

JETBLUE AIRWAYS CORP
Form 10-Q
October 25, 2007

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 September 30, 2007

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 or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.) 118-29 Queens Boulevard, Forest Hills, New York 11375 (Address of principal executive offices) (Zip Code)
(718) 286-7900

(Registrant's telephone number, including area code)

(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 September 30, 2007, there were 180,267,471 shares of the registrant's common stock, par value \$0.01, outstanding.

JetBlue Airways Corporation

FORM 10-Q

INDEX

Page #’s	PART I. FINANCIAL INFORMATION	Item 1. Financial Statements	1	Condensed Consolidated Balance Sheets – September 30, 2007 and December 31, 2006	1	Consolidated Statements of Operations – Three and Nine Months Ended September 30, 2007 and 2006	2	Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2007 and 2006	3	Notes to Condensed Consolidated Financial Statements	4		
		Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	8	Item 3. Quantitative and Qualitative Disclosures About Market Risk	17	Item 4. Controls and Procedures	18	PART II. OTHER INFORMATION		Item 1. Legal Proceedings	19	Item 6. Exhibits	19

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

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

September 30,											
2007	December 31,										
2006	(unaudited)	ASSETS	CURRENT ASSETS		Cash and cash equivalents		\$ 235	\$ 10			
Investment securities	609	689	Receivables, less allowance	95	77	Prepaid expenses and other	167				
151	Total current assets	1,106	927	PROPERTY AND EQUIPMENT		Flight equipment	3,481				
3,111	Predelivery deposits for flight equipment	245	243	3,726	3,354	Less accumulated depreciation					
316	242	3,410	3,112	Other property and equipment	454	422	Less accumulated depreciation				
124	96	330	326	Total property and equipment	3,740	3,438	OTHER ASSETS		Purchased		
technology, net	24	32	Assets constructed for others	387	186	Other	204	260	Total other assets		
615	478	TOTAL ASSETS	\$ 5,461	\$ 4,843	LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES		Accounts payable		\$ 144	\$ 136	Air traffic liability	416	340	Accrued		
salaries, wages and benefits	99	73	Other accrued liabilities	137	91	Short-term borrowings	33	39			
Current maturities of long-term debt and capital leases	395	175	Total current liabilities	1,224	854						
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS		2,589	2,626	DEFERRED TAXES AND							
OTHER LIABILITIES		Deferred income taxes		159	136	Construction obligation	381	186			
Other	84	89	624	411	STOCKHOLDERS' EQUITY		Common stock, 180,267,471 and				
177,609,253 shares issued and outstanding in 2007 and 2006, respectively	2	2	Additional paid-in capital								
842	813	Retained earnings	166	144	Accumulated other comprehensive gain (loss)		14	(7)	Total		
stockholders' equity	1,024	952	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 5,461	\$	4,843				

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

Three Months Ended																						
September 30, 2007				September 30, 2006				September 30, 2007														
2007				2006				2007														
OPERATING REVENUES													Passenger	\$ 712	\$							
589	\$ 1,959	\$ 1,631	Other	53	39	144	99	Total operating revenues	765	628	2,103											
OPERATING EXPENSES													Salaries, wages and benefits	159	140	481	406					
Aircraft fuel	249	212	665	564	Landing fees and other rents	44	42	136	117	Depreciation and amortization	44	39	129	110	Aircraft rent	32	27	92	74	Sales and marketing	32	
27	92	77	Maintenance materials and repairs	25	23	78	67	Other operating expenses	101													
77	291	252	Total operating expenses	686	587	1,964	1,667	OPERATING INCOME	79	41												
139	63	OTHER INCOME (EXPENSE)	Interest expense	(58)	(45)	(166)																
(124)	Capitalized interest	11	7	30	19	Interest income and other	14	(2)	41	21	Total other income (expense)	(33)	(40)	(95)	(84)	INCOME (LOSS) BEFORE INCOME TAXES	46	1				
44	(21)	Income tax expense (benefit)	23	1	22	(3)	NET INCOME (LOSS)	\$ 23	\$ —	\$ 22												
\$ (18)	EARNINGS (LOSS) PER COMMON SHARE:							Basic	\$ 0.13	\$ —	\$ 0.12	\$ (0.11)										
) Diluted	\$ 0.12	\$ —	\$ 0.12	\$ (0.11)																	

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

Months Ended										Nine	
September 30,	2007	2006	CASH FLOWS FROM OPERATING ACTIVITIES		Net income (loss)		\$				
22	\$ (18)	Adjustments to reconcile net income (loss) to net cash provided by operating activities:									
Deferred income taxes	22	(3)	Depreciation	118	99	Amortization	15	14	Stock-based		
compensation	13	16	Changes in certain operating assets and liabilities	106	112	Other, net	(9)	(11			
) Net cash provided by operating activities	287	209	CASH FLOWS FROM INVESTING ACTIVITIES								
Capital expenditures	(536)	(793)	Predelivery deposits for flight equipment	(84)	(85)	Proceeds					
from sale of flight equipment	33	62	Assets constructed for others	(185)	(90)	Purchase of					
held-to-maturity investments	(11)	(10)	Proceeds from maturities of held-to-maturity investments	13	10						
Purchase of available-for-sale securities	(450)	(532)	Sale of available-for-sale securities	553	560						
Decrease (increase) in restricted cash and other	77	(9)	Net cash used in investing activities	(590)	(887						
) CASH FLOWS FROM FINANCING ACTIVITIES			Proceeds from:		Issuance of common stock						
16	13	Issuance of long-term debt	337	486	Aircraft sale and leaseback transactions	156					
											\$162.32
											\$185.11
07/02/2018	09/28/2018		\$228.36		\$183.92		\$225.74				
10/01/2018*	10/09/2018*		\$232.07		\$223.77		\$226.87				

* As of the date of this final terms supplement available information for the fourth calendar quarter of 2018 includes data for the period from October 1, 2018 through October 9, 2018. Accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for the fourth calendar quarter of 2018.

The graph below illustrates the performance of Apple's common stock for the period indicated, based on information from Bloomberg. The solid line represents the trigger price and coupon barrier of \$173.09, which is equal to 80.00% of the closing price on October 10, 2018. **Past performance of the underlying equity is not indicative of the future performance of the underlying equity.**

Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)

We have agreed to sell to UBS Securities LLC and UBS Securities LLC has agreed to purchase, all of the Securities at the issue price to the public less the underwriting discount indicated on the cover of this final terms supplement, the document filed pursuant to Rule 424(b) containing the final pricing terms of the Securities. UBS Securities LLC has agreed to resell all of the Securities to UBS Financial Services Inc. at a discount from the issue price to the public equal to the underwriting discount indicated on the cover of this final terms supplement.

Conflicts of Interest - Each of UBS Securities LLC and UBS Financial Services Inc. is an affiliate of UBS and, as such, has a "conflict of interest" in this offering within the meaning of FINRA Rule 5121. In addition, UBS will receive the net proceeds (excluding the underwriting discount) from the initial public offering of the Securities and, thus creates an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither UBS Securities LLC nor UBS Financial Services Inc. is permitted to sell Securities in the offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

UBS Securities LLC and its affiliates may offer to buy or sell the Securities in the secondary market (if any) at prices greater than UBS' internal valuation - The value of the Securities at any time will vary based on many factors that cannot be predicted. However, the price (not including UBS Securities LLC's or any affiliate's customary bid-ask spreads) at which UBS Securities LLC or any affiliate would offer to buy or sell the Securities immediately after the trade date in the secondary market is expected to exceed the estimated initial value of the Securities as determined by reference to our internal pricing models. The amount of the excess will decline to zero on a straight line basis over a period ending no later than 1 month after the trade date, provided that UBS Securities LLC may shorten the period based on various factors, including the magnitude of purchases and other negotiated provisions with selling agents. Notwithstanding the foregoing, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this final terms supplement.

Prohibition of Sales to EEA Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Validity of the Securities

In the opinion of Cadwalader, Wickersham & Taft LLP, as special counsel to the issuer, when the Securities offered by this final terms supplement have been executed and issued by the issuer and authenticated by the trustee pursuant to the indenture and delivered, paid for and sold as contemplated herein, the Securities will be valid and binding

obligations of the issuer, enforceable against the issuer in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, receivership or other laws relating to or affecting creditors' rights generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). This opinion is given as of the date hereof and is limited to the laws of the State of New York. Insofar as this opinion involves matters governed by Swiss law, Cadwalader, Wickersham & Taft LLP has assumed, without independent inquiry or investigation, the validity of the matters opined on by Homburger AG, Swiss legal counsel for the issuer, in its opinion dated June 20, 2017 filed with the Securities and Exchange Commission as an exhibit to a Current Report on Form 6-K on June 20, 2017. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and, with respect to the Securities, authentication of the Securities and the genuineness of signatures and certain factual matters, all as stated in the opinion of Cadwalader, Wickersham & Taft LLP dated June 15, 2015 filed with the Securities and Exchange Commission as an exhibit to a Current Report on Form 6-K on June 15, 2015.