

JETBLUE AIRWAYS CORP

Form 10-Q

May 10, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2011**

**or**

**o 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**

(State or other jurisdiction of  
incorporation or organization)

**87-0617894**

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

**118-29 Queens Boulevard, Forest Hills, New York**

(Address of principal executive offices)

**11375**

(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 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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, 2011, there were 295,829,916 shares outstanding of the registrant's common stock, par value \$.01.

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**JetBlue Airways Corporation**  
**FORM 10-Q**

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

	<b>March 31, 2011 (unaudited)</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 550	\$ 465
Investment securities	559	495
Receivables, less allowance	126	84
Restricted cash	3	3
Prepaid expenses and other	311	313
Total current assets	1,549	1,360
<b>PROPERTY AND EQUIPMENT</b>		
Flight equipment	4,442	4,320
Predelivery deposits for flight equipment	162	178
	4,604	4,498
Less accumulated depreciation	715	679
	3,889	3,819
Other property and equipment	491	491
Less accumulated depreciation	185	178
	306	313
Assets constructed for others	558	558
Less accumulated depreciation	54	49
	504	509
Total property and equipment	4,699	4,641
<b>OTHER ASSETS</b>		
Investment securities	126	133
Restricted cash	63	65
Other	406	394
Total other assets	595	592
<b>TOTAL ASSETS</b>	<b>\$ 6,843</b>	<b>\$ 6,593</b>

See accompanying notes to condensed consolidated financial statements.

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

	<b>March 31, 2011 (unaudited)</b>	<b>December 31, 2010</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 109	\$ 104
Air traffic liability	668	514
Accrued salaries, wages and benefits	124	147
Other accrued liabilities	182	137
Current maturities of long-term debt and capital leases	188	183
Total current liabilities	1,271	1,085
<b>LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS</b>	<b>2,890</b>	<b>2,850</b>
<b>CONSTRUCTION OBLIGATION</b>	<b>531</b>	<b>533</b>
<b>DEFERRED TAXES AND OTHER LIABILITIES</b>		
Deferred income taxes	329	327
Other	145	144
	474	471
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$.01 par value; 25,000,000 shares authorized, none issued		
Common stock, \$.01 par value; 900,000,000 shares authorized, 323,965,305 and 322,272,207 shares issued and 295,829,916 and 294,687,308 outstanding in 2011 and 2010, respectively	3	3
Treasury stock, at cost; 28,135,389 and 27,585,367 shares in 2011 and 2010, respectively	(7)	(4)
Additional paid-in capital	1,450	1,446
Retained earnings	222	219
Accumulated other comprehensive income (loss)	9	(10)
Total stockholders equity	1,677	1,654
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 6,843</b>	<b>\$ 6,593</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)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Passenger	\$ 906	\$ 786
Other	106	85
Total operating revenues	1,012	871
<b>OPERATING EXPENSES</b>		
Aircraft fuel and related taxes	353	254
Salaries, wages and benefits	235	219
Landing fees and other rents	57	54
Depreciation and amortization	56	57
Aircraft rent	34	31
Sales and marketing	45	40
Maintenance materials and repairs	52	39
Other operating expenses	135	134
Total operating expenses	967	828
<b>OPERATING INCOME</b>	45	43
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(44)	(47)
Capitalized interest	1	1
Interest income and other	4	2
Total other income (expense)	(39)	(44)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	6	(1)
Income tax expense (benefit)	3	
<b>NET INCOME (LOSS)</b>	\$ 3	\$ (1)
<b>EARNINGS (LOSS) PER COMMON SHARE:</b>		
Basic	\$ 0.01	\$ (0.00)
Diluted	\$ 0.01	\$ (0.00)

See accompanying notes to condensed consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 3	\$ (1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	2	
Depreciation	51	48
Amortization	8	11
Stock-based compensation	4	4
Collateral returned for derivative instruments	10	
Changes in certain operating assets and liabilities	142	158
Other, net	11	9
Net cash provided by operating activities	231	229
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(116)	(40)
Predelivery deposits for flight equipment	(7)	(5)
Assets constructed for others	(1)	(5)
Sale of auction rate securities		12
Purchase of available-for-sale securities	(145)	(30)
Sale of available-for-sale securities	60	145
Purchase of held-to-maturity investments	(90)	(217)
Proceeds from the maturities of held-to-maturity investments	114	28
Net cash provided by (used in) investing activities	(185)	(112)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Issuance of common stock		1
Issuance of long-term debt	86	
Short-term borrowings and lines of credit		20
Construction obligation	1	4
Repayment of long-term debt and capital lease obligations	(42)	(194)
Repayment of short-term borrowings and lines of credit		(13)
Other, net	(6)	(2)
Net cash provided by (used in) financing activities	39	(184)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>85</b>	<b>(67)</b>
Cash and cash equivalents at beginning of period	465	896

Cash and cash equivalents at end of period	\$ 550	\$ 829
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See accompanying notes to condensed consolidated financial statements.

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**JETBLUE AIRWAYS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2011**

**Note 1 Summary of Significant Accounting Policies**

**Basis of Presentation:** Our condensed consolidated financial statements include the accounts of JetBlue Airways Corporation and our subsidiaries, collectively we or the Company, with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2010 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010, or our 2010 Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

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, and, in our opinion, reflect all adjustments including normal recurring items which are necessary to present fairly the results for interim periods. Our revenues are recorded net of excise and other related taxes in our condensed consolidated statements of operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles 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 the entire year.

**Investment securities:** We held various investment securities at March 31, 2011 and December 31, 2010. When sold, we use a specific identification method to determine the cost of the securities. The carrying values of these investments were as follows (in millions):

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Available-for-sale securities</b>		
Asset-back securities	\$ 10	\$ 10
Time deposits	34	19
Commercial paper	195	125
	239	154
<b>Held-to-maturity securities</b>		
Corporate bonds	346	418
Municipal bonds		16
Government Bonds	100	40
	446	474
<b>Total</b>	<b>\$ 685</b>	<b>\$ 628</b>

**Held-to-maturity investment securities:** The contractual maturities of the corporate bonds we held as of March 31, 2011 were no greater than 24 months. We did not record any significant gains or losses on these securities during the three months ended March 31, 2011. The estimated fair value of these investments approximates their carrying value as of March 31, 2011.

**Loyalty Program:** Our co-branded credit card agreement, under which we sell TrueBlue points as described in Note 1 of our 2010 Form 10-K, provides for a minimum cash payment guarantee, which is to be paid to us throughout the life of the agreement if specified point sales and other ancillary activity payments have not been achieved. During the three months ended March 31, 2011 and 2010, we recognized approximately \$9 million and \$4 million, respectively, of other revenue related to this guarantee, leaving \$2 million deferred and included in our air traffic liability as of March 31, 2011.

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***New Accounting Pronouncements:*** On January 1, 2011, the September 2009 Emerging Issues Task Force updates to the *Revenue Recognition* topic of the Financial Accounting Standards Board's Accounting Standards Codification, or Codification, rules became effective, which change the accounting for certain revenue arrangements. The new requirements change the allocation methods used in determining how to account for multiple element arrangements and may result in the ability to separately account for more deliverables, and potentially less revenue deferrals. Additionally, this new accounting treatment requires enhanced disclosures in financial statements. This new accounting treatment will impact any new contracts entered into by LiveTV, as well as any loyalty program or commercial partnership arrangements we may enter into or materially modify. Since adoption of this new accounting treatment, we have not had any new or modified contracts.