

Questions?

Thank You

OpCo / PropCo Valuation

Kevin Haber, Chase Boyle, Sean Crane

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Company
Industry
Market

Industry

Company
Market

Going Public

Company
Market

Valuation

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Multiple Analysis



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DCF Analysis



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Problems

1. What are the main problems?
2. How do they affect the value?
3. How can they be solved?

Company
Market
Industry

What Actually Happened
1. What happened?
2. How did it affect the value?
3. How can it be solved?

OpCo Value: \$20M
PropCo Value: \$25M
DCF Value: \$28M

OpCo / PropCo Valuation

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Background

- July 1999, David Neeleman announced plan to launch a new airline that would bring "humanity back to air travel"
- Hired an impressive new management team
 - David Barger, COO, former vice president of Continental Airlines
 - John Owen, CFO, former executive vice president and treasurer of Southwest Airlines
- Early 2002
 - 24 aircraft's, 108 flights per day, 17 destinations

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JetBlue Strategy

- Fix everything that "sucked"
- Point-to-point service to large metropolitan areas or highly traveled markets that were under served
- Produced the lowest cost per available-seat mile of any major US airline in 2001
 - 6.98 cents vs industry average 10.08 cents
- Established brand identified as safe, reliable, low-fare airline that was focused on customer service

Background

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 - John Owen, CFO, former executive vice president and treasurer of Southwest Airlines
- Early 2002
 - 24 aircraft's, 108 flights per day, 17 destinations

Industry

Concerns

- 87 new-airline failures over 20 years
- September 11, 2001 terrorist attacks
- US airline industry lost \$7.7 billion in 2001

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Competition

- Low-fare business model taking off
 - Southwest
 - Frontier
 - Ryan Air (Europe)
 - easyJet (Europe)
 - WestJet (CAN)

Valuation

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Multiple Analysis

EPS Multiple Valuation

	EPS	Multiple	Share Price
Actual	1.25		
Costco	21.6	\$	26.91
Amazon	8.0	\$	9.50
Netflix	40.0	\$	50.00
Average (Costco)	20.6	\$	25.91
Average	20.6	\$	25.91
Average Mkt. Share Price		\$	25.48

EBIT/Share Multiple Valuation

	EBIT/Share	Multiple	Share Price
Actual	1.25		
Costco	20.6	\$	26.91
Amazon	5.0	\$	8.00
Netflix	30.0	\$	28.00
Average (Costco)	22.9	\$	24.20
Average	22.9	\$	24.20
Average Mkt. Share Price		\$	23.80

Average = \$24.15

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DCF Analysis



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Multiple Analysis

EPS Multiple Valuation

	EPS	P/E	JBLU Price
JetBlue	1.14		
Southwest		27.6	\$ 31.46
Frontier		8.4	\$ 9.58
Ryanair		44.0	\$ 50.16
WestJet (\$USD)		19.6	\$ 22.34
Airtran		25.3	\$ 28.84
Average JetBlue Share Price			\$ 28.48

EBIT/Share Multiple Valuation

	EBIT/Share	EBIT	JBLU Price
JetBlue	1.12		
Southwest		18.6	\$ 20.83
Frontier		5.7	\$ 6.38
Ryanair		38.5	\$ 43.12
WestJet (\$USD)		12.7	\$ 14.22
Airtran		13.0	\$ 14.56
Average JetBlue Share Price			\$ 19.82

Average = \$24.15

DCF Analysis

WACC

FAA Scenario Projections			
Cost of Equity	Cost of Debt	WACC	Value
12.00%	5.00%	10.09%	\$26.92
11.00%	5.00%	9.50%	\$28.50
13.00%	5.00%	10.59%	\$25.35
10.00%	5.00%	9.59%	\$28.15
14.00%	5.00%	11.09%	\$23.85
9.00%	5.00%	8.59%	\$30.15
15.00%	5.00%	12.09%	\$22.15
8.00%	5.00%	8.09%	\$31.15
16.00%	5.00%	13.09%	\$20.85
7.00%	5.00%	7.59%	\$32.15
17.00%	5.00%	14.09%	\$19.85
6.00%	5.00%	7.09%	\$33.15
18.00%	5.00%	15.09%	\$18.85
5.00%	5.00%	6.59%	\$34.15
19.00%	5.00%	16.09%	\$17.85
4.00%	5.00%	6.09%	\$35.15
20.00%	5.00%	17.09%	\$16.85
3.00%	5.00%	5.59%	\$36.15
21.00%	5.00%	18.09%	\$15.85
2.00%	5.00%	5.09%	\$37.15
22.00%	5.00%	19.09%	\$14.85
1.00%	5.00%	4.59%	\$38.15
23.00%	5.00%	20.09%	\$13.85
0.00%	5.00%	4.09%	\$39.15
24.00%	5.00%	21.09%	\$12.85
-1.00%	5.00%	3.59%	\$40.15
25.00%	5.00%	22.09%	\$11.85
-2.00%	5.00%	3.09%	\$41.15
26.00%	5.00%	23.09%	\$10.85
-3.00%	5.00%	2.59%	\$42.15
27.00%	5.00%	24.09%	\$9.85
-4.00%	5.00%	2.09%	\$43.15
28.00%	5.00%	25.09%	\$8.85
-5.00%	5.00%	1.59%	\$44.15
29.00%	5.00%	26.09%	\$7.85
-6.00%	5.00%	1.09%	\$45.15
30.00%	5.00%	27.09%	\$6.85
-7.00%	5.00%	0.59%	\$46.15
31.00%	5.00%	28.09%	\$5.85
-8.00%	5.00%	0.09%	\$47.15
32.00%	5.00%	29.09%	\$4.85
-9.00%	5.00%	-0.41%	\$48.15
33.00%	5.00%	30.09%	\$3.85
-10.00%	5.00%	-0.91%	\$49.15
34.00%	5.00%	31.09%	\$2.85
-11.00%	5.00%	-1.41%	\$50.15
35.00%	5.00%	32.09%	\$1.85
-12.00%	5.00%	-1.91%	\$51.15
36.00%	5.00%	33.09%	\$0.85
-13.00%	5.00%	-2.41%	\$52.15
37.00%	5.00%	34.09%	\$-0.15
-14.00%	5.00%	-2.91%	\$53.15
38.00%	5.00%	35.09%	\$-1.15
-15.00%	5.00%	-3.41%	\$54.15
39.00%	5.00%	36.09%	\$-2.15
-16.00%	5.00%	-3.91%	\$55.15
40.00%	5.00%	37.09%	\$-3.15
-17.00%	5.00%	-4.41%	\$56.15
41.00%	5.00%	38.09%	\$-4.15
-18.00%	5.00%	-4.91%	\$57.15
42.00%	5.00%	39.09%	\$-5.15
-19.00%	5.00%	-5.41%	\$58.15
43.00%	5.00%	40.09%	\$-6.15
-20.00%	5.00%	-5.91%	\$59.15
44.00%	5.00%	41.09%	\$-7.15
-21.00%	5.00%	-6.41%	\$60.15
45.00%	5.00%	42.09%	\$-8.15
-22.00%	5.00%	-6.91%	\$61.15
46.00%	5.00%	43.09%	\$-9.15
-23.00%	5.00%	-7.41%	\$62.15
47.00%	5.00%	44.09%	\$-10.15
-24.00%	5.00%	-7.91%	\$63.15
48.00%	5.00%	45.09%	\$-11.15
-25.00%	5.00%	-8.41%	\$64.15
49.00%	5.00%	46.09%	\$-12.15
-26.00%	5.00%	-8.91%	\$65.15
50.00%	5.00%	47.09%	\$-13.15
-27.00%	5.00%	-9.41%	\$66.15
51.00%	5.00%	48.09%	\$-14.15
-28.00%	5.00%	-9.91%	\$67.15
52.00%	5.00%	49.09%	\$-15.15
-29.00%	5.00%	-10.41%	\$68.15
53.00%	5.00%	50.09%	\$-16.15
-30.00%	5.00%	-10.91%	\$69.15
54.00%	5.00%	51.09%	\$-17.15
-31.00%	5.00%	-11.41%	\$70.15
55.00%	5.00%	52.09%	\$-18.15
-32.00%	5.00%	-11.91%	\$71.15
56.00%	5.00%	53.09%	\$-19.15
-33.00%	5.00%	-12.41%	\$72.15
57.00%	5.00%	54.09%	\$-20.15
-34.00%	5.00%	-12.91%	\$73.15
58.00%	5.00%	55.09%	\$-21.15
-35.00%	5.00%	-13.41%	\$74.15
59.00%	5.00%	56.09%	\$-22.15
-36.00%	5.00%	-13.91%	\$75.15
60.00%	5.00%	57.09%	\$-23.15
-37.00%	5.00%	-14.41%	\$76.15
61.00%	5.00%	58.09%	\$-24.15
-38.00%	5.00%	-14.91%	\$77.15
62.00%	5.00%	59.09%	\$-25.15
-39.00%	5.00%	-15.41%	\$78.15
63.00%	5.00%	60.09%	\$-26.15
-40.00%	5.00%	-15.91%	\$79.15
64.00%	5.00%	61.09%	\$-27.15
-41.00%	5.00%	-16.41%	\$80.15
65.00%	5.00%	62.09%	\$-28.15
-42.00%	5.00%	-16.91%	\$81.15
66.00%	5.00%	63.09%	\$-29.15
-43.00%	5.00%	-17.41%	\$82.15
67.00%	5.00%	64.09%	\$-30.15
-44.00%	5.00%	-17.91%	\$83.15
68.00%	5.00%	65.09%	\$-31.15
-45.00%	5.00%	-18.41%	\$84.15
69.00%	5.00%	66.09%	\$-32.15
-46.00%	5.00%	-18.91%	\$85.15
70.00%	5.00%	67.09%	\$-33.15
-47.00%	5.00%	-19.41%	\$86.15
71.00%	5.00%	68.09%	\$-34.15
-48.00%	5.00%	-19.91%	\$87.15
72.00%	5.00%	69.09%	\$-35.15
-49.00%	5.00%	-20.41%	\$88.15
73.00%	5.00%	70.09%	\$-36.15
-50.00%	5.00%	-20.91%	\$89.15
74.00%	5.00%	71.09%	\$-37.15
-51.00%	5.00%	-21.41%	\$90.15
75.00%	5.00%	72.09%	\$-38.15
-52.00%	5.00%	-21.91%	\$91.15
76.00%	5.00%	73.09%	\$-39.15
-53.00%	5.00%	-22.41%	\$92.15
77.00%	5.00%	74.09%	\$-40.15
-54.00%	5.00%	-22.91%	\$93.15
78.00%	5.00%	75.09%	\$-41.15
-55.00%	5.00%	-23.41%	\$94.15
79.00%	5.00%	76.09%	\$-42.15
-56.00%	5.00%	-23.91%	\$95.15
80.00%	5.00%	77.09%	\$-43.15
-57.00%	5.00%	-24.41%	\$96.15
81.00%	5.00%	78.09%	\$-44.15
-58.00%	5.00%	-24.91%	\$97.15
82.00%	5.00%	79.09%	\$-45.15
-59.00%	5.00%	-25.41%	\$98.15
83.00%	5.00%	80.09%	\$-46.15
-60.00%	5.00%	-25.91%	\$99.15
84.00%	5.00%	81.09%	\$-47.15
-61.00%	5.00%	-26.41%	\$100.15
85.00%	5.00%	82.09%	\$-48.15
-62.00%	5.00%	-26.91%	\$101.15
86.00%	5.00%	83.09%	\$-49.15
-63.00%	5.00%	-27.41%	\$102.15
87.00%	5.00%	84.09%	\$-50.15
-64.00%	5.00%	-27.91%	\$103.15
88.00%	5.00%	85.09%	\$-51.15
-65.00%	5.00%	-28.41%	\$104.15
89.00%	5.00%	86.09%	\$-52.15
-66.00%	5.00%	-28.91%	\$105.15
90.00%	5.00%	87.09%	\$-53.15
-67.00%	5.00%	-29.41%	\$106.15
91.00%	5.00%	88.09%	\$-54.15
-68.00%	5.00%	-29.91%	\$107.15
92.00%	5.00%	89.09%	\$-55.15
-69.00%	5.00%	-30.41%	\$108.15
93.00%	5.00%	90.09%	\$-56.15
-70.00%	5.00%	-30.91%	\$109.15
94.00%	5.00%	91.09%	\$-57.15
-71.00%	5.00%	-31.41%	\$110.15
95.00%	5.00%	92.09%	\$-58.15
-72.00%	5.00%	-31.91%	\$111.15
96.00%	5.00%	93.09%	\$-59.15
-73.00%	5.00%	-32.41%	\$112.15
97.00%	5.00%	94.09%	\$-60.15
-74.00%	5.00%	-32.91%	\$113.15
98.00%	5.00%	95.09%	\$-61.15
-75.00%	5.00%	-33.41%	\$114.15
99.00%	5.00%	96.09%	\$-62.15
-76.00%	5.00%	-33.91%	\$115.15
100.00%	5.00%	97.09%	\$-63.15
-77.00%	5.00%	-34.41%	\$116.15
101.00%	5.00%	98.09%	\$-64.15
-78.00%	5.00%	-34.91%	\$117.15
102.00%	5.00%	99.09%	\$-65.15
-79.00%	5.00%	-35.41%	\$118.15
103.00%	5.00%	100.09%	\$-66.15
-80.00%	5.00%	-35.91%	\$119.15
104.00%	5.00%	101.09%	\$-67.15
-81.00%	5.00%	-36.41%	\$120.15
105.00%	5.00%	102.09%	\$-68.15
-82.00%	5.00%	-36.91%	\$121.15
106.00%	5.00%	103.09%	\$-69.15
-83.00%	5.00%	-37.41%	\$122.15
107.00%	5.00%	104.09%	\$-70.15
-84.00%	5.00%	-37.91%	\$123.15
108.00%	5.00%	105.09%	\$-71.15
-85.00%	5.00%	-38.41%	\$124.15
109.00%	5.00%	106.09%	\$-72.15
-86.00%	5.00%	-38.91%	\$125.15
110.00%	5.00%	107.09%	\$-73.15
-87.00%	5.00%	-39.41%	\$126.15
111.00%	5.00%	108.09%	\$-74.15
-88.00%	5.00%	-39.91%	\$127.15
112.00%	5.00%	109.09%	\$-75.15
-89.00%	5.00%	-40.41%	\$128.15
113.00%	5.00%	110.09%	\$-76.15
-90.00%	5.00%	-40.91%	\$129.15
114.00%	5.00%	111.09%	\$-77.15
-91.00%	5.00%	-41.41%	\$130.15
115.00%	5.00%	112.09%	\$-78.15
-92.00%	5.00%	-41.91%	\$131.15
116.00%	5.00%	113.09%	\$-79.15
-93.00%	5.00%	-42.41%	\$132.15
117.00%	5.00%	114.09%	\$-80.15
-94.00%	5.00%	-42.91%	\$133.15
118.00%	5.00%	115.09%	\$-81.15
-95.00%	5.00%	-43.41%	\$134.15
119.00%	5.00%	116.09%	\$-82.15
-96.00%	5.00%	-43.91%	\$135.15
120.00%	5.00%	117.09%	\$-83.15
-97.00%	5.00%	-44.41%	\$136.15
121.00%	5.00%	118.09%	\$-84.15
-98.00%	5.00%	-44.91%	\$137.15
122.00%	5.00%	119.09%	\$-85.15
-99.00%	5.00%	-45.41%	\$138.15
123.00%	5.00%	120.09%	\$-86.15
-100.00%	5.00%	-45.91%	\$139.15
124.00%	5.00%	121.09%	\$-87.15
-101.00%	5.00%	-46.41%	\$140.15
125.00%	5.00%	122.09%	\$-88.15
-102.00%	5.00%	-46.91%	\$141.15
126.00%	5.00%	123.09%	\$-89.15
-103.00%	5.00%	-47.41%	\$142.15
127.00%	5.00%	124.09%	\$-90.15
-104.00%	5.00%	-47.91%	\$143.15
128.00%	5.00%	125.09%	\$-91.15
-105.00%	5.00%	-48.41%	\$144.15
129.00%	5.00%	126.09%	\$-92.15
-106.00%	5.00%	-48.91%	\$145.15
130.00%	5.00%	127.09%	\$-93.15
-107.00%	5.00%	-49.41%	\$146.15
131.00%	5.00%	128.09%	\$-94.15
-108.00%	5.00%	-49.91%	\$147.15
132.00%	5.00%	129.09%	\$-95.15

Our Conclusion

EPS Valuation: \$28.48

EBIT/Share Valuation: \$19.82

DCF Valuation: \$26.92

JBLU = \$25.07

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