

JetBlue Airways(JBLU)

\$14.21 (As of 06/09/20)

Price Target (6-12 Months): **\$15.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

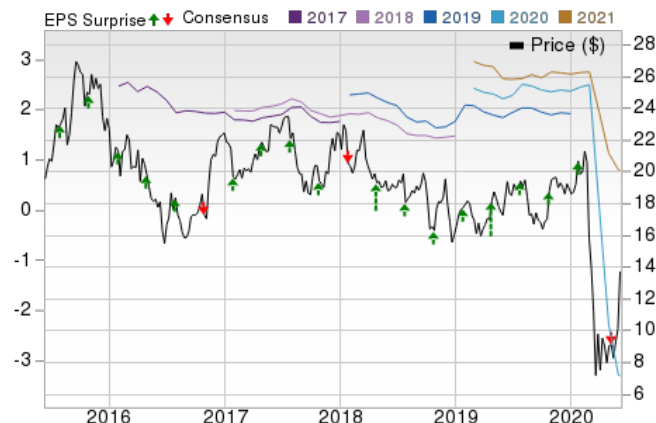
Growth: D

Momentum: F

Summary

Shares of JetBlue have plunged 28.3% since the beginning of February due to slump in demand in the wake of coronavirus. With demand plummeting and large-scale travel restrictions imposed, the carrier is suffering substantial loss of passenger revenues. The situation is unlikely to improve in the second quarter. Notably, JetBlue's CEO Robin Hayes warned that "the writing is on the wall" that travel demand will not be restored anytime soon. The airline has suspended its stock buyback program in exchange of the government aid. Amid this downturn, low fuel prices (down 6.7% in first-quarter 2020) are expected to support the bottom line. Additionally, JetBlue's sound liquidity position should help in better dealing with the crisis. Liquidity at the end of April 2020 stood at \$3.1 billion, compared with \$1.8 billion at 2019-end.

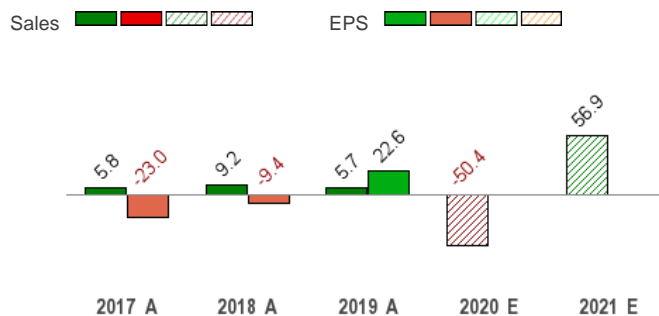
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$21.65 - \$6.61
20 Day Average Volume (sh)	21,714,416
Market Cap	\$3.8 B
YTD Price Change	-24.1%
Beta	1.36
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Transportation - Airline
Zacks Industry Rank	Top 34% (87 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.4%
Last Sales Surprise	-6.0%
EPS F1 Est- 4 week change	-9.1%
Expected Report Date	07/28/2020
Earnings ESP	26.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,567 E	1,832 E	1,826 E	1,809 E	6,301 E
2020	1,588 A	167 E	912 E	1,350 E	4,017 E
2019	1,871 A	2,105 A	2,086 A	2,031 A	8,094 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.00 E	\$0.31 E	\$0.25 E	\$0.28 E	\$0.79 E
2020	-\$0.42 A	-\$1.97 E	-\$0.48 E	-\$0.08 E	-\$3.30 E
2019	\$0.16 A	\$0.60 A	\$0.59 A	\$0.56 A	\$1.90 A

*Quarterly figures may not add up to annual.

P/E TTM	10.7
P/E F1	NA
PEG F1	NA
P/S TTM	0.5

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/09/2020. The reports text is as of 06/10/2020.

Overview

JetBlue Airways Corporation, incorporated in Delaware in Aug 1998, is a passenger airline that focuses on providing high-quality customer service. JetBlue, which started operations on Feb 11, 2000, was the sixth largest passenger carrier (in terms of available seat miles or ASMs i.e. capacity) in the United States at 2018-end. The low-fare, low-cost carrier operates primarily on point-to-point routes. In 2018, the carrier transported more than 42 million customers to 105 cities in the United States, Caribbean and Latin America with an average of 1000 daily flights.

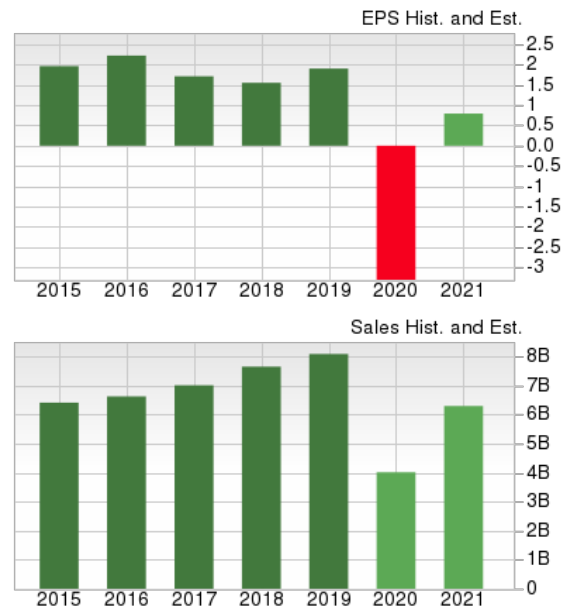
In line with the carrier's efforts to promote a differentiated product and culture apart from competitive costs, JetBlue is constantly working toward expanding its premium product, the Mint service. The service includes 16 fully lie-flat seats, four of which are in suites with a privacy door, by adding seasonal service from John F. Kennedy International Airport, to Liberia, Costa Rica, and from Boston to St. Lucia.

JetBlue currently operates Airbus A321, Airbus A320 and Embraer E190 planes. In 2018, the average age of the carrier's fleet was 9.8 years. Moreover, JetBlue flights operated an average of 11.8 hours per day in 2018.

The carrier is constantly looking to modernize its fleet. To this end, the carrier took delivery of ten Airbus A321 planes, three of which were equipped with its Mint cabin layout. JetBlue expects to take delivery of at least six Airbus A321neo engine option (neo) aircraft in 2019. Options for delivery of 60 additional A220-300 aircraft are anticipated to commence in 2025.

The carrier, whose fiscal year coincides with the calendar year, is also looking to remove outdated planes from its fleet as part of the modernization process. To this end, the carrier expects to reduce its fleet of Embraer E190 aircraft from 2020. The phase out is anticipated to continue through approximately 2025.

The Long Island City, New York based company reported operating revenues of \$7.7 billion in 2018, up 9.2%. The carrier is being aided by robust growth in passenger revenues owing to healthy demand for air travel. Passenger revenues account for bulk of the total revenues. As an evidence, passenger revenues accounted for 96.4% of the top line in 2018. Balance came from other sources.



Reasons To Buy:

- ▲ JetBlue's liquidity position is impressive. The carrier exited the first quarter with cash and equivalents of \$1799 million, compared with \$1328 million at the end of the fourth quarter of 2019. In fact, the cash balance at the end of first-quarter 2020 is more than the current debt of \$1400 million. Moreover, its current ratio, a measure of liquidity, stood at 0.61 at the end of the March quarter, higher than its industry's 0.48. Moreover, the company received \$936 million under the CARES Act, thereby bolstering its liquidity position further. Liquidity at the end of April 2020 stood at \$3.1 billion, compared with \$1.8 billion at 2019-end.
- ▲ Low fuel costs aid bottom-line growth for any airline company and JetBlue is no exception. Notably, average fuel cost per gallon, including fuel taxes, declined 6.7% at JetBlue in 2019. In first-quarter 2020, average fuel cost per gallon (including fuel taxes) decreased 9.3% year over year to \$1.86. Low fuel costs are expected to partly offset the adversity from the coronavirus-led demand slump.
- ▲ We are also impressed by the company's efforts to modernize its fleet. To this end, the new, highly-efficient Airbus A321neo jet commenced passenger service at JetBlue officially in September 2019. The first flight was from New York's John F. Kennedy International Airport to Fort Lauderdale-Hollywood International Airport. The carrier stated that flights connecting New York JFK to Guayaquil, Ecuador, (service started on Dec 5, 2019) and to Georgetown, Guyana, (scheduled to begin on Apr 2, 2020) will be operated in these new jets. Notably, JetBlue placed orders for 85 such jets long back. However, deliveries of the same were delayed due to production issues at Airbus. The first of these planes, equipped with modern facilities like a brand-new cabin and new in-flight entertainment system, were delivered in June last year. The A321neo has now started flying passengers after test flights were conducted for some time following delivery by Airbus. Even though the fleet-modernization exercise might have taken a backseat due to the coronavirus pandemic, we believe that the company, owing to its strong cash position, will resume such efforts once things are normalized.

Low fuel costs are expected to partly offset the adversity from the coronavirus-led demand slump.

Reasons To Sell:

- ▼ JetBlue incurred a loss in first-quarter 2020 due to the coronavirus-induced weakness in air-travel demand. Operating revenues of \$1,588 million decreased 15.1% year over year and also lagged the Zacks Consensus Estimate of \$1,690 million. The year-over-year plunge was due to the 16.1% decrease in passenger revenues, which accounted for bulk (95.2%) of the top line. With the health peril showing no signs of subsiding, passenger revenues are likely to be low in the second quarter of 2020 as well. This will dent second quarter results. Moreover, JetBlue's CEO Robin Hayes warned that "the writing is on the wall" that travel demand will not be restored anytime soon
- ▼ The coronavirus pandemic is taking a significant toll on JetBlue. With air travel demand declining at an unprecedented level, the airline cut its April capacity significantly. Notably, capacity contracted 3.5% year over year in the first quarter of 2020. With traffic declining at a faster rate than capacity, consolidated load factor (percentage of seats filled by passengers) contracted 12.7 percentage points year over year to 69.8%. In the event of load factor continuing to fall, the stock price, which has already declined more than 28% since the beginning of February, may take a further hit.
- ▼ With fuel costs at low levels, expenses on the labor front are limiting bottom-line growth. In the first quarter of 2020, total operating expenses (on a reported basis) increased 7.1% year over year, partly due to higher costs pertaining to salaries, wages and benefits. JetBlue's operating expenses per available seat mile (CASM) increased 11% to 12.91 cents. Excluding fuel, the metric increased 4%.

Capacity cuts due to coronavirus-led demand drop are leading to substantial loss of revenues for the company.

Last Earnings Report

Wider-Than-Expected Loss in Q1

The company incurred a loss (excluding 55 cents from non-recurring items) of 42 cents per share, comparing unfavorably with the Zacks Consensus Estimate of a loss of 41 cents. Results were hurt by the coronavirus-induced weakness in air-travel demand.

Moreover, operating revenues of \$1,588 million decreased 15.1% year over year and also lagged the the Zacks Consensus Estimate of \$1,690 million. The year-over-year plunge was due to the 16.1% decrease in passenger revenues, which accounted for bulk (95.2%) of the top line. Revenues from other sources increased 10.7% to \$77 million.

Moreover, revenue per available seat mile (RASM: a key measure of unit revenues) in the reported quarter dropped 12% to 10.67 cents. Passenger revenue per available seat mile (PRASM) fell 13% to 10.15 cents. Average fare at JetBlue during the quarter inched up 4.6% to \$185.44. Yield per passenger mile increased 2.8% year over year to 14.54 cents.

Capacity, measured in available seat miles, contracted 3.5% year over year. Meanwhile, traffic, measured in revenue passenger miles, deteriorated 18.4% due to softness in air-travel demand. Consolidated load factor (percentage of seats filled by passengers) contracted 12.7 percentage points year over year to 69.8% as traffic decline was more than the capacity reduction in the reported quarter.

In the first quarter, total operating expenses (on a reported basis) increased 7.1% year over year, partly due to higher costs pertaining to salaries, wages and benefits. Average fuel cost per gallon (including fuel taxes) decreased 9.3% year over year to \$1.86. JetBlue's operating expenses per available seat mile (CASM) increased 11% to 12.91 cents. Excluding fuel, the metric increased 4%.

JetBlue exited the quarter with cash and cash equivalents of \$1,618 million compared with \$959 million at the end of 2019. Total debt at the end of the reported quarter was \$3,217 million compared with \$2,334 million at 2019 end.

Management at JetBlue stated that due to the various measures undertaken to combat the current pandemic-inflicted crisis, it successfully lowered its cash burn from \$18 million per day, on average, during the second half of March to just under \$10 million by May. This excludes the CARES Act support of approximately \$5 million per day through Sep 30, 2020. Moreover, the carrier expects second-quarter capacity to be reduced 80% compared to its original plan.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	-6.04%
EPS Surprise	-2.44%
Quarterly EPS	-0.42
Annual EPS (TTM)	1.33

Recent News

Suspension of Services Across 5 Major U.S. Cities – Apr 9, 2020

JetBlue announced the temporary consolidation of services in the five major cities of Boston, Los Angeles, New York City, San Francisco and Washington, D.C. due to unprecedented drop in air travel demand as the coronavirus crisis continues unabated. Effective Apr 15 the airline has only been operating essential services at one or two airports in the above-mentioned metro areas. This will continue through Jun 10.

Valuation

JetBlue shares are down 24.1% and 25.6% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry and the Zacks Transportation sector are down 37.5% and 11.4% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are down 32.7% and 6.7% respectively.

The S&P 500 index is down 0.5% in the year-to-date period but up 11.1% in the past year.

The stock is currently trading at 10.68X trailing 12-month price to earnings, which compares to 10.73X for the Zacks sub-industry, 16.37X for the Zacks sector and 20.63X for the S&P 500 index.

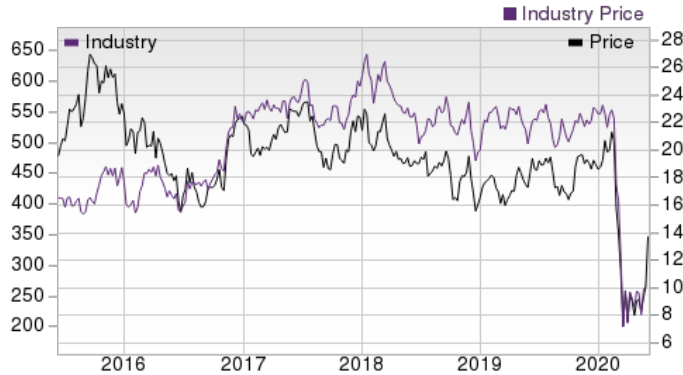
Over the past five years, the stock has traded as high as 20.16X and as low as 3.59X, with a 5-year median of 10.82X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$15 price target reflects 11.28X trailing 12-month earnings.

The table below shows summary valuation data for JBLU

Valuation Multiples - JBLU					
		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	10.68	10.73	16.37	20.63
	5-Year High	20.16	13.2	19.58	22.23
	5-Year Low	3.59	7.45	11.63	15.96
	5-Year Median	10.82	10.67	15.53	19.04
EV/EBITDA TTM	Current	4.72	4.9	7.39	11.88
	5-Year High	14.39	7.01	11.14	12.85
	5-Year Low	2.87	3.26	5.44	8.25
	5-Year Median	5.29	5.9	7.33	10.81
P/S F 12M	Current	0.76	0.78	1.25	3.6
	5-Year High	1.25	0.98	1.42	3.6
	5-Year Low	0.24	0.38	0.84	2.53
	5-Year Median	0.81	0.77	1.2	3.02

As of 06/09/2020

Industry Analysis Zacks Industry Rank: Top 34% (87 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Alaska Air Group, Inc. (ALK)	Neutral	3
easyjet PLC (EJTTF)	Neutral	3
Gol Linhas Aereas Inteligentes S.A. (GOL)	Neutral	2
LATAM Airlines Group S.A. (LTM)	Neutral	4
Southwest Airlines Co. (LUV)	Neutral	3
Ryanair Holdings PLC (RYAAY)	Neutral	2
Spirit Airlines, Inc. (SAVE)	Neutral	3
Swire Pacific Ltd. (SWRAY)	Neutral	3

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	JBLU	X Industry	S&P 500	ALK	EJTTF	RYAAY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	D	-	-	C	B	F
Market Cap	3.83 B	2.73 B	22.74 B	5.65 B	4.37 B	17.47 B
# of Analysts	6	4.5	14	6	1	2
Dividend Yield	0.00%	0.00%	1.81%	0.00%	0.00%	0.00%
Value Score	B	-	-	B	A	C
Cash/Price	0.49	0.47	0.06	0.41	0.48	0.25
EV/EBITDA	3.42	3.78	13.04	4.02	3.42	10.45
PEG Ratio	NA	6.97	3.12	NA	NA	NA
Price/Book (P/B)	0.88	0.86	3.14	1.41	1.15	3.16
Price/Cash Flow (P/CF)	3.75	3.01	12.32	4.65	4.04	8.98
P/E (F1)	NA	43.47	22.61	NA	NA	NA
Price/Sales (P/S)	0.49	0.44	2.46	0.66	NA	1.85
Earnings Yield	-23.22%	-21.97%	4.26%	-11.71%	-13.62%	-5.55%
Debt/Equity	0.60	0.68	0.76	0.64	0.56	0.76
Cash Flow (\$/share)	3.79	4.15	7.01	9.91	2.73	8.65
Growth Score	D	-	-	F	B	D
Hist. EPS Growth (3-5 yrs)	-4.34%	2.29%	10.87%	-5.75%	NA	14.48%
Proj. EPS Growth (F1/F0)	-273.77%	-264.81%	-10.76%	-184.06%	-233.93%	-186.62%
Curr. Cash Flow Growth	14.33%	12.49%	5.48%	28.26%	18.35%	0.95%
Hist. Cash Flow Growth (3-5 yrs)	14.43%	8.82%	8.55%	7.14%	2.84%	0.72%
Current Ratio	0.61	0.69	1.29	0.69	0.79	0.82
Debt/Capital	37.48%	48.50%	44.75%	39.10%	36.05%	43.04%
Net Margin	3.32%	2.43%	10.54%	6.24%	NA	7.72%
Return on Equity	8.63%	9.01%	16.08%	16.29%	NA	17.59%
Sales/Assets	0.67	0.62	0.55	0.65	NA	0.58
Proj. Sales Growth (F1/F0)	-50.37%	-47.91%	-2.59%	-49.00%	8.84%	-25.08%
Momentum Score	F	-	-	A	F	F
Daily Price Chg	-8.85%	-3.60%	-2.13%	-8.24%	-3.42%	-4.15%
1 Week Price Chg	35.95%	23.49%	7.51%	24.95%	32.87%	11.08%
4 Week Price Chg	76.30%	43.28%	16.33%	71.69%	72.30%	40.51%
12 Week Price Chg	49.26%	34.16%	28.71%	41.72%	45.83%	47.37%
52 Week Price Chg	-25.56%	-30.62%	1.59%	-24.13%	-3.42%	18.11%
20 Day Average Volume	21,714,416	324,555	2,644,123	4,537,699	42,629	959,792
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.12%	0.00%	-815.96%
(F1) EPS Est 4 week change	-9.15%	-4.85%	0.00%	0.12%	-7,400.01%	-337.41%
(F1) EPS Est 12 week change	-248.72%	-217.63%	-15.96%	-186.03%	-202.74%	-164.41%
(Q1) EPS Est Mthly Chg	-4.89%	-3.03%	0.00%	0.04%	NA	-52.63%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	D
Momentum Score	F
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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