

## **Hedge Funds Attempt to Maintain Control of United Cash**

A few weeks ago, two large hedge funds announced six nominations (five of whom have no airline experience) to the board of directors. The funds, PAR and Altimeter Capital, which share the 24<sup>th</sup> floor of at 1 International Place in Boston, claim they are interested in the long-term success of United but this is rarely the case with activist investors. They take control, slash costs, drive a short-term spike in share price then cash out without a thought to the consequences for employees and customers.

## **Response to Hostile Hedge Funds Attempt to Control United Board**

The timing of the announcement is suspect, made just days before C.E.O. Oscar Munoz returned from his medical leave. The financial community responded skeptically and union leaders quickly slammed the action:

- Jim Cramer of CNBC called it “a new low for activist investing” saying “this is ridiculous; this is a good stock and getting better” while noting United has outperformed the S&P 500 90% to 28% over the past three years.
- Dan Reed of Forbes questioned the timing and called the PAR & Altimeter’s action “odd, and out-of character,” in addition to being “pointless, given United’s share increase value.”
- AFA-CWA stated, “These investors are creating a distraction at just the wrong time if their interest is truly in turning around United and building an airline that will again lead the industry.”
- ALPA said, “grave concerns about the sudden attempt by two activist investors to gain effective control of United’s board.”
- IAM stated, “Oscar Munoz and his team have helped United turn the corner in improving employee relations and that ultimately benefits employees, shareholders and passengers alike.”

## **Change of Leadership and Departure from Corruption**

Munoz became C.E.O. following the ousting of Jeff Smisek during a corruption probe. Smisek led the United Continental merger by focusing on cost cutting and share price without regard for employees and customers – the same tactic used by activist investors. Throughout his five years we suffered operational problems, technological meltdowns, angry customers, and terrible industry ratings while employee morale bottomed out completely. No one wanted to go to work apologize for Smisek’s mess day in and day out.

Munoz has taken a completely different approach. He engages with employee groups. He’s moving negotiations forward after years of stagnation under Smisek’s management team who refused to meaningfully engage at the bargaining table. He has the support of AFA-CWA, ALPA, IAM, & PAFCA. We finally feel like we have someone to believe in.

## **Munoz Leadership Resulted in Immediate Change**

When Munoz took the reins in September things immediately began to change:

- In September, October, November, United exceeded internal customer satisfaction goals.
- Outsourcing was halted.
- During Thanksgiving 2015 United obtained a 100% completion rate and the highest on-time performance in three years.
- The December 2015 customer satisfaction score was the highest in two years and 2.1 points above United’s goal.
- The DOT reports that mishandled bag rates are down sharply.
- United’s financial performance and share price are steadily improving.
- Significant progress is being made in Flight Attendant contract negotiations.

## **What’s in it for Par and Altimeter?**

Yet now the hedge funds want to step in and make changes? Where were they while Smisek was making a mess at United? How is distracting Munoz with a proxy war a solid business plan? It’s not – because what they want is control and short-term profit.

PAR and Altimeter ramped up their UAL stock purchases at the end of 2014 and continued to accelerate them through 2015 until they owned a combined 7.1% stake in United. PAR has been heavily invested in Delta for years, owning 15.4M shares. As a short term United investor what might be the interests of investing in Delta’s competitor? Delta and United stock make up 20% of PAR’s multi-billion dollar portfolio. The potential for short-term gain is enormous if they get control of United.

## **United Merger Completion and Return to Stability**

There is a lot of work to be done in completing the merger and re-claiming our rightful place as the lead global carrier. But we’re already seeing results, and we need to build on the momentum, not get distracted by those who are only in it for their own selfish gain. We have come too far and worked too hard to give in now.