

JetBlue Announces Third Quarter 2017 Results

Oct 24, 2017

NEW YORK--(BUSINESS WIRE)-- JetBlue Airways Corporation (NASDAQ:JBLU) today reported its results for the third quarter 2017:

Operating income of \$310 million, a decrease of 12.4% from the third quarter of 2016.

Pre-tax income of \$293 million, a decrease of 11.2% from the third quarter of 2016.

Third quarter net income of \$179 million, or \$0.55 per diluted share. This compares to JetBlue's third quarter 2016 net income of \$199 million, or \$0.58 per diluted share.

Financial Performance

JetBlue reported third quarter operating revenues of \$1.8 billion. Revenue passenger miles for the third quarter increased 2.3% to 12.2 billion on a capacity increase of 3.7%, resulting in a third quarter load factor of 85.1%, a 1.2 point decrease year over year.

Yield per passenger mile in the third quarter was 13.32 cents, up 1.0% compared to the third quarter of 2016. Passenger revenue per available seat mile (PRASM) for the third quarter of 2017 decreased 0.4% year over year to 11.34 cents and operating revenue per available seat mile (RASM) increased 0.9% year over year to 12.67 cents.

Compared with last year, operating expenses for the quarter increased 9.1%, or \$125 million. Interest expense for the quarter declined 18.5%, or \$5 million, as JetBlue continued to reduce its debt. JetBlue's operating expense per available seat mile (CASM) for the third quarter increased 5.2% year over year to 10.50 cents. Excluding fuel, third quarter CASM¹ increased 2.7% to 8.07 cents.

"Our third quarter results were impacted by two hurricanes that reduced our EPS by approximately 6 cents. We are confident that the adjustments we are making to our network will limit any ongoing financial impact in 2018. Despite the short-term challenges, we remain focused on our long-term margin commitments to our shareholders. I'd like to thank our 21,000 Crewmembers in our operation and support centers, who successfully managed the unprecedented challenge of over 30 consecutive days of irregular operations," said Robin Hayes, JetBlue's President and CEO.

Fuel Expense and Hedging

In the third quarter of 2017 JetBlue had hedges in place for approximately 10% of its fuel consumption. The realized fuel price in the quarter was \$1.69 per gallon, a 14.6% increase versus third quarter 2016 realized fuel price of \$1.48.

JetBlue has hedged approximately 10% of its fourth quarter of 2017 fuel consumption using jet fuel swaps. Based on the fuel curve as of October 13th, JetBlue expects an average price per gallon of fuel, including the impact of hedges and fuel taxes, of \$1.83 in the fourth quarter of 2017.

Liquidity and Cash Flow

JetBlue ended the quarter with approximately \$814 million in unrestricted cash and short term investments, or about 12% of trailing twelve month revenue. In addition, JetBlue maintains approximately \$625 million in undrawn lines of credit.

During the third quarter, JetBlue repaid \$53 million in regularly scheduled debt and capital lease obligations. JetBlue anticipates paying approximately \$57 million in regularly scheduled debt and capital lease obligations in the fourth quarter 2017 and approximately \$194 million for the full year 2017. In the third quarter, JetBlue completed a \$130 million accelerated share repurchase program and has completed \$380 million in share repurchases to date in 2017.

"Despite unprecedented ATC challenges, repeated hurricane events, and a competitive industry pricing environment, we've been able to sustain solid margins, make progress towards our long-term margin commitments and return capital to our shareholders," said Steve Priest, JetBlue's EVP Chief Financial Officer.

Fourth Quarter and Full Year Outlook

For further details see the Investor Update and the Third Quarter 2017 Earnings Presentation available via the internet at <http://investor.jetblue.com>.

Capacity is expected to increase between 4.5% and 5.5% year over year in the fourth quarter 2017. For the full year 2017, JetBlue expects capacity to increase between 4.0% and 5.0%.

RASM growth is expected to range between (3.0%) and 0.0% for the fourth quarter 2017 compared to the same period in 2016.

CASM excluding fuel is expected to grow between 5.0% and 7.0% for the fourth quarter of 2017. For the full year 2017, JetBlue expects year over year CASM excluding fuel to grow between 4.0% and 5.0%.

JetBlue will conduct a conference call to discuss its quarterly earnings today, October 24, at 10:00 a.m. Eastern Time. A live broadcast of the conference call will also be available via the internet at <http://investor.jetblue.com>.

About JetBlue

JetBlue is New York's Hometown Airline®, and a leading carrier in Boston, Fort Lauderdale - Hollywood, Los Angeles (Long Beach), Orlando, and San Juan. JetBlue carries more than 38 million customers a year to 101 cities in the U.S., Caribbean, and Latin America with an average of 1,000 daily flights. For more information please visit www.jetblue.com.

Notes

- (1) Consolidated operating cost per available seat mile, excluding fuel and related taxes, and operating expenses related to other non-airline expenses (CASM Ex-Fuel) is a non-GAAP financial measure that we use to measure our core performance. Note A provides a reconciliation of non-GAAP financial measures used in this release and provides the reasons management uses those measures.

Forward Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which represent our management's beliefs and assumptions concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to us. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, our extremely competitive industry; volatility in financial and credit markets which could affect our ability to obtain debt and/or lease financing or to raise funds through debt or equity issuances; volatility in fuel prices, maintenance costs and interest rates; our ability to implement our growth strategy; our significant fixed obligations and substantial indebtedness; our ability to attract and retain qualified personnel and maintain our culture as we grow; our reliance on high daily aircraft utilization; our dependence on the New York and Boston metropolitan markets and the effect of increased congestion in these markets; our reliance on automated systems and technology; our being subject to potential unionization, work stoppages, slowdowns or increased labor costs; our reliance on a limited number of suppliers; our presence in some international emerging markets that may experience political or economic instability or may subject us to legal risk; reputational and business risk from information security breaches or cyber-attacks; changes in or additional domestic or foreign government regulation; changes in our industry due to other airlines' financial condition; acts of war or terrorism; global economic conditions or an economic downturn leading to a continuing or accelerated decrease in demand for air travel; the spread of infectious diseases; adverse weather conditions or natural disasters; and external geopolitical events and conditions. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. You should understand that many important factors, in addition to those discussed or incorporated by reference in this press release, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this press release, those described in Item 1A of our 2016 Form 10-K under "Risks Related to JetBlue" and "Risks Associated with the Airline Industry". In light of these risks and uncertainties, the forward-looking events discussed in this press release might not occur.

JETBLUE AIRWAYS CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (in millions, except per share amounts) (unaudited)

	Three Months Ended			Nine Months Ended		
	September 30,		Percent	September 30,		Percent
	2017	2016	Change	2017	2016	Change
OPERATING REVENUES						
Passenger	\$ 1,623	\$ 1,571	3.3	\$ 4,724	\$ 4,536	4.2
Other	190	161	18.2	535	455	17.4
Total operating revenues	1,813	1,732	4.7	5,259	4,991	5.4
OPERATING EXPENSES						
Aircraft fuel and related taxes	347	293	18.3	994	782	27.1
Salaries, wages and benefits	466	421	10.9	1,397	1,270	10.0
Landing fees and other rents	104	98	5.4	301	276	9.1
Depreciation and amortization	114	102	11.8	328	289	13.2
Aircraft rent	26	28	(9.5)	75	84	(9.9)
Sales and marketing	68	60	13.2	195	197	(0.8)
Maintenance, materials and repairs	149	153	(2.4)	467	427	9.3
Other operating expenses	229	223	2.9	691	650	6.3
Total operating expenses	1,503	1,378	9.1	4,448	3,975	11.9

OPERATING INCOME	310	354	(12.4)	811	1,016	(20.2)
<i>Operating margin</i>	17.1%	20.5%	(3.4) pts.	15.4%	20.4%	(5.0) pts.
OTHER INCOME (EXPENSE)						
Interest expense	(23)	(28)	(18.5)	(72)	(85)	(15.7)
Capitalized interest	3	2	21.8	7	6	26.0
Interest income and other	3	2	62.5	5	5	(6.1)
Total other income (expense)	(17)	(24)	(28.3)	(60)	(74)	(19.8)
INCOME BEFORE INCOME TAXES	293	330	(11.2)	751	942	(20.2)
<i>Pre-tax margin</i>	16.2%	19.1%	(2.9) pts.	14.3%	18.9%	(4.6) pts.
Income tax expense	114	131	(12.7)	276	355	(22.2)
NET INCOME	<u>\$ 179</u>	<u>\$ 199</u>	(10.2)	<u>\$ 475</u>	<u>\$ 587</u>	(19.1)
EARNINGS PER COMMON SHARE:						
Basic	<u>\$ 0.55</u>	<u>\$ 0.61</u>		<u>\$ 1.44</u>	<u>\$ 1.81</u>	
Diluted	<u>\$ 0.55</u>	<u>\$ 0.58</u>		<u>\$ 1.43</u>	<u>\$ 1.72</u>	
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic	326.1	323.7		330.8	322.8	
Diluted	327.8	343.2		332.4	342.6	

JETBLUE AIRWAYS CORPORATION
COMPARATIVE OPERATING STATISTICS
(unaudited)

	Three Months Ended			Nine Months Ended		
	September 30,		Percent Change	September 30,		Percent Change
	2017	2016		2017	2016	
Revenue passengers (thousands)	10,227	9,953	2.8	30,251	28,731	5.3
Revenue passenger miles (millions)	12,180	11,905	2.3	35,712	34,434	3.7
Available seat miles (ASMs) (millions)	14,306	13,796	3.7	42,131	40,421	4.2
Load factor	85.1%	86.3%	(1.2) pts.	84.8%	85.2%	(0.4) pts.
Aircraft utilization (hours per day)	11.8	12.2	(3.3)	11.9	12.2	(2.2)
Average fare	\$ 158.68	\$ 157.87	0.5	\$ 156.17	\$ 157.88	(1.1)
Yield per passenger mile (cents)	13.32	13.20	1.0	13.23	13.17	0.4
Passenger revenue per ASM (cents)	11.34	11.39	(0.4)	11.21	11.22	(0.1)
Revenue per ASM (cents)	12.67	12.55	0.9	12.48	12.35	1.1
Operating expense per ASM (cents)	10.50	9.99	5.2	10.56	9.83	7.4
Operating expense per ASM, excluding fuel (cents) ⁽¹⁾	8.07	7.86	2.7	8.19	7.89	3.7
Departures	90,021	86,801	3.7	265,980	253,325	5.0
Average stage length (miles)	1,069	1,091	(2.0)	1,072	1,099	(2.5)
Average number of operating aircraft during period	234.3	219.6	6.7	231.7	217.8	6.4
Average fuel cost per gallon, including fuel taxes	\$ 1.69	\$ 1.48	14.6	\$ 1.66	\$ 1.37	21.9
Fuel gallons consumed (millions)	205	198	3.3	598	573	4.3
Average number of full-time equivalent crewmembers				17,051	15,521	9.9

(1) Refer to Note A, Consolidated operating cost per available seat mile, excluding fuel (CASM Ex-Fuel) at the end of our Earnings Release for more information on this non-GAAP measure. CASM Ex-Fuel excludes fuel and related taxes, and operating expenses related to other non-airline expenses.

SELECTED CONSOLIDATED BALANCE SHEET DATA
(in millions)

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 394	\$ 433
Total investment securities	420	628
Total assets	9,596	9,323
Total debt	1,255	1,384
Stockholders' equity	4,139	4,013

SOURCE: JetBlue Airways Corporation

Note A – Non-GAAP Financial Measures

JetBlue sometimes uses non-GAAP measures that are derived from the Consolidated Financial Statements, but that are not presented in accordance with generally accepted accounting principles ("GAAP"). JetBlue believes these metrics provide a meaningful comparison of our results to others in the airline industry and our prior year results. Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The table below shows a reconciliation of non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

Consolidated operating cost per available seat mile, excluding fuel and related taxes, and operating expenses ("CASM Ex-Fuel"). CASM is a common metric used in the airline industry. We exclude aircraft fuel and related taxes and operating expenses related to other non-airline expenses, such as JetBlue Technology Ventures, from operating cost per available seat mile to determine CASM Ex-Fuel. We believe CASM Ex-Fuel provides investors the ability to measure financial performance excluding items beyond our control such as fuel costs, which are subject to many economic and political factors beyond our control or not related to the generation of an available seat mile, such as operating expenses related to other non-airline expenses. We believe this measure is more indicative of our ability to manage costs and is more comparable to measures reported by other major airlines.

NON-GAAP FINANCIAL MEASURE
RECONCILIATION OF OPERATING EXPENSE PER ASM, EXCLUDING FUEL
(in millions, per ASM data in cents)
(unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	\$	per ASM	\$	per ASM	\$	per ASM	\$	per ASM
Total operating expenses	\$ 1,503	\$ 10.50	\$ 1,378	\$ 9.99	\$ 4,448	\$ 10.56	\$ 3,975	\$ 9.83
Less:								
Aircraft fuel and related taxes	347	2.42	293	2.13	994	2.36	782	1.94
Other non-airline expenses	1	0.01	-	-	3	0.01	1	-
Operating expenses, excluding fuel and related taxes	<u>\$ 1,155</u>	<u>\$ 8.07</u>	<u>\$ 1,085</u>	<u>\$ 7.86</u>	<u>\$ 3,451</u>	<u>\$ 8.19</u>	<u>\$ 3,192</u>	<u>\$ 7.89</u>

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JetBlue Investor Relations

Tel: 718-709-2202

ir@jetblue.com

or

JetBlue Corporate Communications

Tel: 718-709-3089

corpcomm@jetblue.com

Source: JetBlue Airways Corporation