EARNINGS

United Continental Reports Higher-Than-Expected Earnings

Airline plans to boost capacity 4% to 6% a year from now until 2020, more than some rivals

United Continental Holdings Inc. executives pledged during the company's earnings report Tuesday to lower nonfuel unit costs —the cost to fly a seat a mile—to flat or better in next the three years in part by boosting employee productivity and better adjusting to seasonal traffic differences. PHOTO: ARND WIEGMANN/REUTERS

By Susan Carey and Imani Moise

Jan. 23, 2018 4:57 p.m. ET

United Continental Holdings Inc., on Tuesday said fourth-quarter net income rose 46% on a modest uptick in revenue and laid out plans to invest in hubs and add capacity to better compete with rivals.

The nation's No. 3 airline by traffic laid out uncharacteristically far-reaching financial guidance on Tuesday, starting with a forecast for earnings between $6.50 and $8.50 a share this year and between $11 to $13 a share in 2020. The company said it plans to boost capacity 4% to 6% a year from now until 2020, more than some rivals.

United shares slipped 6.4% to $73.00 after hours.

United also pledged to lower its nonfuel unit costs—the cost to fly a seat a mile—to flat or better in next the three years in part by boosting employee productivity and better adjusting to seasonal traffic differences.

In a departure from their usual earnings protocol, United executives briefed investors at the New York Stock Exchange on Tuesday about the airline's quarterly results. Chief Executive Oscar Munoz described 2017 as "a transition year, not without its issues." United faced criticism last year in part over disappointing financial results and the rocky rollout of its no-perks "basic economy" class.

United executives said boosting hubs in Chicago, Houston and Denver will give travelers more connecting options and put more flights into small communities where ticket yields are the highest. United President Scott Kirby said the carrier has shrunk too much in the past five years and isn't getting its fair share of traffic.

"The opportunity at United is not shrinking," he said.

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Chicago-based United was determined Tuesday not to disappoint investors the way it did in October when it announced a downbeat outlook for the final quarter of the year that sent shares down 12% that day. United's shares have since recovered to trade up 15.4% year-to-date Tuesday, the most of any of the big carriers.

In the fourth quarter, United reported higher-than-anticipated profits despite higher costs. United beat Wall Street expectations on earnings excluding special items and delivered on its January guidance of pretax margin of 6.4%, within its latest range and an improvement over previously foreseen margin of 3% to 5%.

Unit revenue, the measure of revenue for each seat flown a mile, edged 0.2% higher year over year, compared with a 1.6% decline in 2016's final quarter.

United said profit rose to $580 million, or $1.99 a share, from $397 million, or $1.26 a share, a year ago. Excluding one-time items, profit fell to $1.40 a share from $1.78 a year ago. Revenue rose 4.3% to $9.44 billion, a bit ahead of estimates.

Some other carriers have lifted fourth-quarter unit-revenue guidance in recent days, including American Airlines Group Inc., which is scheduled to report its results on Thursday. Southwest Airlines Co. , Alaska Airlines Group Inc. and JetBlue Airways Corp. also are scheduled to report that day.

Delta Air Lines Inc., which announced its results on Jan. 11, beat expectations for its fourth-quarter earnings although its overall profit dipped 8%. Its revenue rose 8.3%, and its results excluding items also beat Wall Street estimates. Delta , No. 2 by traffic, said the strong economy would help it offset rising fuel costs with higher ticket prices this year.

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