

Performance since completion

[Business](#)



The United Airlines is an American airline and among the largest worldwide with 702 aircrafts and approximately 86, 852 staff. Before the UAL merger with Continental Airlines, both companies have faced with intense competition with lower cost companies.

The financial statement of the United Airlines revealed the third quarter in 2010, when it has net income amounted to 473 million dollars. The report excludes specific substance that involves a rise of 533 million dollars after a year since the start of the third quarter. Among the exceptional items, were the merger costs together with all the miscellaneous that the company incurred which was 87 million dollars. The passenger revenue of the united airlines increased by 21. 4% when it reached the third quarter of 2010, when contrasted to the same duration in 2009.

During the third quarter period of 2010, the full revenue sum was 5. 4 billion dollars which improved by 21. 7% than the income incurred in 2009. The United Airline's total expenses that excluded particular commodities towards the end of 2010 rose by 463 million dollars. Alternatively, the increase in percentage was 10. 7 in contrast with the one achieved in the end of 2009 with a figure of 211 million dollars because of higher costs of fuel.

Based on the figures of United Airlines, the amount of revenues is large when compared to the low cost the company incurs. This reveals the company abilities to progress efficiently in their costs. United operates about 3, 300 flights a day on United Mainline and United Express to more than 230 U. S. Domestic and international destinations from its hubs at several locations and continental airlines are the world's fifth largest airline by Revenue

Passenger Miles in 2009, and operate more than 2, 000 daily departures. The financial statement of Continental airlines before merging with United Airlines reported a net return of 367 million dollars towards the end of 2010.

This included 2. 24 minor earnings accountable for each share eliminating the specific services that made the company to achieve 365 million dollars in consecutive years. The net revenue of Continental airlines amounted to 354 million dollars when it included its outstanding commodities. Their passenger revenue also rose by 20. 6% towards the end of 2010 than in 2009 the same period. The company's total revenue during the same period in 2010 amounted to 4.

0 billion dollars showing an improvement of 19. 2 percent than in 2009.

Continental's expenses in total improved by 7. 9 percent, which in figures is 256 million dollars in 2010 when contrasted to 2009. The company incurred expenses towards the end of 2010, which rose by 102 million dollars, which is an equivalent of 4. 3 percent.

This amount excludes other expenses like the profit-oriented programs, and products such as fuel. When the two companies merged, the combined airline operates 5, 800 flights approximately a day serve up to 371 airports throughout the Americas from the 10 hubs, which are 8 domestic and 2 international. The two companies finished their merging process on October 1st towards the end of 2010. During this period, UAL, and Continental have a net loss of 82 and 146 million respectively right before they announced about their merger. The financial statement of the two companies working together amounted to 3.

15 million dollars. The factors that contributed to these were the 95 percent casted votes and shares, which was 75 percent. The merged airlines reported higher profits in which the United Airlines earned 387 million dollars while recorded a profit of 354 million dollars. The Goals and Objectives of the Airlines The objective of the United Airline is to support the unique programs, enhance a social network to maintain a respectful relationship among the current and the past flight attendants in, and improve on their air services. The goals of the continental airline are to offer reliable and safe means of transportation by air to its passengers.

4. 1. 2 Identify the synergy(ies) that the acquirer will use on the target. By the merger, UAL expects to yield 1. 0 to 1. 2 billion dollars in net annual synergies by 2013.

This includes the amount ranging between 800 million dollars and 900 million dollars of increase in annual revenues. In large part from expanded customer options, it results from the highest scope and rate of the network, fleet optimization and extra international service became successful by the broader network of the merged company. UAL expects the mixed firms to realize between 200 million dollars and 300 million dollars of net cost synergies when it reaches 2013. We also wait for the combined firms to incur substantial expenses in connection with the Merger. In addition, UAL expects that about 25% of its gross synergies in 2011.

The search is for synergy; the concept is that two businesses will generate more profits together than doing separately. The aspect of commonality may be same technology, customer. Usage, distribution, managerial skills, or

product similarity. This is the rationale taken. By Quebec-based Bombardier, the world's third-largest aircraft manufacturer.

In the 1980s, the Company expanded beyond snowmobiles into making light rail equipment. Defining itself as a transportation company, it entered the aircraft business in 1986, with its purchase of Canadair, then best known for its fire-fighting airplanes. It later bought Learjet, a well-known Maker of business jets. Over a 14-year period, Bombardier launched 14 new aircraft. In July 2008, the company announced its C Series Aircraft Program to manufacture a 110-130-seat "green" single-aisle family of airplanes to compete directly with Airbus and Boeing.

40 4. 1. 2. 1 At the corporate level, is it horizontal integration, vertical integration, related diversification, or unrelated diversification (chapter 7) The merger is horizontal integration. UAL expands its operation into other geographic locations through the hubs and much better services offered to current airlines market by combining both companies' program.

As we mentioned before, both companies have the same operating industry UAL and Continental merged to obtain a sizeable portion of market share. 4. 1. 2. 2 At the business level, is the acquirer pursuing a cost leadership, differentiation, or focus strategy with the target (chapter 5). When the two companies merge, their aim is to achieve leadership to meet their costs for their business to run efficiently.

To meet these conditions, they remove the double positions in their merged association. 4. 1. 2. 3 Identify any other type of synergies (lecture slides) Synergy are two things working together to achieve a common result.

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Corporate synergy is the financial remuneration that a company expects when it merges with another firm. Cost synergy is when the two firms work together to reduce expenses in a business. 4. 1. 3 State the when the acquirer expects to achieve these goals. The acquirer aim at achieving their goals for January that involves 100 dollars to pay their frontline workers.

This acted as a part of their incentive plan to create efficiency in the flights to fulfill their goals. The UAL on the other hand expects to gain 418 million dollars to cater for savings and the annual payments of all their expenses. Financial performance since completion For the merger analysis, we prepared the UAL and Continental financial records during the early period of 2010, which is before merger announced and prepared the United Continental Holding's first quarter of the 2011, which is after merger completed. At the end of the first quarter of 2011, United Continental Holdings reported revenue of \$8, 202 million, which is greater than the sum of the first quarter of 2010's two companies' revenue, \$7, 410million. This total revenue did not destroy value. In addition, for the profit, sum of both companies' net loss was \$228 million in the first quarter of 2010.

However, after the merger completes, UAL reported \$213 million net loss, which increased profit of \$15 million. Therefore, the merger did not destroy value. We also did the trend analysis. The revenue growth rates of UAL and Continental from 2008 to 2009 were -19. 11% and -17.

42% respectively. The sum of the adjustment total revenue of two companies before the merger was \$6, 048 million. The revenue of after the

merger was \$ 8, 202, which was \$2, 154 million greater than \$6, 048 million.
It means we might conclude that they created the value.