

OpCo / PropCo Valuation

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Kevin Haber, Chase Boyle, Sean Crane

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What Actually Happened

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Valuation

Our Conclusion
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Multiple Analysis

DCF Analysis

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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
- · 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

Background

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- 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

Industry

Concerns

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

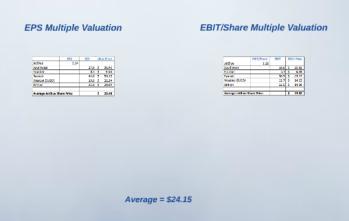
Competition

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

Valuation

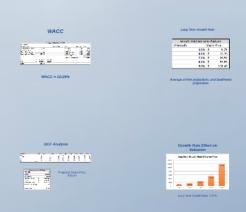
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Multiple Analysis



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DCF Analysis



Multiple Analysis

EPS Multiple Valuation

	EPS	P/E	JBLU Price	
JetBlue	1.14		П	
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
			Г	
Average JetBlue Share Price			\$	28.48

EBIT/Share Multiple Valuation

	EBIT/Share	EBIT	JBI	.U Price
JetBlue	1.12			
Southwest		18.6	\$	20.83
Frontier		5.7	\$	6.38
Ryanair		38.5	\$	43.12
Westlet (\$USD)		12.7	\$	14.22
Airtran		13.0	\$	14.56
Average JetBlue S		\$	19.82	

Average = \$24.15

DCF Analysis



			TRAFM	PARKING VALUE	ALC: N		
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Cod of Earth				Doct of Book	Name of the last	Association	71%
18 Year Towney Sold		6.27%			E.75 Hade	52.00	1.00
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WACC = 10.09%

Long Term Growth Rate

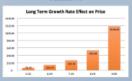
Growth Rate Scenario Analysis					
LT-Growth	Share Price				
5.1%	\$	6.78			
6.1%	\$	14.75			
7.1%	\$	26.92			
8.1%	\$	53.83			
9.0%	\$	118.40			

Average of FAA projections, and Southwest projections

DCF Analysis



Growth Rate Effect on Valuation



Long Term Growth Rate: 7.07%

Our Conclusion

EPS Valuation: \$28.48

EBIT/Share Valuation: \$19.82

DCF Valuation: \$26.92

JBLU = \$25.07