hedged for the third quarter at an average price of \$1.66 per gallon, excluding taxes, using crude oil swaps.

UAL shares were up \$1.15 at \$28.10 in morning trade on Nasdaq, after earlier trading as high as \$30.55.