

JETBLUE AIRWAYS CORP  
Form 10-Q  
July 29, 2016  
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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 June 30, 2016  
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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 June 30, 2016, there were 323,634,904 shares outstanding of the registrant's common stock, par value \$.01.

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## PART 1. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in millions, except per share data)

	June 30, December 31,	
	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 935	\$ 318
Investment securities	575	558
Receivables, less allowance (2016-\$5; 2015-\$6)	153	136
Prepaid expenses and other	415	361
Total current assets	2,078	1,373
<b>PROPERTY AND EQUIPMENT</b>		
Flight equipment	7,334	7,079
Predelivery deposits for flight equipment	172	171
Total flight equipment and predelivery deposits, gross	7,506	7,250
Less accumulated depreciation	1,700	1,573
Total flight equipment and predelivery deposits, net	5,806	5,677
Other property and equipment	916	868
Less accumulated depreciation	319	293
Total other property and equipment, net	597	575
Assets constructed for others	561	561
Less accumulated depreciation	173	161
Total assets constructed for others, net	388	400
Total property and equipment	6,791	6,652
<b>OTHER ASSETS</b>		
Investment securities	30	49
Restricted cash	66	63
Other	493	507
Total other assets	589	619
<b>TOTAL ASSETS</b>	<b>\$ 9,458</b>	<b>\$ 8,644</b>

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (unaudited, in millions, except per share data)

	June 30, 2016	December 31, 2015
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$341	\$ 205
Air traffic liability	1,193	1,053
Accrued salaries, wages and benefits	297	302
Other accrued liabilities	336	267
Current maturities of long-term debt and capital leases	446	448
Total current liabilities	2,613	2,275
<b>LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS</b>		
CONSTRUCTION OBLIGATION	465	472
<b>DEFERRED TAXES AND OTHER LIABILITIES</b>		
Deferred income taxes	1,341	1,218
Other	95	90
Total deferred taxes and other liabilities	1,436	1,308
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value; 25 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 900 shares authorized, 395 and 392 shares issued and 324 and 322 shares outstanding at June 30, 2016 and December 31, 2015, respectively	4	4
Treasury stock, at cost; 71 and 70 shares at June 30, 2016 and December 31, 2015, respectively	(380 )	(366 )
Additional paid-in capital	1,946	1,896
Retained earnings	2,058	1,679
Accumulated other comprehensive income (loss)	16	(3 )
Total stockholders' equity	3,644	3,210
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$9,458</b>	<b>\$ 8,644</b>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Passenger	\$1,487	\$1,496	\$2,965	\$2,904
Other	156	116	295	231
Total operating revenues	1,643	1,612	3,260	3,135
<b>OPERATING EXPENSES</b>				
Aircraft fuel and related taxes	274	371	489	706
Salaries, wages and benefits	415	375	850	750
Landing fees and other rents	92	90	177	173
Depreciation and amortization	96	81	188	168
Aircraft rent	28	31	56	62
Sales and marketing	72	70	137	130
Maintenance materials and repairs	140	126	274	239
Other operating expenses	213	186	427	372
Total operating expenses	1,330	1,330	2,598	2,600
<b>OPERATING INCOME</b>	<b>313</b>	<b>282</b>	<b>662</b>	<b>535</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(28 )	(32 )	(57 )	(66 )
Capitalized interest	2	2	4	4
Interest income and other	2	(2 )	3	(1 )
Total other income (expense)	(24 )	(32 )	(50 )	(63 )
<b>INCOME BEFORE TAXES</b>	<b>289</b>	<b>250</b>	<b>612</b>	<b>472</b>
Income tax expense	109	98	232	183
<b>NET INCOME</b>	<b>\$180</b>	<b>\$152</b>	<b>\$380</b>	<b>\$289</b>
<b>EARNINGS PER COMMON SHARE:</b>				
Basic	\$0.56	\$0.48	\$1.18	\$0.92
Diluted	\$0.53	\$0.44	\$1.11	\$0.84

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (unaudited, in millions)

	Three Months Ended June 30,	
	2016	2015
NET INCOME	\$180	\$152
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of \$12 and \$17 of taxes in 2016 and 2015, respectively)	19	26
Total other comprehensive income	19	26
COMPREHENSIVE INCOME	\$199	\$178
	Six Months Ended June 30,	
	2016	2015
NET INCOME	\$380	\$289
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of \$12 and \$25 of taxes in 2016 and 2015, respectively)	19	39
Total other comprehensive income	19	39
COMPREHENSIVE INCOME	\$399	\$328

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in millions)

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$380	\$289
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	122	131
Depreciation	162	138
Amortization	26	30
Stock-based compensation	13	10
Gains on sale of assets and debt extinguishment	(4 )	(8 )
Collateral returned for derivative instruments	—	39
Changes in certain operating assets and liabilities	323	254
Other, net	(15 )	7
Net cash provided by operating activities	1,007	890
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(276 )	(372 )
Predelivery deposits for flight equipment	(41 )	(34 )
Purchase of held-to-maturity investments	(95 )	(267 )
Proceeds from the maturities of held-to-maturity investments	225	187
Purchase of available-for-sale securities	(330 )	(175 )
Proceeds from the sale of available-for-sale securities	200	130
Other, net	(2 )	1
Net cash used in investing activities	(319 )	(530 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	25	57
Repayment of long-term debt and capital lease obligations	(87 )	(178 )
Acquisition of Treasury Stock	(14 )	(163 )
Other, net	5	5
Net cash used in financing activities	(71 )	(279 )
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>617</b>	<b>81</b>
Cash and cash equivalents at beginning of period	318	341
Cash and cash equivalents at end of period	\$935	\$422

See accompanying notes to condensed consolidated financial statements.



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## JETBLUE AIRWAYS CORPORATION

## NOTES TO CONDENSED 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 2015 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, or our 2015 Form 10-K.

These condensed consolidated financial statements are unaudited and have been prepared by us following the rules and regulations of the 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. 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.

## 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 corporate bonds we held as of June 30, 2016 were not greater than 24 months. We did not record any significant gains or losses on these securities during the three and six months ended June 30, 2016 or 2015. The estimated fair value of these investments approximated their carrying value as of June 30, 2016 and December 31, 2015, respectively.

The carrying values of investment securities consisted of the following at June 30, 2016 and December 31, 2015 (in millions):

	June 30, December 31,	
	2016	2015
Available-for-sale securities		
Time deposits	\$ 125	\$ 125
Commercial paper	13	55
Treasury bills	247	75