

JETBLUE AIRWAYS CORP  
Form 10-Q  
April 26, 2019  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-49728

JETBLUE AIRWAYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

87-0617894

(State of Other Jurisdiction of Incorporation)

(I.R.S. Employer Identification No.)

27-01 Queens Plaza North, Long Island City, New York 11101

(Address of principal executive offices)

(Zip Code)

(718) 286-7900

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: JETBLUE AIRWAYS CORP - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of March 31, 2019, there were 300,946,805 shares outstanding of the registrant's common stock, par value \$.01.

---

Table of Contents

JETBLUE AIRWAYS CORPORATION  
FORM 10-Q  
INDEX

	Page
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets - March 31, 2019 and December 31, 2018</u>	<u>3</u>
<u>Consolidated Statements of Operations - Three Months Ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2019 and 2018</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2019 and 2018</u>	<u>7</u>
<u>Consolidated Statements of Stockholders' Equity - Three Months Ended March 31, 2019 and 2018</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
<u>Item 4. Controls and Procedures</u>	<u>33</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>34</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 6. Exhibits</u>	<u>34</u>

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## CONSOLIDATED BALANCE SHEETS

(unaudited, in millions, except per share data)

	March 31, December 31,	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 464	\$ 474
Investment securities	412	413
Receivables, less allowance (2019-\$2; 2018-\$1)	338	211
Inventories, less allowance (2019-\$19; 2018-\$18)	86	78
Prepaid expenses and other	221	212
Total current assets	1,521	1,388
<b>PROPERTY AND EQUIPMENT</b>		
Flight equipment	9,607	9,525
Predelivery deposits for flight equipment	349	293
Total flight equipment and predelivery deposits, gross	9,956	9,818
Less accumulated depreciation	2,528	2,448
Total flight equipment and predelivery deposits, net	7,428	7,370
Other property and equipment	1,080	1,074
Less accumulated depreciation	476	461
Total other property and equipment, net	604	613
Total property and equipment	8,032	7,983
<b>OPERATING LEASE ASSETS</b>	1,028	1,056
<b>OTHER ASSETS</b>		
Investment securities	3	3
Restricted cash	57	59
Other	474	470
Total other assets	534	532
<b>TOTAL ASSETS</b>	<b>\$ 11,115</b>	<b>\$ 10,959</b>

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## CONSOLIDATED BALANCE SHEETS

(unaudited, in millions, except per share data)

	March 31, 2019	December 31, 2018
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 482	\$ 437
Air traffic liability	1,279	1,035
Accrued salaries, wages and benefits	320	313
Other accrued liabilities	367	298
Current operating lease liabilities	135	133
Current maturities of long-term debt and finance leases	268	309
Total current liabilities	2,851	2,525
<b>LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS</b>	<b>1,271</b>	<b>1,361</b>
<b>LONG-TERM OPERATING LEASE LIABILITIES</b>	<b>773</b>	<b>798</b>
<b>DEFERRED TAXES AND OTHER LIABILITIES</b>		
Deferred income taxes	1,123	1,112
Air traffic liability - loyalty non-current	458	447
Other	32	31
Total deferred taxes and other liabilities	1,613	1,590
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value; 25 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 900 shares authorized, 423 and 422 shares issued and 301 and 306 shares outstanding at March 31, 2019 and December 31, 2018, respectively	4	4
Treasury stock, at cost; 122 and 116 shares at March 31, 2019 and December 31, 2018, respectively	(1,377 )	(1,272 )
Additional paid-in capital	2,186	2,203
Retained earnings	3,795	3,753
Accumulated other comprehensive income (loss)	(1 )	(3 )
Total stockholders' equity	4,607	4,685
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 11,115</b>	<b>\$ 10,959</b>

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in millions, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
<b>OPERATING REVENUES</b>		
Passenger	\$1,802	\$1,692
Other	69	62
Total operating revenues	1,871	1,754
<b>OPERATING EXPENSES</b>		
Aircraft fuel and related taxes	437	417
Salaries, wages and benefits	575	499
Landing fees and other rents	115	109
Depreciation and amortization	124	111
Aircraft rent	25	25
Sales and marketing	66	67
Maintenance materials and repairs	155	142
Other operating expenses	286	259
Special items	12	—
Total operating expenses	1,795	1,629
<b>OPERATING INCOME</b>	76	125
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(20 )	(16 )
Capitalized interest	3	2
Interest income and other	(1 )	2
Total other income (expense)	(18 )	(12 )
<b>INCOME BEFORE INCOME TAXES</b>	58	113
Income tax expense	16	23
<b>NET INCOME</b>	\$42	\$90
<b>EARNINGS PER COMMON SHARE:</b>		
Basic	\$0.14	\$0.28
Diluted	\$0.14	\$0.28

See accompanying notes to condensed consolidated financial statements.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in millions)

	Three Months Ended March 31, 2019	2018
NET INCOME	\$42	\$ 90
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of tax benefit/(expense) of \$0 in 2019 and 2018)	2	—
Total other comprehensive income	2	—
COMPREHENSIVE INCOME	\$44	\$ 90

See accompanying notes to condensed consolidated financial statements.

6

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$42	\$ 90
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	11	15
Depreciation	113	101
Amortization	11	10
Stock-based compensation	9	7
Changes in certain operating assets and liabilities	227	264
Other, net	7	3
Net cash provided by operating activities	420	490
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(101 )	(184 )
Predelivery deposits for flight equipment	(63 )	(19 )
Purchase of held-to-maturity investments	(135 )	(50 )
Proceeds from the maturities of held-to-maturity investments	180	111
Purchase of available-for-sale securities	(317 )	(80 )
Proceeds from the sale of available-for-sale securities	270	141
Other, net	(3 )	(8 )
Net cash used in investing activities	(169 )	(89 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt and finance lease obligations	(133 )	(58 )
Acquisition of treasury stock	(130 )	(131 )
Net cash used in financing activities	(263 )	(189 )
<b>(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(12 )</b>	<b>212</b>
Cash, cash equivalents and restricted cash at beginning of period	533	359
Cash, cash equivalents and restricted cash at end of period <sup>(1)</sup>	\$521	\$ 571
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash payments for interest (net of amount capitalized)	\$21	\$ 18
Cash payments for income taxes	—	7

(1) Reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets:

	March 2019	March 31, 2018
Cash and cash equivalents	\$464	\$ 511
Restricted cash	57	60
Total cash, cash equivalents and restricted cash	\$521	\$ 571



See accompanying notes to condensed consolidated financial statements.

7

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

## JETBLUE AIRWAYS CORPORATION

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(unaudited, in millions)

	Common Shares	Common Stock	Treasury Shares	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018 <sup>(1)</sup>	422	\$ 4	116	\$(1,272)	\$ 2,203	\$ 3,753	\$ (3 )	\$4,685
Net income	—	—	—	—	—	42	—	42
Other comprehensive income	—	—	—	—	—	—	2	2
Vesting of restricted stock units	1	—	—	(5 )	—	—	—	(5 )
Stock compensation expense	—	—	—	—	8	—	—	8
Shares repurchased	—	—	6	(100 )	(25 )	—	—	(125 )
Balance at March 31, 2019	423	\$ 4	122	\$(1,377)	\$ 2,186	\$ 3,795	\$ (1 )	\$4,607

	Common Shares	Common Stock	Treasury Shares	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2017 <sup>(1)</sup>	418	\$ 4	97	\$(890 )	\$ 2,127	\$ 3,564	\$ —	\$4,805
Net income	—	—	—	—	—	90	—	90
Other comprehensive income (loss)	—	—	—	—	—	—	—	—
Vesting of restricted stock units	1	—	—	(6 )	—	—	—	(6 )
Stock compensation expense	—	—	—	—	7	—	—	7
Shares repurchased	—	—	6	(125 )	—	—	—	(125 )
Balance at March 31, 2018	419	\$ 4	103	\$(1,021)	\$ 2,134	\$ 3,654	\$ —	\$4,771

(1) Recast to reflect the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842) of the Codification. Refer to Note 1 to our consolidated financial statements for more information.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## Note 1—Summary of Significant Accounting Policies

## Basis of Presentation

JetBlue Airways Corporation, or JetBlue, provides air transportation services across the United States, the Caribbean and Latin America. Our condensed consolidated financial statements include the accounts of JetBlue and our subsidiaries which are collectively referred to as “we” or the “Company”. All majority-owned subsidiaries are consolidated on a line by line basis, with all intercompany transactions and balances being eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2018 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, or our 2018 Form 10-K.

These condensed consolidated financial statements are unaudited and have been prepared by us following the rules and regulations of the U.S. Securities and Exchange Commission, or the SEC. In our opinion they reflect all adjustments, including normal recurring items, that are necessary to present fairly the results for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, have been condensed or omitted as permitted by such rules and regulations; however, we believe that the disclosures are adequate to make the information presented not misleading.

Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices and other factors, our operating results for the periods presented herein are not necessarily indicative of the results that may be expected for other interim periods or the entire fiscal year. We recast financial information previously filed under Accounting Standards Codification (ASC), or the Codification, Topic 840, Leases for the periods presented to reflect the modified retrospective method of transition to Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) of the Codification. Refer to Note 4 to our consolidated financial statements for more information.

## Investment securities

Investment securities consist of available-for-sale investment securities and held-to-maturity investment securities.

We use a specific identification method to determine the cost of the securities when they are sold.

Held-to-maturity investment securities. The contractual maturities of the held-to-maturity investments we held as of March 31, 2019 were not greater than 24 months. We did not record any significant gains or losses on these securities during the three months ended March 31, 2019 or 2018. The estimated fair value of these investments approximated their carrying value as of March 31, 2019 and December 31, 2018, respectively.

The carrying values of investment securities consisted of the following at March 31, 2019 and December 31, 2018 (in millions):

	March 31, December 31,	
	2019	2018
Available-for-sale securities		
Time deposits	\$ 235	\$ 190
U.S. Treasury	40	39
Debt securities	5	7
Total available-for-sale securities	280	236
Held-to-maturity securities		
U.S. Treasury	135	180
Total investment securities	\$ 415	\$ 416
Other investments		

Our wholly-owned subsidiary, JetBlue Technology Ventures, LLC, or JTV, has equity investments in emerging companies which do not have readily determinable fair values. In accordance with ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, we account for these investments using a measurement alternative which allows entities to measure these investments at cost, less any impairment, adjusted for changes from observable price changes in orderly transactions for identifiable or similar investments of the same issuer. The carrying amount of these investments were \$27 million and \$25 million as of March 31, 2019 and December 31, 2018, respectively.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or FASB, issued ASU 2016-02, Leases (Topic 842) of the Codification, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Targeted Improvements; ASU 2018-20, Narrow-Scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. Under the new standard, a lessee will recognize liabilities on the balance sheet, initially measured at the present value of the lease payments, and right-of-use (ROU) assets representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less at the commencement date, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. The new standard also eliminates the build-to-suit lease accounting guidance which results in the derecognition of build-to-suit assets and liabilities that remained on the balance sheet after the end of the construction period.

We adopted the requirements of ASU 2016-02 as of January 1, 2019, utilizing the modified retrospective method of transition for all leases existing at or commencing after the date of initial application. We recorded a \$58 million cumulative adjustment to retained earnings as of January 1, 2017, the beginning of the retrospective reporting period, for the impact of the new accounting standard. The adjustment to retained earnings was driven principally by the derecognition of our existing assets constructed for others and construction obligation related to our Terminal 5 (T5) build-to-suit project at John F. Kennedy International Airport in New York.

We elected to use the package of transition provisions available for expired or existing contracts, which allowed us to carryforward our historical assessment of whether contracts are or contain leases, lease classification, and initial direct costs. Refer to Note 4 to our consolidated financial statements for more information.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update eliminates, adds, and modifies certain disclosure requirements for fair value measurements. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted of the entire standard or only the provisions that eliminate or modify disclosure requirements. We are still evaluating the full impact of adopting the amendments on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The update provides guidance for determining if a cloud computing arrangement is within the scope of internal-use software guidance, and would require capitalization of certain implementation costs. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. We are still evaluating the full impact of adopting the amendments on our consolidated financial statements.

Note 2— Revenue Recognition

The Company categorizes the revenues received from contracts with its customers by revenue source as we believe it best depicts the nature, amount, timing, and uncertainty of our revenue and cash flow. The following table provides the revenues recognized by revenue source for the three months ended March 31, 2019 and 2018 (in millions):

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

	Three Months Ended March 31, 2019 2018	
Passenger revenue		
Passenger travel	\$1,752	\$1,651
Loyalty revenue - air transportation	50	41
Other revenue		
Loyalty revenue	43	36
Other revenue	26	26
Total revenues	\$1,871	\$1,754

## Contract Liabilities

Our contract liabilities primarily consist of ticket sales for which transportation has not yet been provided, unused credits available to customers, and outstanding loyalty points available for redemption.

(in millions)	March 31, December 31, 2019 2018	
Contract liabilities		
Air traffic liability - passenger travel	\$ 1,133	\$ 892
Air traffic liability - loyalty program (air transportation)	594	580
Deferred revenue	10	10
Total contract liabilities	\$ 1,737	\$ 1,482

During the three months ended March 31, 2019 and 2018, we recognized revenue of \$668 million and \$618 million, respectively, which was included in contract liabilities at the beginning of the respective periods.

The Company elected the practical expedient that allows entities to not disclose the amount of the remaining transaction price and its expected timing of recognition for passenger tickets if the contract has an original expected duration of one year or less or if certain other conditions are met. We elected to apply this practical expedient to our contract liabilities relating to passenger travel and ancillary services as our tickets or any related passenger credits expire one year from the date of issuance.

TrueBlue® points are combined in one homogeneous pool and are not separately identifiable. As such, the revenue is comprised of the points that were part of the air traffic liability balance at the beginning of the period as well as points that were issued during the period.

The table below presents the activity of the current and non-current air traffic liability for TrueBlue® points, and includes points earned and sold to participating companies (in millions):

Balance at December 31, 2018	\$580
TrueBlue® points redeemed	(50 )
TrueBlue® points earned and sold	64
Balance at March 31, 2019	\$594
Balance at December 31, 2017	\$502
TrueBlue® points redeemed	(41 )
TrueBlue® points earned and sold	55
Balance at March 31, 2018	\$516

The timing of our TrueBlue® point redemptions can vary; however, the majority of our points are redeemed within approximately three years of the date of issuance.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## Note 3—Long-Term Debt, Short-Term Borrowings, and Finance Lease Obligations

During the three months ended March 31, 2019, we made scheduled principal payments of \$133 million on our outstanding long-term debt and finance lease obligations. As a result of these payments, six of our aircraft became unencumbered.

We have pledged aircraft, engines, other equipment and facilities with a net book value of \$2.8 billion at March 31, 2019 as security under various financing arrangements. As of March 31, 2019, we owned, free of encumbrance, 69 Airbus A320 aircraft, 43 Airbus A321 aircraft, one Embraer E190 aircraft, and 50 spare engines. At March 31, 2019, scheduled maturities of all of our long-term debt and finance lease obligations were \$175 million for the remainder of 2019, \$273 million in 2020, \$262 million in 2021, \$240 million in 2022, \$223 million in 2023, and \$366 million thereafter.

The carrying amounts and estimated fair values of our long-term debt, net of debt acquisition costs, at March 31, 2019 and December 31, 2018 were as follows (in millions):

	March 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Fixed rate special facility bonds, due through 2036	\$42	\$ 44	\$42	\$ 44
Non-Public Debt				
Fixed rate enhanced equipment notes, due through 2023	140	143	151	153
Floating rate equipment notes, due through 2028	233	232	245	245
Fixed rate equipment notes, due through 2028	1,023	1,046	1,125	1,135
Total <sup>(1)</sup>	\$1,438	\$ 1,465	\$1,563	\$ 1,577

(1) Total excludes finance lease obligations of \$101 million for March 31, 2019 and \$107 million for December 31, 2018, respectively.

The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy. The fair values of our enhanced equipment notes and our special facility bonds were based on quoted market prices in markets with low trading volumes. The fair value of our non-public debt was estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy. The fair values of our other financial instruments approximate their carrying values. Refer to Note 9 to our consolidated financial statements for an explanation of the fair value hierarchy structure.

We have financed certain aircraft with Enhanced Equipment Trust Certificates, or EETCs. One of the benefits of this structure is being able to finance several aircraft at one time, rather than individually. The structure of EETC financing is that we create pass-through trusts in order to issue pass-through certificates. The proceeds from the issuance of these certificates are then used to purchase equipment notes which are issued by us and are secured by our aircraft. These trusts meet the definition of a variable interest entity, or VIE, as defined in the Consolidations topic of the Codification, and must be considered for consolidation in our condensed consolidated financial statements. Our assessment of our EETCs considers both quantitative and qualitative factors including the purpose for which these trusts were established and the nature of the risks in each. The main purpose of the trust structure is to enhance the credit worthiness of our debt obligation through certain bankruptcy protection provisions, liquidity facilities and lower our total borrowing cost. We concluded that we are not the primary beneficiary in these trusts because our



involvement in them is limited to principal and interest payments on the related notes, the trusts were not set up to pass along variability created by credit risk to us and the likelihood of our defaulting on the notes. Therefore, we have not consolidated these trusts in our condensed consolidated financial statements.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Short-term Borrowings

Citibank Line of Credit

We have a revolving Credit and Guaranty Agreement with Citibank, N.A. as the administrative agent, for up to approximately \$425 million. The term of the facility runs through April 2021. Borrowings under the Credit and Guaranty Agreement bear interest at a variable rate equal to LIBOR, plus a margin. The Credit and Guaranty Agreement is secured by Slots at John F. Kennedy International Airport, LaGuardia Airport and Reagan National Airport as well as certain other assets. Slots are rights to take-off or land at a specific airport during a specific time period and are a means by which airport capacity and congestion can be managed. The Credit and Guaranty Agreement includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under revolving credit facilities. In addition, the covenants restrict our ability to, among other things, dispose of certain collateral, or merge, consolidate, or sell assets. As of and for the periods ended March 31, 2019 and December 31, 2018, we did not have a balance outstanding or borrowings under this line of credit.

Morgan Stanley Line of Credit

We have a revolving line of credit with Morgan Stanley for up to approximately \$200 million. This line of credit is secured by a portion of our investment securities held by Morgan Stanley and the amount available to us under this line of credit may vary accordingly. This line of credit bears interest at a floating rate based upon LIBOR, plus a margin. As of and for the periods ended March 31, 2019 and December 31, 2018, we did not have a balance outstanding or borrowings under this line of credit.

Note 4—Leases

As discussed in Note 1 to our consolidated financial statements, we adopted ASU 2016-02, Leases (Topic 842) of the Codification, as of January 1, 2019. The new standard requires leases with durations greater than twelve months to be recognized on the balance sheet. Our 2018 and 2017 financial statements have been recast to reflect the retrospective application of the new standard.

Operating lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Leases with a term of 12 months or less are not recorded on the balance sheet. Our lease agreements do not contain any residual value guarantees. For facility leases, we account for the lease and non-lease components as a single lease component.

The table below presents the lease-related assets and liabilities recorded on our consolidated balance sheets (in millions):

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

	Classification on Balance Sheet	March 31, 2019	December 31, 2018
<b>Assets</b>			
Operating lease assets	Operating lease assets	\$1,028	\$1,056
Finance lease assets	Property and equipment, net	177	181
Total lease assets		\$1,205	\$1,237
<b>Liabilities</b>			
<b>Current:</b>			
Operating lease liabilities	Current operating lease liabilities	\$135	\$133
Finance lease liabilities	Current maturities of long-term debt and finance leases	18	18
<b>Long-term:</b>			
Operating lease liabilities	Long-term operating lease liabilities	773	798
Finance lease liabilities	Long-term debt and finance lease obligations	83	89
Total lease liabilities		\$1,009	\$1,038
		March	December
		31, 2019	31, 2018
<b>Weighted-average remaining lease term (in years)</b>			
Operating leases		11	11
Finance leases		3	4
<b>Weighted-average discount rate</b>			
Operating leases		5.95	% 5.95
Finance leases		4.78	% 4.73

**Flight Equipment Leases**

We operated a fleet of 253 aircraft as of March 31, 2019. Of our fleet, 42 aircraft were under operating leases and six aircraft were under finance leases. Our aircraft leases generally have long durations with remaining terms of 6 months to 10 years.

The majority of aircraft operating leases can be renewed at rates based on fair market value at the end of the lease term for one or two years. None of our aircraft operating leases have variable rate rent payments. We have purchase options for 42 of our aircraft leases at the end of their lease term. These purchase options are at fair market value and have a one-time option during the term at fixed amounts that were expected to approximate the fair market value at lease inception.

**Facility Leases**

Our facility leases are primarily for space at the airports we serve. These leases are classified as operating leases and reflect our use of passenger terminal service facilities consisting of ticket counters, gate space, operations support area, and baggage service offices. We generally lease space directly or indirectly from the local airport authority on varying terms dependent on prevailing practices at each airport. The remaining terms of our airport leases vary from 2 months to 16 years. Our leases at certain airports contain provisions for periodic adjustments of rental rates based on the operating costs of the airports or the frequency of use of the facilities. Because of the variable nature of the rates, these leases are not recorded as operating lease assets and operating lease liabilities on our condensed consolidated balance sheets.

We also have leases for our corporate offices, training center, and various hangars and airport support facilities at our focus cities.

**Other Ground Property and Equipment**

We lease certain IT assets, ground support equipment, and various other pieces of equipment. The lease terms of our ground support equipment are less than 12 months, while the amount of other equipment we have is not significant.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## Lease Costs

The table below presents certain information related to our lease costs during the three months ended March 31, 2019 and 2018:

(in millions)	Three Months Ended March 31,	
	2019	2018
Operating lease cost	\$45	\$45
Short-term lease cost	1	—
Finance lease cost:		
Amortization of assets	1	1
Interest on lease liabilities	1	1
Variable lease cost	94	88
Total net lease cost	\$142	\$135

## Other Information

The table below presents supplemental cash flow information related to leases during the three months ended March 31, 2019 and 2018:

(in millions)	Three Months Ended March 31,	
	2019	2018
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$40	\$36
Operating cash flows for finance leases	2	2
Financing cash flows for finance leases	6	6

## Lease Commitments

The table below presents scheduled future minimum lease payments for operating and finance leases recorded on our consolidated balance sheets, as of March 31, 2019:

(in millions)	As of March 31, 2019	
	Operating Leases	Finance Leases
2019	\$101	\$15
2020	132	35
2021	127	39
2022	118	9
2023	109	10
Thereafter	678	5
Total minimum lease payments	1,265	113

Edgar Filing: JETBLUE AIRWAYS CORP - Form 10-Q

Less: amount of lease payments representing interest	(357 )	(12 )
Present value of future minimum lease payments	908	101
Less: current obligations under leases	(135 )	(18 )
Long-term lease obligations	773	83

We do not have any lease commitments that have not yet commenced as of March 31, 2019.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## Note 5—Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated similarly but includes potential dilution from restricted stock units, the Crewmember Stock Purchase Plan, and any other potentially dilutive instruments using the treasury stock method.

The following is a reconciliation of weighted average shares and a calculation of earnings per share (in millions, except per share amounts):

	Three Months Ended March 31, 2019 2018	
Net income <sup>(1)</sup>	\$42	\$90
Weighted average basic shares	305.3	320.6
Effect of dilutive securities	1.6	1.7
Weighted average diluted shares	306.9	322.3
Earnings per common share		
Basic	\$0.14	\$0.28
Diluted	0.14	0.28

(1) As discussed in Note 1 to our consolidated financial statements, we adopted ASC 842, Leases, during the first quarter of 2019. The adoption of this standard impacted previously reported net income by approximately \$2 million for the three months ended March 31, 2018.

On March 11, 2019, JetBlue entered into an accelerated share repurchase agreement, or ASR, paying \$125 million for an initial delivery of 6.1 million shares. The term of the ASR is expected to be completed by the end of the second quarter of 2019, and the final number of shares to be received or returned will be determined.

On March 1, 2018, JetBlue entered into an ASR agreement paying \$125 million for an initial delivery of 4.7 million shares. The term of the ASR concluded on March 23, 2018 with delivery of 1.1 million additional shares to JetBlue on March 26, 2018. A total of 5.8 million shares, at an average price of \$21.49 per share, were repurchased under the agreement.

## Note 6—Crewmember Retirement Plan

We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our Crewmembers where we match 100% of our Crewmembers' contributions up to 5% of their eligible wages. The contributions vest over three years and are measured from a Crewmember's hire date. Crewmembers are immediately vested in their voluntary contributions.

Another component of the Plan is a Company discretionary contribution of 5% of eligible non-management Crewmember compensation, which we refer to as Retirement Plus. Retirement Plus contributions vest over three years and are measured from a Crewmember's hire date.

Certain Federal Aviation Administration, or FAA, licensed Crewmembers receive an additional contribution of 3% of eligible compensation, which we refer to as Retirement Advantage.

Effective August 1, 2018, JetBlue pilots receive a non-elective Company contribution of 15% of eligible pilot compensation per the terms of the finalized collective bargaining agreement between JetBlue and the Air Line Pilots Association, ALPA, in lieu of the above 401(k) Company matching contribution, Retirement Plus, and Retirement Advantage contributions. Refer to Note 11 to our consolidated financial statements for additional information. The Company's non-elective contribution of 15% of eligible pilot compensation vests after three years of service. Our non-management Crewmembers are eligible to receive profit sharing, calculated as 10% of adjusted pre-tax income before profit sharing and special items up to a pre-tax margin of 18% with the result reduced by Retirement Plus contributions and the equivalent of Retirement Plus contributions for pilots. If JetBlue's resulting pre-tax margin exceeds 18%, non-management Crewmembers will receive 20% profit sharing above an 18% pre-tax margin.



Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Total 401(k) company match, Retirement Plus, Retirement Advantage, pilot retirement contribution, and profit sharing expensed for the three months ended March 31, 2019 and 2018 was \$49 million and \$41 million, respectively.

Note 7—Commitments and Contingencies

Flight Equipment Commitments

As of March 31, 2019, our firm aircraft orders consisted of 85 Airbus A321 new engine option (A321neo) aircraft and 60 Airbus A220 aircraft, scheduled for delivery through 2025.

Expenditures for these aircraft and related flight equipment and engines, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$1.1 billion for the remainder of 2019, \$1.2 billion in 2020, \$1.4 billion in 2021, \$1.3 billion in 2022, \$1.6 billion in 2023, and \$1.6 billion thereafter.

The amount of committed expenditures stated above represents the current delivery schedule set forth in our Airbus order book as of March 31, 2019. In October 2018, we received notice from Airbus of anticipated delivery delays for the A321neo aircraft. We expect a delivery of a minimum of six Airbus A321neo aircraft in 2019 as a result of the delays.

In April 2019, we announced our intention to launch multiple daily flights from John F. Kennedy International Airport and Boston Logan International Airport to London in 2021. In connection with our plans to launch flights to London, we amended our purchase agreement with Airbus to convert 13 Airbus A321neo deliveries to the long range configuration.

Other Commitments

We utilize several credit card processors to process our ticket sales. Our agreements with these processors do not contain covenants, but do generally allow the processor to withhold cash reserves to protect the processor from potential liability for tickets purchased, but not yet used for travel. While we currently do not have any collateral requirements related to our credit card processors, we may be required to issue collateral to our credit card processors, or other key business partners, in the future.

As of March 31, 2019, we had approximately \$29 million in assets serving as collateral for letters of credit relating to a certain number of our leases. These are included in restricted cash and expire at the end of the related lease terms.

Additionally, we had approximately \$28 million pledged related to our workers compensation insurance policies and other business partner agreements which will expire according to the terms of the related policies or agreements.

In April 2014, ALPA was certified by the National Mediation Board, or NMB, as the representative body for JetBlue pilots after winning a representation election. We reached a final agreement for our first collective bargaining agreement which was ratified by the pilots in July 2018. The agreement is a four-year, renewable contract effective August 1, 2018 which included compensation, benefits, work rules, and other policies.

In April 2018, JetBlue inflight Crewmembers elected to be solely represented by the Transport Workers Union of America, or TWU. The NMB certified the TWU as the representative body for JetBlue inflight Crewmembers and we are working with the TWU to reach a collective bargaining agreement.

Except as noted above, our Crewmembers do not have third party representation.

Legal Matters

Occasionally, we are involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party and record a loss contingency when it is probable a

liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or results of operations.

## Note 8—Financial Derivative Instruments and Risk Management

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments and enter into fixed forward price agreements, or FFPs, to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against sharp increases in average fuel prices. We also periodically enter into jet fuel basis swaps for the differential between heating oil and jet fuel, to further limit the variability in fuel prices at various locations. We do not hold or issue any derivative financial instruments for trading purposes.

## Aircraft Fuel Derivatives

We attempt to obtain cash flow hedge accounting treatment for each fuel derivative that we enter into. This treatment is provided for under the Derivatives and Hedging topic of the Codification which allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned jet fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding. The effective portion of realized fuel hedging derivative gains and losses is recognized in aircraft fuel expense in the period during which the underlying fuel is consumed.

Ineffectiveness occurs, in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel. ASU 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities eliminated the requirement for companies to separately measure and record ineffectiveness after initial qualification. If a hedge does not qualify for hedge accounting, the periodic changes in its fair value are also recognized in interest income and other. When aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income is recognized in aircraft fuel expense. All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis without a specific target of hedge percentage needs. We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of March 31, 2019 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Jet fuel call option spread agreements	Jet fuel call option agreements	Total
Second Quarter 2019	—%	7 %	7 %



Table of Contents

PART I. FINANCIAL INFORMATION  
 ITEM 1. FINANCIAL STATEMENTS  
 JETBLUE AIRWAYS CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (unaudited)

The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions):

	March 31, December 31,	
	2019	2018
Fuel derivatives		
Asset fair value recorded in prepaid expense and other <sup>(1)</sup>	\$ —	\$ —
Longest remaining term (months)	3	6
Hedged volume (barrels, in thousands)	378	756
Estimated amount of existing (gains) losses expected to be reclassified into earnings in the next 12 months	\$ 2	\$ 4
	Three Months Ended March 31,	
Fuel derivatives	2019	2018
Hedge effectiveness (gains) losses recognized in aircraft fuel expense	\$2	\$ —
Hedge (gains) losses on derivatives recognized in comprehensive income	—	—
Percentage of actual consumption economically hedged	7 %	—%

(1) Gross asset of each contract prior to consideration of offsetting positions with each counterparty and prior to the impact of collateral paid.

Any outstanding derivative instrument exposes us to credit loss in connection with our fuel contracts in the event of nonperformance by the counterparties to our agreements, but we do not expect that any of our counterparties will fail to meet their obligations. The amount of such credit exposure is generally the fair value of our outstanding contracts for which we are in a receivable position. To manage credit risks we select counterparties based on credit assessments, limit our overall exposure to any single counterparty and monitor the market position with each counterparty. Some of our agreements require cash deposits from either JetBlue or our counterparty if market risk exposure exceeds a specified threshold amount.

We have master netting arrangements with our counterparties allowing us the right of offset to mitigate credit risk in derivative transactions. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Our policy is to offset the liabilities represented by these contracts with any cash collateral paid to the counterparties. There were no offsetting derivative instruments as of March 31, 2019 and December 31, 2018.

#### Note 9—Fair Value

Under the Fair Value Measurements and Disclosures topic of the Codification, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The following is a listing of our assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the fair value hierarchy as of March 31, 2019 and December 31, 2018 (in millions):

Assets	March 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$194	\$ —	—	—\$194
Available-for-sale investment securities	40	240	—	280
Aircraft fuel derivatives	—	—	—	—

Assets	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$198	\$ —	—	—\$198
Available-for-sale investment securities	39	197	—	236
Aircraft fuel derivatives	—	—	—	—

Refer to Note 3 to our consolidated financial statements for fair value information related to our outstanding debt obligations as of March 31, 2019 and December 31, 2018.

**Cash Equivalents**

Our cash equivalents include money market securities and commercial paper which are readily convertible into cash, have maturities of 90 days or less when purchased and are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

**Available-For-Sale Investment Securities**

Included in our available-for-sale investment securities are U.S. Treasury bills, time deposits, commercial paper and debt securities. The U.S. Treasury bills are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the fair value hierarchy. The fair value of these instruments are based on observable inputs in non-active markets, which are therefore classified as Level 2 in the hierarchy. We did not record any material gains or losses on these securities during the three months ended March 31, 2019 and 2018.

**Aircraft Fuel Derivatives**

Our aircraft fuel derivatives include call option spreads and call options which are not traded on public exchanges. Their fair values are determined using a market approach based on inputs that are readily available from public markets for commodities and energy trading activities; therefore, they are classified as Level 2 in the hierarchy. The data inputs are combined into quantitative models and processes to generate forward curves and volatilities related to the specific terms of the underlying hedge contracts. The fair value of our outstanding aircraft fuel derivatives was immaterial as of March 31, 2019 and December 31, 2018.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## Note 10—Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes changes in fair value of our aircraft fuel derivatives which qualify for hedge accounting. A rollforward of the amounts included in the accumulated other comprehensive income (loss), net of taxes for the three months ended March 31, 2019 and March 31, 2018 are as follows (in millions):

	Aircraft Fuel Derivatives <sup>(1)</sup>	Total
Balance of accumulated (losses) at December 31, 2018	\$ (3 )	\$ (3 )
Reclassifications into earnings, net of tax benefit \$0	2	2
Change in fair value, net of tax benefit \$0	—	—
Balance of accumulated (losses) at March 31, 2019	\$ (1 )	\$ (1 )
Balance of accumulated income at December 31, 2017	\$ —	\$ —
Reclassifications into earnings , net of tax benefit \$0	—	—
Change in fair value, net of tax benefit of \$0	—	—
Balance of accumulated income at March 31, 2018	\$ —	\$ —

(1) Reclassified to aircraft fuel expense

## Note 11—Special Items

The following is a listing of special items presented on our consolidated statements of operations (in millions):

Special Items	Three Months Ended March 31, 2019	2018
Embraer E190 fleet transition costs <sup>(1)</sup>	\$ 9	\$ —
Union contract costs <sup>(2)</sup>	3	—
Total	\$ 12	\$ —

(1) In July 2018, we announced our decision to exit the Embraer E190 fleet and order 60 Airbus A220-300 aircraft, formerly known as the Bombardier CS300, for expected deliveries beginning in 2020 through 2025, with the option for 60 additional aircraft through 2028. We expect to transition Embraer E190 aircraft starting in 2020, and we expect the transition to be completed through 2025. For the three months ended March 31, 2019, Embraer E190 fleet transition costs include certain contract termination costs associated with the transition. Additional expenses may be recorded in future periods as we continue to work through the transition of our Embraer E190 fleet.

(2) In April 2014, ALPA was certified by NMB as the representative body for JetBlue pilots after winning a representation election. We reached a final agreement for our first collective bargaining agreement which was ratified by the pilots in July 2018. The agreement is a four-year renewable contract effective August 1, 2018 which included changes to compensation, benefits, work rules, and other policies. For the three months ended March 31, 2019, union contract costs primarily include various one-time costs incurred to implement the provisions of the collective bargaining agreement into our systems.





Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

First Quarter 2019 Results

• We had a \$117 million increase in revenue compared to the first quarter of 2018 primarily due to a 10.1% increase in capacity.

• We generated \$420 million in cash from operations and \$256 million in free cash flow for the three months ended March 31, 2019.

• Our operating margin decreased by 3.0 percentage points to 4.1%, due in part to calendar placement which shifted Easter and Passover into the second quarter of 2019, and an increase in salaries, wages, and benefits driven by the incremental costs of the new pilots' collective bargaining agreement which became effective in August 2018.

• Operating expense per available seat mile increased by 0.1% to 11.63 cents, evidencing the progress of our structural cost program.

Our reported earnings per diluted share for the first quarter of 2019 were \$0.14. Special items, principally related to contract termination costs associated with the Embraer E190 fleet transition, reduced our reported earnings per share by \$0.02.

Balance Sheet

We ended the first quarter of 2019 with unrestricted cash, cash equivalents and short-term investments of \$876 million and undrawn lines of credit of approximately \$625 million. Our unrestricted cash, cash equivalents and short-term investments are approximately 11% of trailing twelve months revenue. We have 113 unencumbered aircraft and 50 unencumbered spare engines as of March 31, 2019.

Network

In April 2019, we announced our intention to launch multiple daily flights from John F. Kennedy International Airport and Boston Logan International Airport to London in 2021. We expect London to be our first European destination.

Fleet

In connection with our plans to launch flights to London, we amended our purchase agreement with Airbus in April 2019 to convert 13 Airbus A321neo deliveries to the long range configuration.

Outlook for 2019

For the second quarter of 2019, cost per available seat mile, excluding fuel<sup>(1)</sup> is expected to increase between 1.5% and 3.5% over the comparable 2018 period. In addition, we expect revenue per available seat mile to range between 1.0% and 4.0% on an operating capacity increase between 4.5% and 6.5% over the comparable 2018 period.

For full year 2019, cost per available seat mile, excluding fuel<sup>(1)</sup> is expected to range between 0.0% and 2.0% over the comparable 2018 period. In addition, we expect operating capacity to increase between 4.5% and 6.5% over the comparable 2018 period.

<sup>(1)</sup> Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

Three Months Ended March 31, 2019 vs. 2018

## Overview

We reported net income of \$42 million, operating income of \$76 million and an operating margin of 4.1% for the three months ended March 31, 2019. This compares to net income of \$90 million, operating income of \$125 million and an operating margin of 7.1% for the three months ended March 31, 2018. Diluted earnings per share was \$0.14 for the first quarter of 2019 compared to \$0.28 for the same period in 2018.

Our reported results for the three months ended March 31, 2019 and 2018 included the effects of special items and the implementation of new tax reform legislation. Adjusting for these one-time items<sup>(1)</sup>, our adjusted net income was \$51 million, operating income was \$88 million, and our adjusted operating margin was 4.7% for the first quarter of 2019. This compares to adjusted net income of \$83 million, operating income of \$125 million, and operating margin of 7.1% for the first quarter of 2018. Excluding one-time items<sup>(1)</sup>, diluted earnings per share were \$0.16 and \$0.26 for the first quarter of 2019 and 2018, respectively.

On-time performance, as defined by the Department of Transportation, or DOT, is arrival within 14 minutes of scheduled arrival time. In the first quarter of 2019, our systemwide on-time performance was 73.7% compared to 71.5% for the same period in 2018. Our on-time performance remains challenged by our concentration of operations in the northeast of the U.S., one of the world's most congested airspaces. Our completion factor was 97.8% in the first quarter of 2019 and 95.7% in the same period in 2018.

## Operating Revenues

(Revenues in millions; percent changes based on unrounded numbers)	Three months ended		Year-over-Year	
	March 31, 2019	2018	\$	%
Passenger revenue	\$1,802	\$1,692	\$110	6.5
Other revenue	69	62	7	11.8
Total operating revenues	\$1,871	\$1,754	\$117	6.7
Average Fare	\$177.24	\$171.19	\$6.05	3.5
Yield per passenger mile (cents)	14.15	14.26	(0.11 )	(0.7 )
Passenger revenue per ASM (cents)	11.67	12.06	(0.39 )	(3.2 )
Operating revenue per ASM (cents)	12.12	12.50	(0.38 )	(3.1 )
Average stage length (miles)	1,153	1,098	55	5.0
Revenue passengers (thousands)	10,165	9,881	284	2.9
Revenue passenger miles (millions)	12,734	11,866	868	7.3
Available Seat Miles (ASMs) (millions)	15,437	14,025	1,412	10.1
Load Factor	82.5	% 84.6	%	(2.1 )pts.

Passenger revenue is our primary source of revenue, which includes seat revenue as well as revenue from our ancillary product offerings such as EvenMore<sup>®</sup> Space. The increase in passenger revenue of \$110 million, or 6.5%, for the three months ended March 31, 2019 compared to the same period in 2018, was primarily attributable to a 2.9% increase in revenue passengers and a 3.5% increase in average fare. Fee revenue increased by \$17 million as a result of changes in our baggage and change fee policies which became effective in August 2018.

<sup>(1)</sup> Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Operating Expenses

In detail, our operating costs per available seat mile, or ASM, were as follows:

(in millions; per ASM data in cents; percent changes based on unrounded numbers)	Three Months Ended March 31,		Year-over-Year Change		Cents per ASM		
	2019	2018	\$	%	2019	2018	% Change
Aircraft fuel and related taxes	\$437	\$417	\$20	4.9 %	2.83	2.97	(4.7 )%
Salaries, wages and benefits	575	499	76	15.2	3.73	3.56	4.7
Landing fees and other rents	115	109	6	6.2	0.75	0.78	(3.5 )
Depreciation and amortization	124	111	13	11.5	0.80	0.79	1.3
Aircraft rent	25	25	—	1.5	0.16	0.18	(7.8 )
Sales and marketing	66	67	(1 )	(1.8 )	0.43	0.48	(10.8)
Maintenance materials and repairs	155	142	13	9.3	1.00	1.01	(0.7 )
Other operating expenses	286	259	27	10.1	1.85	1.85	—
Special items	12	—	12	n/a	0.08	—	n/a
Total operating expenses	\$1,795	\$1,629	\$166	10.2 %	11.63	11.62	0.1 %
Total operating expenses excluding special items <sup>(1)</sup>	\$1,783	\$1,629	\$154	9.5 %	11.56	11.62	(0.5 )%

## Aircraft Fuel and Related Taxes

Aircraft fuel and related taxes increased by \$20 million, or 4.9%, for the three months ended March 31, 2019 compared to the same period in 2018. The average fuel price for the three months ended March 31, 2019 decreased by 2.0% to \$2.05 per gallon. Our fuel consumption increased by 7.0%, or 14 million gallons, due to an increase in the average number of aircraft operating during the three months ended March 31, 2019 as compared to the same period in 2018.

## Salaries, Wages and Benefits

Salaries, wages and benefits increased \$76 million, or 15.2%, for the three months ended March 31, 2019 compared to the same period in 2018, primarily driven by the incremental costs of the new pilots' collective bargaining agreement which became effective on August 1, 2018, and a higher number of full-time equivalent Crewmembers.

## Depreciation and Amortization

Depreciation and amortization increased \$13 million, or 11.5%, for the three months ended March 31, 2019 compared to the same period in 2018, primarily driven by a 3.7% increase in the average number of aircraft operating during the first quarter of 2019 as compared to the same period in 2018.

## Maintenance Materials and Repairs

Maintenance materials and repairs increased \$13 million, or 9.3%, for the three months ended March 31, 2019 compared to the same period in 2018, primarily driven by the timing of engine maintenance and the additional aircraft in our fleet.

## Other Operating Expenses

Other operating expenses increased \$27 million, or 10.1%, for the three months ended March 31, 2019 compared to the same period in 2018, primarily due to an increase in airport services resulting from an increased number of departures and passengers flown.

## Special Items

Special items for the three months ended March 31, 2019 include \$9 million of one-time costs related to the Embraer E190 fleet exit and \$3 million of one-time costs related to the implementation of our pilots' collective bargaining agreement.

(1) Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

24

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth our operating statistics for the three months ended March 31, 2019 and 2018:

	Three Months Ended		Year-over-Year
	March 31,		Change
(percent changes based on unrounded numbers)	2019	2018	%
<b>Operational Statistics</b>			
Revenue passengers (thousands)	10,165	9,881	2.9
Revenue passenger miles (RPMs) (millions)	12,734	11,866	7.3
Available seat miles (ASMs) (millions)	15,437	14,025	10.1
Load factor	82.5	% 84.6	% (2.1 ) pts
Aircraft utilization (hours per day)	11.8	11.4	3.5
Average fare	\$177.24	\$171.19	3.5
Yield per passenger mile (cents)	14.15	14.26	(0.7 )
Passenger revenue per ASM (cents)	11.67	12.06	(3.2 )
Operating revenue per ASM (cents)	12.12	12.50	(3.1 )
Operating expense per ASM (cents)	11.63	11.62	0.1
Operating expense per ASM, excluding fuel <sup>(1)</sup>	8.66	8.58	0.9
Departures	89,236	86,046	3.7
Average stage length (miles)	1,153	1,098	5.0
Average number of operating aircraft during period	252.9	243.9	3.7
Average fuel cost per gallon, including fuel taxes	\$2.05	\$2.09	(2.0 )
Fuel gallons consumed (millions)	213	199	7.0
Average number of full-time equivalent crewmembers	18,292	17,530	

Historical revenue trends may not continue. Runway closures in several of our focus cities may have an adverse impact on our operation in 2019. Except for uncertainty related to the cost of aircraft fuel, we expect our expenses to continue to increase as we acquire additional aircraft, as our fleet ages, and as we expand the frequency of flights in existing markets as well as enter into new markets. In addition, we expect our operating results to significantly fluctuate from quarter-to-quarter in the future as a result of various factors, many of which are outside of our control. Consequently, we believe quarter-to-quarter comparisons of our operating results may not necessarily be meaningful; you should not rely on our results for any one quarter as an indication of our future performance.

**LIQUIDITY AND CAPITAL RESOURCES**

The airline business is capital intensive. Our ability to successfully execute our growth plans is largely dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business depends on maintaining sufficient liquidity. We believe we have adequate resources from a combination of cash and cash equivalents, investment securities on hand, and two available lines of credit. Additionally, as of March 31, 2019, we had 113 unencumbered aircraft and 50 unencumbered spare engines, which we believe could be an additional source of liquidity, if necessary.

We believe a healthy liquidity position is crucial to our ability to weather any part of the economic cycle while continuing to execute on our plans for profitable growth and increased returns. Our goal is to continue to be diligent with our liquidity and to maintain financial flexibility to allow for prudent capital spending.

As of March 31, 2019, we had unrestricted cash and cash equivalents of \$464 million and short-term investments of \$412 million. We believe our current level of unrestricted cash, cash equivalents and short-term investments of approximately 11% of trailing twelve months revenue, combined with our available lines of credit and portfolio of unencumbered assets provides us with a strong liquidity position and the potential for higher returns on cash deployment.

(1) Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

25

---

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Analysis of Cash Flows

Operating Activities

We rely primarily on operating cash flows to provide working capital for current and future operations. Cash flows from operating activities were \$420 million and \$490 million for the three months ended March 31, 2019 and 2018, respectively. Lower earnings, principally driven by an increase in salaries, wages and benefits, partially offset by higher operating revenues, contributed to the reduction in operating cash flows.

Investing Activities

During the three months ended March 31, 2019, capital expenditures related to our purchase of flight equipment included \$42 million for spare part purchases, \$29 million in work-in-progress relating to flight equipment, and \$63 million for flight equipment deposits. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for \$30 million.

During the three months ended March 31, 2018, capital expenditures related to our purchase of flight equipment included \$124 million related to the purchase of two Airbus A321 aircraft and one Airbus A321 lease buyouts, \$28 million for spare part purchases, \$21 million in work-in-progress relating to flight equipment, and \$19 million for flight equipment deposits. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for \$11 million. Investing activities also included the net proceeds of \$122 million from the sale of investment securities.

Financing Activities

Financing activities for the three months ended March 31, 2019 primarily consisted of the acquisitions of treasury shares of \$130 million of which \$125 million related to our accelerated share repurchase, or ASR, and scheduled maturities of \$133 million relating to debt and finance lease obligations.

Financing activities for the three months ended March 31, 2018 primarily consisted of the acquisition of treasury shares totaling \$125 million related to our ASR in March 2018, and the scheduled maturities of \$58 million relating to debt and finance lease obligations.

In March 2019, we filed an automatic shelf registration statement with the SEC. Under this shelf registration statement, we may offer and sell from time to time common stock, preferred stock, debt securities, depositary shares, warrants, stock purchase contracts, stock purchase units, subscription rights, and pass-through certificates. Through to March 31, 2019, we had not issued any securities under this registration statement. We may utilize this universal shelf registration statement, or a replacement filed with the SEC, in the future to raise capital to fund the continued development of our products and services, the commercialization of our products and services, or for other general corporate purposes.

Working Capital

We had a working capital deficit of \$1.3 billion and \$1.1 billion at March 31, 2019 and December 31, 2018, respectively. Working capital deficits can be customary in the airline industry because a significant portion of air traffic liability is classified as a current liability. Our working capital deficit increased by \$0.2 billion due to several factors, including an overall increase in our air traffic liability.

We expect to meet our obligations as they become due through available cash, investment securities, and internally generated funds, supplemented, as necessary, by financing activities which may be available to us. We expect to generate positive working capital through our operations. However, we cannot predict what the effect on our business might be from the extremely competitive environment in which we operate or from events beyond our control, such as volatile fuel prices, economic conditions, weather-related disruptions, airport infrastructure challenges, the spread of infectious diseases, the impact of other airline bankruptcies, restructurings or consolidations, U.S. military actions or acts of terrorism. We believe the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months.

As part of our efforts to effectively manage our balance sheet and improve Return on Invested Capital, or ROIC, we expect to continue to actively manage our debt balances. Our approach to debt management includes managing the



mix of fixed and floating rate debt, annual maturities of debt and the weighted average cost of debt. Additionally, our unencumbered assets allow some flexibility in managing our cost of debt and capital requirements.

<sup>(1)</sup> Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

26

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Contractual Obligations

Our contractual obligations at March 31, 2019 include the following (in millions):

	Payments due in						
	Total	2019	2020	2021	2022	2023	Thereafter
Debt and finance lease obligations <sup>(a)</sup>	\$ 1,784	\$ 220	\$ 327	\$ 305	\$ 272	\$ 244	\$ 416
Operating lease obligations	1,266	101	133	127	118	109	678
Flight equipment purchase obligations	8,142	1,085	1,190	1,430	1,259	1,576	1,602
Other obligations <sup>(b)</sup>	2,893	347	298	321	302	310	1,315
Total	\$ 14,085	\$ 1,753	\$ 1,948	\$ 2,183	\$ 1,951	\$ 2,239	\$ 4,011

(a) Includes actual interest and estimated interest for floating-rate debt based on March 31, 2019 rates

(b) Amounts include noncancelable commitments for the purchase of goods and services

As of March 31, 2019, we believe we are in compliance with the covenants of our debt and lease agreements. We have approximately \$29 million of restricted cash pledged under standby letters of credit related to certain leases that will expire at the end of the related lease terms.

As of March 31, 2019, we operated a fleet of 63 Airbus A321 aircraft, 130 Airbus A320 aircraft and 60 Embraer E190 aircraft. Of our fleet, 205 are owned by us, of which 113 are unencumbered, 42 are leased under operating leases and six are leased under finance leases. As of March 31, 2019, the average age of our operating fleet was 10.2 years and our future aircraft order book was as follows:

Year	Airbus A321neo	Airbus A220	Total
2019	13	—	13
2020	15	1	16
2021	16	6	22
2022	15	8	23
2023	14	19	33
2024	12	22	34
2025	—	4	4
Total	85	60	145

In October 2018, we received notice from Airbus of anticipated delivery delays for the A321neo aircraft. The table above represents the current delivery schedule set forth in our Airbus order book as of March 31, 2019. However, due to delays, we expect a delivery of a minimum of six Airbus A321neo aircraft in 2019.

In April 2019, we announced our intention to launch multiple daily flights from John F. Kennedy International Airport and Boston Logan International Airport to London in 2021. In connection with our plans to launch flights to London, we amended our purchase agreement with Airbus to convert 13 Airbus A321neo deliveries to the long range configuration.

Expenditures for our aircraft and spare engines include estimated amounts for contractual price escalations and predelivery deposits. We expect to meet our predelivery deposit requirements for our aircraft by paying cash or by using short-term borrowing facilities for deposits required six to 24 months prior to delivery. Any predelivery deposits paid by the issuance of notes are fully repaid at the time of delivery of the related aircraft.

Depending on market conditions, we anticipate using a mix of cash and debt financing for aircraft scheduled for delivery in 2019. For deliveries after 2019, although we believe debt and/or lease financing should be available to us, we cannot give any assurance that we will be able to secure financing on attractive terms, if at all. While these financings may or may not result in an increase in liabilities on our balance sheet, our fixed costs will increase regardless of the financing method ultimately chosen. To the extent we cannot secure financing on terms we deem attractive, we may be required to pay in cash, further modify our aircraft acquisition plans or incur higher than anticipated financing costs.

(1) Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

27

---

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Capital expenditures for non-aircraft such as facility improvements and various infrastructure refreshes are expected to be between approximately \$150 million and \$200 million for full year 2019.

Off-Balance Sheet Arrangements

Although some of our aircraft lease arrangements are with variable interest entities, as defined by the Consolidations topic of the Codification, none of them require consolidation in our financial statements. Our decision to finance these aircraft through operating leases rather than through debt was based on an analysis of the cash flows and tax consequences of each financing alternative and a consideration of liquidity implications. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

We have determined that we hold a variable interest in, but are not the primary beneficiary of, certain pass-through trusts. The beneficiaries of these pass-through trusts are the purchasers of equipment notes issued by us to finance the acquisition of aircraft. They maintain liquidity facilities whereby a third party agrees to make payments sufficient to pay up to 18 months of interest on the applicable certificates if a payment default occurs.

We have also made certain guarantees and indemnities to other unrelated parties that are not reflected on our balance sheet, which we believe will not have a significant impact on our results of operations, financial condition or cash flows. We have no other off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates included in our 2018 Form 10-K.

Forward-Looking Information

Statements in this Report (or otherwise made by JetBlue or on JetBlue's behalf) contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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," "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; our significant fixed obligations and substantial indebtedness; volatility in fuel prices, maintenance costs and interest rates; our reliance on high daily aircraft utilization; our ability to implement our growth strategy; our ability to attract and retain qualified personnel and maintain our culture as we grow; our reliance on a limited number of suppliers; 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 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 Report, 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 Report, those described in Item 1A of our 2018 Form 10-K under "Risks Related to JetBlue" and "Risks Associated with the Airline Industry" and our other filings with the SEC. In light of these risks and uncertainties, the forward-looking events discussed in this Report might not occur. Our forward-looking statements speak only as of the date of this Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

<sup>(1)</sup> Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

28

---

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Where You Can Find Other Information

Our website is [www.jetblue.com](http://www.jetblue.com). Information contained on our website is not part of this Report. Information we furnish or file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. Our SEC filings, including exhibits filed therewith, are also available at the SEC's website at [www.sec.gov](http://www.sec.gov).

<sup>(1)</sup> Refer to our "Regulation G Reconciliation" at the end of this section for more information on this non-GAAP measure.

29

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## REGULATION G RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We sometimes use non-GAAP measures that are derived from the consolidated financial statements, but that are not presented in accordance with generally accepted accounting principles in the U.S., or GAAP. We believe these non-GAAP measures provide a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies. We believe certain charges included in our operating expenses on a GAAP basis make it difficult to compare our current period results to prior periods as well as future periods and guidance. The tables below show a reconciliation of non-GAAP financial measures used in this filing to the most directly comparable GAAP financial measures.

## Operating Expenses per Available Seat Mile, excluding fuel

Operating expenses per available seat mile, or CASM, is a common metric used in the airline industry. Our CASM for the periods are summarized in the table below. We exclude aircraft fuel and related taxes, operating expenses related to other non-airline businesses, such as JetBlue Technology Ventures and JetBlue Travel Products, and special items from operating expenses to determine CASM ex-fuel. During the periods presented below, special items include one-time transition costs related to the Embraer E190 fleet exit as well as one-time costs related to the implementation of our pilots' collective bargaining agreement. We believe that 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 expense related to other non-airline businesses. We believe this non-GAAP measure is more indicative of our ability to manage airline costs and is more comparable to measures reported by other major airlines.

## Reconciliation of Operating Expense per ASM, excluding fuel

(in millions; per ASM data in cents; percentages based on unrounded numbers)	Three Months Ended March 31,			
	2019		2018	
	\$	per ASM	\$	per ASM
Total operating expenses	\$ 1,795	\$ 11.63	\$ 1,629	\$ 11.62
Less:				
Aircraft fuel and related taxes	437	2.83	417	2.97
Other non-airline expenses	9	0.06	9	0.07
Special items	12	0.08	—	—
Operating expenses, excluding fuel	\$ 1,337	\$ 8.66	\$ 1,203	\$ 8.58

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Expense, Income before Taxes, Net Income and Earnings per Share, excluding special items and impact of tax reform

Our GAAP results in the applicable periods include the impacts of the 2017 tax reform and charges that are deemed special items which we believe make our results difficult to compare to prior periods as well as future periods and guidance. During the periods presented below, special items include one-time transition costs related to the Embraer E190 fleet exit as well as one-time costs related to the implementation of our pilots' collective bargaining agreement. We believe the impacts of the 2017 tax reform and special items distort our overall trends and that our metrics and results are enhanced with the presentation of our results excluding the impact of these items. The table below provides a reconciliation of our GAAP reported amounts to the non-GAAP amounts excluding the impacts of the 2017 tax reform and special items.

Reconciliation of Operating Expenses, Income before taxes, Net Income and Earnings Per Common Share excluding special items and impact of tax reform

	Three Months Ended March 31,	
(in millions except per share amounts)	2019	2018
Total operating expenses	\$1,795	\$1,629
Less: Special items	12	—
Total operating expenses excluding special items	\$1,783	\$1,629
Operating income	\$76	\$125
Add back: Special items	12	—
Operating income excluding special items	\$88	\$125
Income before income taxes	\$58	\$113
Add back: Special items	12	—
Income before income taxes excluding special items	\$70	\$113
Income before income taxes excluding special items	\$70	\$113
Less: Income tax expense	16	23
Less: Income tax related to special items	3	—
Less: Tax reform impact	—	7
Net Income excluding special items	\$51	\$83
Earnings Per Common Share:		
Basic	\$0.14	\$0.28
Add back: Special items, net of tax	0.02	—
Less: Tax reform impact	—	0.02
Basic excluding special items	\$0.16	\$0.26
Diluted	\$0.14	\$0.28
Add back: Special items, net of tax	0.02	—
Less: Tax reform impact	—	0.02
Diluted excluding special items	\$0.16	\$0.26





Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Free Cash Flow

The table below reconciles cash provided by operations determined in accordance with GAAP to Free Cash Flow, a non-GAAP measure. Management believes that Free Cash Flow is a relevant metric in measuring our financial strength and is useful in assessing our ability to fund future capital commitments and other obligations. Investors should consider this non-GAAP financial measure in addition to, and not as a substitute for, our financial measures prepared in accordance with GAAP.

## Reconciliation of Free Cash Flow

	Three months ended March 31,	
(in millions)	2019	2018
Net cash provided by operating activities	\$420	\$490
Less: Capital expenditures	(101 )	(184 )
Less: Predelivery deposits for flight equipment	(63 )	(19 )
Free Cash Flow	\$256	\$287

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risks from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk included in our 2018 Form 10-K.

Aircraft Fuel

Our results of operations are affected by changes in the price and availability of aircraft fuel. Market risk is estimated as a hypothetical 10% increase in the March 31, 2019 cost per gallon of fuel. Based on projected fuel consumption for the next 12 months, including the impact of our hedging position, such an increase would result in an increase to aircraft fuel expense of approximately \$190 million. As of March 31, 2019, we had hedged approximately 2% of our projected fuel requirement for the remainder of 2019. All hedge contracts existing at March 31, 2019 settle by June 30, 2019. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Refer to Note 8 to our consolidated financial statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information.

Interest

Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and on interest income generated from our cash and investment balances. The interest rate is fixed for \$1.2 billion of our debt and finance lease obligations, with the remaining \$0.3 billion having floating interest rates. As of March 31, 2019, if interest rates were on average 100 basis points higher in 2019 our annual interest expense would increase by approximately \$3 million. This is determined by considering the impact of the hypothetical change in interest rates on our variable rate debt and finance leases.

If interest rates were to average 100 basis points lower in 2019 than they did during 2018, our interest income from cash and investment balances would remain relatively constant. These amounts are determined by considering the impact of the hypothetical interest rates on our cash equivalents and investment securities balances at March 31, 2019 and December 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, to allow timely decisions regarding required disclosure. Management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Control Over Financial Reporting

Except as discussed below, there were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our controls performed during the fiscal quarter ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

During the three months ended March 31, 2019, we implemented a new lease accounting system and process in response to the adoption of ASU No. 2016-02, Leases (Topic 842) of the Codification, effective January 1, 2019. These implementations resulted in a material change in a component of our internal control over financial reporting.



Table of Contents

## PART II. FINANCIAL INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business we are party to various legal proceedings and claims which we believe are incidental to the operation of our business. Refer to Note 7 to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

## ITEM 1A. RISK FACTORS

Part I, Item 1A "Risk Factors" of our 2018 Form 10-K, includes a discussion of our risk factors which are incorporated herein. There were no material changes from the risk factors associated with our business previously disclosed in Part I, Item 1A "Risk Factors" of our 2018 Form 10-K.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 8, 2017, the Board of Directors approved a two year share repurchase authorization starting on January 1, 2018, of up to \$750 million worth of JetBlue common stock. The authorization can be executed through repurchases in open market transactions pursuant to Rules 10b-18 and/or 10b5-1 of the Securities and Exchange Act of 1934, as amended, and/or one or more privately-negotiated accelerated stock repurchase transactions. We may adjust or change our share repurchase practices based on market conditions and other alternatives.

During the three months ended March 31, 2019, the following shares were repurchased under the program (in millions):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan or Program
March 2019	6.1	(1)	6.1	\$ 250
Total	6.1		6.1	

(1) On March 11, 2019, JetBlue entered into an accelerated share repurchase, or ASR, agreement paying \$125 million for an initial delivery of 6.1 million shares. The term of the ASR is expected to be completed by the end of the second quarter of 2019. The total number of shares to ultimately be purchased by JetBlue will be based on the average volume weighted average prices of JetBlue's common stock during the term of the ASR, less a discount.

## ITEM 6. EXHIBITS

See accompanying Exhibit Index included after the signature page of this Report for a list of the exhibits filed or furnished with this Report.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JETBLUE AIRWAYS CORPORATION  
(Registrant)

Date: April 26, 2019    By: /s/ Alexander Chatkewitz  
Vice President, Controller, and Chief Accounting Officer  
(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer</u>
32	<u>Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document