JetBlue Airlines: Getting Over the “Blues”

David Skandera, Calen Dehen, Erik Weidner, Megan Bauer
Background

- founded in 1999
- current status
- customer Bill of Rights
- TrueBlue
- upward trend

“You above all.”
Combination Strategy

- differentiation
- low costs
- customer service
Valentine’s Day Crisis

- ineffective communication
- shortcomings in company information systems
- failure to implement BagScan
- lack of trained personnel
Vision and Mission Statement

**Vision**
- Safety
- Caring
- Integrity
- Fun
- Passion

**Mission**
“Inspire humanity.”
# Recovery

**Statements of Operations Data (in millions of dollars, except per-share data; year-end December 31)**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>4,982</td>
<td>4,504</td>
<td>3,779</td>
<td>3,292</td>
<td>3,392</td>
<td>2,843</td>
<td>2,364</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>128</td>
<td>86</td>
<td>97</td>
<td>61</td>
<td>(84)</td>
<td>12</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Earnings (loss) per common share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>0.45</td>
<td>0.31</td>
<td>0.36</td>
<td>0.24</td>
<td>(0.37)</td>
<td>0.07</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.40</td>
<td>0.28</td>
<td>0.31</td>
<td>0.21</td>
<td>(0.37)</td>
<td>0.06</td>
<td>(0.04)</td>
</tr>
</tbody>
</table>
SWOT Analysis: Company

**Strengths**
1. low operating/fixed costs
2. strong brand recognition
3. innovative culture
4. customer satisfaction
5. diversified flight schedule
6. strategic partnerships

**Weaknesses**
1. small number of employees
2. all employees must fulfill multiple roles
3. limited online presence
4. small fleet size compared to domestic competitors
SWOT Analysis: Industry

**Opportunities**
1. fleet & route expansion
2. alliances/partnerships
3. technological innovation
4. deregulated market
5. decreasing fuel/oil prices
6. online market

**Threats**
1. security & terrorism
2. unionization
3. fierce competition
4. volatility of global economy
   a. volatile costs, revenues
5. natural disasters
6. mature markets
7. political risk
Five Forces

- Threat of New Entrants: Low
- Bargaining Power from Supplier: High
- Competitive Rivalry: Very High
- Bargaining Power from Buyer: Moderate
- Threat of Substitutes: Low
Competitive Advantage

- Focus on Innovation
- Customer Service
- Low Operating Costs
- Strong Reputation
- Fuel Hedging
Recommendations

- online presence
- expand partnerships
- improve fuel hedging opportunities
- expand reach
- increase employees
Questions
<table>
<thead>
<tr>
<th>Year</th>
<th>Destinations</th>
<th>Employees</th>
<th>Owned</th>
<th>Leased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>12</td>
<td>1,174</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>2001</td>
<td>18</td>
<td>2,361</td>
<td>9</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>2002</td>
<td>20</td>
<td>4,011</td>
<td>21</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td>2003</td>
<td>21</td>
<td>5,433</td>
<td>29</td>
<td>24</td>
<td>53</td>
</tr>
<tr>
<td>2004</td>
<td>30</td>
<td>7,211</td>
<td>44</td>
<td>25</td>
<td>69</td>
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<tr>
<td>2005</td>
<td>33</td>
<td>9,021</td>
<td>61</td>
<td>31</td>
<td>92</td>
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<tr>
<td>2006</td>
<td>49</td>
<td>10,377</td>
<td>70</td>
<td>49</td>
<td>119</td>
</tr>
<tr>
<td>2007</td>
<td>53</td>
<td>11,632</td>
<td>77</td>
<td>57</td>
<td>134</td>
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<tr>
<td>2008</td>
<td>52</td>
<td>11,852</td>
<td>83</td>
<td>59</td>
<td>142</td>
</tr>
<tr>
<td>2009</td>
<td>60</td>
<td>12,532</td>
<td>92</td>
<td>59</td>
<td>151</td>
</tr>
<tr>
<td>2010</td>
<td>63</td>
<td>12,948</td>
<td>96</td>
<td>64</td>
<td>160</td>
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<tr>
<td>2011</td>
<td>70</td>
<td>11,733</td>
<td>105</td>
<td>64</td>
<td>169</td>
</tr>
<tr>
<td>2012</td>
<td>75</td>
<td>12,070</td>
<td>116</td>
<td>64</td>
<td>180</td>
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Source: JetBlue SEC filings.
<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>JetBlue</th>
<th>AMR Corp.</th>
<th>Southwest Airlines</th>
<th>UAL Corp.</th>
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</thead>
<tbody>
<tr>
<td>Market cap</td>
<td>1.73B</td>
<td>844.88M</td>
<td>8.61B</td>
<td>9.11B</td>
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<tr>
<td>Employees</td>
<td>12,070</td>
<td>80,100</td>
<td>45,861</td>
<td>87,867</td>
</tr>
<tr>
<td>Quarterly revenue growth (Y0Y)</td>
<td>4.20%</td>
<td>-0.30%</td>
<td>1.60%</td>
<td>-2.50%</td>
</tr>
<tr>
<td>Revenue (TTM)</td>
<td>4.98B</td>
<td>24.86B</td>
<td>17.09B</td>
<td>37.15B</td>
</tr>
<tr>
<td>Gross margin (TTM)</td>
<td>48.79%</td>
<td>49.67%</td>
<td>49.38%</td>
<td>54.69%</td>
</tr>
<tr>
<td>EBITDA (TTM)</td>
<td>627.00M</td>
<td>1.51B</td>
<td>1.65B</td>
<td>2.80B</td>
</tr>
<tr>
<td>Operating margins (TTM)</td>
<td>7.19%</td>
<td>1.99%</td>
<td>4.72%</td>
<td>3.67%</td>
</tr>
<tr>
<td>Net income (TTM)</td>
<td>128.00M</td>
<td>-1.88B</td>
<td>421.00M</td>
<td>-723.00M</td>
</tr>
<tr>
<td>EPS (TTM)</td>
<td>0.40</td>
<td>-5.60</td>
<td>0.56</td>
<td>-2.18</td>
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<tr>
<td>P/E (TTM)</td>
<td>15.45</td>
<td>N/A</td>
<td>21.11</td>
<td>N/A</td>
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<tr>
<td>PEG (5-yr expected)</td>
<td>0.33</td>
<td>0.35</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>P/S (TTM)</td>
<td>0.34</td>
<td>0.03</td>
<td>0.50</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Note: Y0Y = year over year; TTM = trailing 12 months.

Source: finance.yahoo.com, as of March 3, 2013
U.S. Airline Domestic Market Share by Revenue Passenger Miles

- Southwest, 16.1%
- Delta, 16.5%
- United, 15.4%
- American, 12.6%
- US Airways, 8.4%
- JetBlue, 5.1%
- Alaska, 4.2%
- Others, 21.7%

Source: RITA, BTS
Strategic Airline Partnerships

- Air Lingus
- Aeroflot Russian Airlines
- Air China
- Asian Airlines
- British Airways
- Brussels Airlines
- Cape Air
- EgyptAir
- Etihad Airways
- Hawaiian Airlines
- IcelandAir
- Japan Airlines
- Jet Airways
- Korean Air
- Lot Polish Airlines
- Lufthansa
- Qatar Airways
- Singapore Airlines
- Virgin Atlantic
- ...and more