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Company Ticker: **JBLU**
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Event Description: **Q1 2016 Earnings Call**
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JetBlue Airways (JBLU) Earnings Report: Q1 2016 Conference Call Transcript

The following JetBlue Airways conference call took place on April 26, 2016, 10:00 AM ET. This is a transcript of that earnings call:

Company Participants

- Kevin Crissey; JetBlue Airways Corporation; IR
- Robin Hayes; JetBlue Airways Corporation; President & CEO
- Marty St. George; JetBlue Airways Corporation; EVP Commercial and Planning
- Mark Powers; JetBlue Airways Corporation; CFO

Other Participants

- Joseph DeNardi; Stifel Nicolaus; Analyst
- Savi Syth; Raymond James & Associates, Inc; Analyst
- Duane Pfennigwerth; Evercore ISI; Analyst
- Michael Linenberg; Deutsche Bank; Analyst
- Hunter Keay; Wolfe Research; Analyst
- David Fintzen; Barclays Capital; Analyst
- Dan McKenzie; Buckingham Research Group; Analyst
- Jamie Baker; JPMorgan; Analyst
- Helane Becker; Cowen Securities LLC; Analyst
- Dave Beam; UBS; Analyst
- Rajeev Lalwani; Morgan Stanley; Analyst

MANAGEMENT DISCUSSION SECTION

Operator:

I would like to welcome everyone to the JetBlue Airways first-quarter 2016 earnings conference call.

As a reminder, today's call is being recorded.

(Operator Instructions)

I would now like to turn the call over to JetBlue's Director of Investor Relations, Kevin Crissey. Please go ahead.

Kevin Crissey (IR):

Thanks, Operator

Joining me here in New York to discuss our result are Robin Hayes, our President and CEO; Marty St. George, EVP Commercial and Planning; and Mark Powers, our CFO.

This morning's call includes forward-looking statements about future events. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, and therefore investors should not place undue reliance on these statements.

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For additional information concerning factors that could cause results to differ from the forward-looking statements, please refer to our press release, 10-Q and other reports filed with the SEC.

Also during the course of our call we may discuss several non-GAAP financial measures. For a reconciliation of these non-GAAP measures to GAAP measures, please refer to the tables at the end of our earnings release, a copy of which is available on our website.

Now I'd like to turn the call over to Robin Hayes, JetBlue's President and CEO.

Robin Hayes (President & CEO):

Thanks, Kevin. Good morning, everyone. Thank you for joining us.

Earlier today we posted record first-quarter results with higher margins and greater margin expansion than most of our competitors. In the quarter net income was $199 million, or $0.59 per diluted share. This represents year-over-year net income growth of $62 million, or 46%. This incredible achievement was made possible thanks to the fabulous efforts of our 18,000 crew members, who continued to go above and beyond every day, exceeding our customers' expectations.

I truly believe our unique culture drives our outstanding crew member engagement. And this drives these great results.

Total revenues grew 6% year over year on 14% capacity growth. Demand was solid as our load factor helped stable, but lower close-in yields pressurized unit -- pressured unit revenue, particularly in the Latin region. Our cost performance was excellent this quarter.

The lower fuel price environment certainly helped, with our realized average fuel price down 43% year over year. But our controllable cost performance was also strong. CASM, excluding fuel and profit-sharing, year over year was down 3.6%. First-quarter operating margin improved by 5 percentage points to 21.6%, ranking us first of all the US airlines that have reported earnings this quarter.

So while we've seen some yield pressure which has hurt closely monitored monthly RASM, our bottom-line results continue to improve. Our network plan is producing higher than industry average profit margins, while we continue to grow faster than our competitors. All six of our focus cities are solidly profitable with double-digit profit margins over the last 12 months.

In Boston, we were really pleased with the performance of our business travel market this quarter. In Fort Lauderdale/Hollywood we continue to be pleased with our results, as evidenced by a continued strong customer response to our double-digit capacity growth.

It is clear our service, our brand and our network are an excellent fit for the South Florida market. Over the next few years we plan to grow this focus city to 140 daily flights, or about 75% above our current levels.

We recognize the economic backdrop combined with JetBlue -- we recognize the economic backdrop combined with JetBlue and industry capacity growth has pressurized the unit revenue environment. As a result we've made minor capacity adjustments for the second half of this year. These adjustments are really the normal course of business for us, as we aim to maximize returns. We believe our disciplined long-term strategic growth plan is working, and we expect it to remain unchanged. As long as we are delivering high margins in a disciplined way, we will continue the course.

Now turning to Mint. Customer response to Mint continues to exceed all of our expectations. If you think back to JetBlue before Mint, our margins between New York and Los Angeles and San Francisco were well below the system average. We were faced with a choice of either significantly reducing capacity in these

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markets or even pulling out unless we fixed these results. When we evaluated the situation we saw an opportunity to bring a better product to customers at a lower price, a strategy on which JetBlue was founded.

Today with Mint's service on these same routes we've seen margins improved dramatically, now to well above system average. Additionally in the last 12 months both New York to Los Angeles and San Francisco produced double-digit unit revenue growth every single month.

Mint's success in New York, supported by a belief customers have grown weary of the high priced premium offerings of other airlines, and they crave a better experience. We expanded Mint to Boston in March with daily service to San Francisco and Saturday seasonally to Barbados. Results have been extremely encouraging so far.

With this backdrop, and with customers facing fewer choices on the West Coast, we recently announced plans to offer Mint on a number of new routes from Boston, New York and for the first time, Fort Lauderdale/Hollywood. Between now and early 2018 we plan to expand Mint to include the following year-round service between New York and Los Angeles, San Francisco, Las Vegas, San Diego, and Seattle and to Barbados on Saturdays -- seasonally, Mint service from New York on Saturdays to Aruba, St. Lucia and St. Marten.

In Boston, Mint service year-round to Los Angeles, San Francisco, San Diego and Seattle. Seasonal Mint service from Boston will be offered on Saturdays to Aruba and Barbados. In Fort Lauderdale/Hollywood we plan to fly Mint year-round to Los Angeles and San Francisco.

Let me now highlight our operating performance. On-time performance measured by systems arrivals within 14 minutes of scheduled time, or A14, improved 1.5% to 73.2% in what is our -- traditionally our most challenging operating quarter. A more temperate winter, though, did help completion factor, which improved 1.8 percentage points to 97.9%, driving asset and cost efficient available seat miles.

We continued to execute on the number of our ROIC accretive initiatives. In March we launched our new co-brand credit cards with Barclay Card on the MasterCard network. Marty will provide more details on that very shortly. We are excited about the benefits these cards will bring the customers and to our bottom line.

Looking ahead, we are anticipating the launch of our cabin restyling program in July with our first delivery of an Airbus A321 in our new 200 seat configuration. Retrofits of our all-core A321s are expected to be complete by the end of this year. And our Airbus A320 fleet is scheduled to be restyled starting in 2017. As we have communicated previously we expect this program to add $100 million of incremental annual operating income upon completion.

Before I wrap up, I'd like to discuss our interest in Virgin America. As widely reported, we did consider acquiring Virgin America as a way to more quickly build a larger West Coast presence. However, as we explored this possibility, the price reached a level where it became clear our strategic plan for organic growth offered a better path to value creation. Growing our West Coast presence has been and remains part of our long-term growth plan. Acquiring Virgin America would have simply accelerated that plan. We are one of the fastest-growing US airlines, enabled by years of focusing on reducing our debt and strengthening our balance sheet. Our confidence in our expansion plans make this deal a nice-to-have rather than a must-have.

We plan to continue with our organic growth strategy, which includes the Mint expansion we've already announced, that I just discussed as well as other West Coast opportunities. One of these is the potential for new federal inspection service facility in Long Beach which would enable international service out of that airport.

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In closing, we are very happy with our first-quarter results. And JetBlue has never been in a stronger position. We remain focused on executing our return accretive initiatives and our strategic growth plan. And with that, I'd like to turn the call over to Marty.

Marty St. George (EVP Commercial and Planning):

Thank you, Robin. Good morning everybody, and thanks for joining us. Top-line revenue growth in the first quarter of 6% was better than most of our competitors in the industry, despite a soft yield environment and very challenging year-over-year comparisons. Unit revenue, or RASM, decreased 7% on capacity growth of 14.1%. Load factor was essentially flat.

Our East region had the strongest unit revenue growth of any region this quarter. Boston business markets in the Eastern region were particularly strong, with the majority posting positive unit revenue growth in the quarter. Transcon routes also performed very well, with Mint unit revenue growth in the quarter up in the midteens. The continued strong customer demand for Mint lead to a $25 to $75 increase in Mint fares earlier this month in New York to both Los Angeles and San Francisco.

Florida and Latin markets were softer. As an example, unit revenue contraction in Columbia and Puerto Rico in the first quarter hurt system RASM by about 1 percentage point. There were a number of factors contributing to the weaker RASM environment, including additional capacity by JetBlue and competitors, a better completion factor due to fewer winter storms, and warmer weather in the Northeast which we believe also reduced demand for leisure sun destinations. We also had the most difficult RASM comparison in the industry, as our performance in the first quarter of 2015 was about 5 points better than the rest of the industry.

As Robin mentioned, we have made some adjustments to our schedule. For example, capacity to Bogota has been reduced by 25% for the summer. In addition [some of our] San Juan summer capacity has been reallocated to domestic markets. Finally we have reduced our overall fall trough period capacity by approximately 1%. These changes are more surgical than broad strokes.

Our strategic growth has been driving excellent bottom-line results with expanding margins. We believe that our plan is working and we remain committed to it. As always, none of these results would've been possible without the outstanding customer service provided by all of our crew members.

Other revenue grew 20% this quarter. We were happy with this result, considering our exit from the cargo business and loyalty marketing revenue being down due to our credit card transition from American Express . Fare options was a strong contributor, and we believe remains on track to produce more than $200 million in operating income in 2016. We've recently started to price fare options dynamically in selected markets. While we can't discuss future pricing, we're currently evaluating customer behavior. And we will continue to review opportunities to expand dynamic pricing in traditional markets in the future.

In the month of March we have launched our new domestic co-brand credit card for the partners Barclay Card and MasterCard . Hopefully you've seen our advertisements, and hopefully you've signed up for a card. This was a multi-year undertaking, as it included switching existing card-holders from American Express and creating new cards with unique industry-leading benefits.

We are now marketing three different JetBlue co-branded credit cards.

The base JetBlue credit card is our no annual fee card, which is offering a limited time 10,000 point TrueBlue bonus.

The JetBlue-plus card is our premium card with a $99 annual fee and a 30,000 point TrueBlue bonus. This

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card also includes a free checked bag when using the card to purchase JetBlue flights and the ability to earn more TrueBlue points on JetBlue purchases.

Finally our third card is a JetBlue business card, which is similar to the plus card but designed for businesses with bonus points on purchases in several business-oriented categories.

All the cards provide customers with significantly enhanced benefits compared to our prior co-branded card. The new cards offer more points per dollar on JetBlue purchases, accelerators which increase TrueBlue points earned on spend categories like grocery stores, office supply stores or restaurants. Finally all JetBlue cards are free of any foreign transaction fees. At steady state we continue to expand annual incremental operating income benefits from the new card agreement are approximately $60 million.

The conversion of American Express has gone very well, with all card members now converted and nearly all been activated their new cards. It is in the very early days in terms of new card member acquisition. But so far direct mail and JetBlue channels are producing above expectations.

With that, I'll turn the call over to Mark to provide further details on our results.

Mark Powers (CFO):

Thank you, Marty and Robin. Good morning, everyone. Thanks for joining us.

This morning we reported first-quarter operating income of $349 million. This represents 38% growth. Pre-tax income for the quarter was $323 million Pre-tax margin was 20%, an improvement of 5.4 percentage points.

As Robin mentioned, among the US airlines that have released their first-quarter results, our operating margin ranks first. Our pre-tax margin is in the top three. In addition, our year-on-year operating and pre-tax margin improvements rank second.

Total revenue grew 6.1% in the quarter on capacity growth of 14.1%. Yield decreased 8% while load factor was down 0.1 percentage points.

With respect to costs. The first quarter was another period of strong cross-control. Excluding fuel and profit-sharing, year-over-year unit cost decreased 3.6%. That is significantly better than our January guidance range of flat to down 2%. We capitalized on milder winter weather than expected with good cost control and great operational execution. Main drivers behind the difference between our result and guidance came from fewer de-icing events than forecasted, lower salaries, wages and benefits than anticipated, and the timing of some advertising which will move to future quarters.

Turning to fuel. Fuel prices remain a positive story year on year. We had no fuel hedges in place in the first quarter. Including taxes our fuel price in the quarter was $1.17, down from last year's per-gallon price of $2.06, or 43%. Looking ahead, we have no fuel hedges in place for the second quarter of 2016. Based on the forward curve as of April 15, we expect our second quarter fuel price per gallon, including the impact of taxes, to be approximately $1.33.

For the second half of the year we've hedged approximately 20% of our expected fuel consumption using swaps. We've also added modest hedges in 2017 with about 5% of consumption hedged. For more specific details regarding our hedged positions, please refer to our investor update which was filed with the SEC and made available on the investor relations section of our website prior to the start of today's call.

Looking at the balance sheet. We ended the quarter with $1.3 billion in cash and short-term investments. During the first quarter we made scheduled debt and capital lease payments of $51 million. Looking

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ahead we expect to pay regularly scheduled debt payments in the remainder of 2016 of $403 million, including a second-quarter payment of $36 million.

Given the debt maturity schedule for 2016 including the final maturity of a double ETC in November, we plan to continue to focus on cash deployment on balance sheet improvement this year. We will assess opportunities for additional capital returns thereafter and update you on our plans toward the end of the year.

With respect to ROIC. Our trailing 12 after-tax return on invested capital was 14.5%. This is up year on year by more than 5.5 percentage points, and well in excess of our cost of capital. We believe our growth plans continue to create economic value and reduce risk through diversification. We're also working aggressively on initiatives, including structural programs such as our cabin restyling, that we expect will drive ROIC even higher.

With respect to CapEx and fleet. JetBlue ended the quarter with 217 aircraft including 138 A320s, 60 E190s and 27 A321s. We purchased two A321 aircraft in the first quarter with cash. In 2016 we expect to take delivery of 10 A321s including 2 in the second quarter. Given the strength of our cash from operations, the current presumption continues to be we will continue to pay cash for all deliveries in 2016. At the end of the quarter over 30% of our fleet was unencumbered. In support of our incremental Mint expansion, which includes growth from New York, Boston and Fort Lauderdale/Hollywood we've converted 9 of our 10 A321 delivery scheduled for 2017 to the Mint configuration. These are not incremental aircraft orders, and simply represent adjustments to configuration specifications of aircraft already on order.

Given the changes that we've announced, let me quickly summarize our order book through 2017. In 2016 will take delivery of 10 A321 aircraft. Four have already been delivered, including two this month. Our latest delivery rolled out of the production line in Mobile, Alabama this week, and is the first Airbus aircraft ever manufactured in the United States. Of the remaining six aircraft, three will be in the Mint configuration and three will be in the all-core configuration. In 2017 we expect delivery of 10 A321s, the first arriving in all-core configuration and the remaining 9 configured for Mint.

In terms of CapEx. In the second quarter of 2016 we project total CapEx between $170 million and $180 million, of which approximately $125 million relates to aircraft. For the full year 2016 we continue to expect non-aircraft CapEx of $150 million to $200 million and total capital expenditures of approximately $820 million to $920 million. See the industrial update for more details on this point.

Turning to capacity. We expect capacity growth of 9.5% to 11.5% in the second quarter of 2016 and 8.5% to 10.5% for the full year.

Turning to the revenue outlook. April RASM is expected to decrease roughly 12.5% year over year. To put this in its proper perspective, April RASM is hurt by Easter falling in March this year and by a later Passover and related school vacation period. The Sunday return flights after Passover fall on May 1 this year versus April last year. For greater context, the Sunday after Passover was the seventh best revenue day for us in 2015.

We estimate the Easter and Passover timing moved about 3 percentage points of RASM from April to March and May. With this disclaimer that we only have about half of May and not quite a third of June booked at this point, we expect our year-over-year RASM in the second quarter to be broadly in line with our first quarter's negative 7%. Beyond the second quarter we expect capacity growth deacceleration to provide a RASM tailwind.

Based on selling schedules, our ASMs are projected to grow approximately 6.5% in the second half of the year. This is a deacceleration of growth of more than 5 points compared to the first half of the year. Looking to costs. In the second quarter we expect the year-over-year change in CASM excluding fuel and

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profit-sharing to be negative 0.5% to positive 1.5%.

Looking at full year 2016 we are lowering the top of our CASM guidance excluding fuel and profit-sharing by a 0.5 point to growth between 0% and 1.5%. We of course continue to work aggressively to come in at the lower end of that range.

And in closing, we are very, very pleased with our first-quarter results. Our crew members continue to be highly engaged and provide outstanding customer service. We are excited to keep executing on our long-term strategy.

And with that, Robin, Marty and I are happy to take questions.

Kevin Crissey (IR):

Operator, we are now ready for Q&A with the analysts. Can you go ahead with instructions please?

QUESTIONS & ANSWERS

Operator:

(Operator Instructions)

Joseph DeNardi with Stifel.

Joseph DeNardi (Analyst - Stifel Nicolaus):

Mark, IÕm wondering if you could just flush out the 2Q RASM guide. Maybe talk about why you guys feel comfortable guiding to it now compared to not doing that in the past. And maybe specifically what this shift, I think you mentioned what the shift from April into both March and May was. But if you can break that down between March and May?

Mark Powers (CFO):

Good morning. How are you? It's Mark. Let me actually ask Marty perhaps to comment on that.

Marty St. George (EVP Commercial and Planning):

Great. Thanks Mike, and good morning Joe. Thanks. I'm glad you asked the question. I think in general we've given more guidance than we generally have in this call. Obviously the only month we truly guided was April. But I think we're very comfortable saying that sequentially of the three months in the quarter, April is absolutely the worst month. And if you think about the two pictures we gave, it's more of a math exercise than anything else.

And you can sort of make your own judgment as far as how May and June go, because we generally don't guide that far out. The one thing I will say is, the move of what was normally peak April demand into both March and May, as we said in the script, it's worth about 3 points. And you get about a 1 or 1.5 point of that benefit actually is going to be in May. So the normal shape of the April/May/June RASM curve is going to be a little bit different in 2016.

Joseph DeNardi (Analyst - Stifel Nicolaus):

Okay. And then Robin, I'm just wondering if you could talk about, just given the commentary around trimming some trough capacity in 4Q. Can you just talk about what you're managing the business to? Is it to maximize earnings? I mean, I get -- I understand why you're looking to trim capacity. But why not do more? It feels like we're in the a little bit of a middle ground. So maybe just talk about what you're managing the business to right now.

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Robin Hayes (President & CEO):

Sure, Joe. Good morning. I appreciate the question, and congratulations on getting in first. I think if I wind the clock back a few years where we were very heavily criticized for managing to growth and we were taking a very long-term view, I think some of the investments we made back then are now really paying off. We've moved to a world where we're managing to margin, we're managing to ROIC. The capacity that Marty talked about trimming was capacity that we took out because it was negative to margin, negative to ROIC.

But we're running the Company to those metrics. And I think had we taken more capacity out, then that would have had a direct impact on our -- on margin. Give you an example. A 1 point of capacity, 2 point capacity adjustment in the first quarter, if we had reduced it then it would've been a $10 million hit to our income. So we're managing to margin. We're managing to maximizing income. We're managing to maximizing ROIC.

Back to your very, very relevant question of why did we change what we guide. Well, we're not tone deaf. We know there's a lot of focus at the moment on unit revenue and that investors are looking for an inflection point. so we wanted to give as much candor and transparency as we could to say that with the -- as May and June progresses as we see it now, and then as we move into the second half of the year where we have a significant amount of capacity slowdown compared to the first half. We believe all of those things are pointing to unit revenues moving in the right direction. But I also want to be very transparent. We are running this Company to maximize margin, maximize income and ROIC.

Joseph DeNardi (Analyst - Stifel Nicolaus):

Very helpful. Thanks Robin.

Operator:

Savi Syth with Raymond James.

Savi Syth (Analyst - Raymond James & Associates, Inc):

Hey, good morning. Just would like talk a little bit more about Mint. Robin, as you mentioned I think when you first rolled this out, it really was about getting those transcon markets to at least kind of perform in line with the system. And your point today that it's above. And if I look at your fleet plan and looking at your 2017, it looks like maybe 11% of your fleet is going to be Mint aircraft, and maybe a little bit more on a seat basis.

So how should we think about these Mint routes? And are they -- is expectation that they performed in line with system, or are they so good that maybe these few routes actually perform better than system, because there's this opportunity that you are unlocking?

Robin Hayes (President & CEO):

Thanks, Savi. I appreciate the question. Good morning. I'm going to ask my good friend, Marty, and the leader behind Mint to answer that question.

Marty St. George (EVP Commercial and Planning):

Thanks Robin, and thanks Savi for the question. As far as how we should look at Mint, I think if you go back to when we first announced this, as I think a lot of people on this call will recognize, there was a lot of skepticism.

But we fundamentally saw something in the marketplace that we thought created an opportunity. If you

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go back to the original business plan of JetBlue, what the founders saw in the late 1990s was a economy-class market in the US that had high fares and bad service. That's the same thing we saw in the premium market three or four years ago when we started working on Mint. We saw a market with very high fares, routinely seeing fares in the mid-$2000 range, and service that frankly we thought was not commensurate with that price.

So we saw the opportunity to go in there with a much better product. And I think no matter where you look, this is sort of unanimously greater than the best transcon market in the US. And also has significantly lower fares, even in light of the fare increases that we have done. So if you look at the growth that we have put in, it's because the results we're seen. We said -- we haven't gone into a lot of detail on the route P&L. We gave some guidance in the script about the unit revenue for Mint and how well Mint unit revenue is going. I also mentioned that we also did say in the original script was that our current Mint margins are well above system average.

On the Mint routes we're doing extremely well. We're very happy for it. The routes that we're expanding into, every one of the routes that we announced a few weeks ago, our routes that are currently being flown by all-core A320s. And we put them in airplanes on them specifically because we see a great opportunity to improve P&L on every one of those routes. I will also say that we're very open-minded as far as where we can put Mint in the future. I think these routes are a beginning, but they're absolutely not an end.

But at the same time we see a lot of value with the all-core A321. So every time we make a decision, we have to make that individual trade-off of the all-core airplanes versus the Mint airplanes. But this is, as they say internally, a good problem to have. We've got two really good choices.

Savi Syth (Analyst - Raymond James & Associates, Inc):

That's very helpful color. Thanks, Marty. And maybe if I can ask another question on the, you mentioned on the kind of Columbia/Puerto Rico, the weakness you're seeing. It wasn't clear if the over-capacity, was it on those routes where you're seeing maybe too much capacity? Or is the economic weakness in the destination markets having an impact as well? I would think that most of your point-of-sale is US, but wanted to clarify that.

Marty St. George (EVP Commercial and Planning):

So let me take the routes separately. Specifically on Columbia, there's just some structural economic challenges in the country. And certainly in Bogota we do book the majority of our revenue in point-of-sale Bogota. We pulled down capacity in Bogota. To a less extent we pulled down some seats in Medellin. We did not pull down seats in Cartegena. Cartegena is generally a US point-of-sale market that's actually holding up relatively well. So it's really the challenge in the South American economy.

With respect to Puerto Rico. First of all, we're coming off a great base in Puerto Rico. I think if you look at how we've trended in Latin America revenue, Puerto Rico, it's a very important market and a big chunk for ASMs. We had some competitive challenges, let's say probably 2012 and 2013, 2014 and 2015. I think those really resolve themselves. We've seen a little bit of competitive capacity come in in 2016. And I think in response to that we've pulled a little bit of capacity out ourselves.

But honestly this is still a market that's got strong profitability. We're very happy with our results down there. But we have other places to put capacity in the peak summer. So I don't look at this as a long-term sea change in Puerto Rico. I see this as being very tactical, just sort of taking advantage of market dynamics at the time. We're still the largest carrier in the Commonwealth of Puerto Rico. We plan on being the largest carrier in Puerto Rico forever. And we are very happy with our results.

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Savi Syth (Analyst - Raymond James & Associates, Inc):

All right. Very helpful. Thank you.

Operator:

Duane Pfennigwerth with Evercore ISI.

Duane Pfennigwerth (Analyst - Evercore ISI):

Thanks. Good morning. On the full quarter guidance, which is appreciated. And maybe I missed this in your prepared remarks but it looks like it implies down about 4% to 5% for May and June. Can you put a finer point on that, like that does that sound reasonable for both months?

Robin Hayes (President & CEO):

Duane, good morning. It's Robin. I'll answer that. I give you full marks for not being satisfied with the improved guidance we provide. And in true style trying to get a little bit more. No, we won't. I think we wanted to just give you a sense of how the quarter was looking, because particularly with the profile of our business, March and April are always very, very choppy. So I know you're an excellent mathematician. And I'm sure you can work out what that means for the rest of the quarter. And obviously our visibility on May is greater than our visibility into June as well.

Duane Pfennigwerth (Analyst - Evercore ISI):

I appreciate that. I'm not sure I agree with all those comments, but I appreciate that. Can you help us understand the timing of the contribution and the ramp on the new credit card agreement?

Marty St. George (EVP Commercial and Planning):

Hi Duane, it's Marty. Thanks for the question. So we're very excited about what's happened with the credit card agreement. And we are reaffirming the guidance that we gave as far as the run rate benefit of the credit card going forward. It's a little bit early for us to make any predictions as far as where that money may actually be going, but were very happy with what we're seeing so far.

We're at a point now where we're six weeks into the credit card program. We're already -- let me back up. There's generally a drop-off when you basically send people a new credit card and say, yes by the way, this credit card you've had for years is changing. Throw it away. You need a new one. You have call me up and activate it.

There's generally a drop-off from that. From what we're hearing from Barclays Card, we've had much less drop-off than they have seen in other conversions. Six weeks in we're already at more credit card accounts than we had with American Express . So we're very happy with what we're seeing. I think it's a little bit early to make a prediction on how things are going to ramp- in differently.

I'll compare this back to the guidance that we had given originally about the benefit to fare options where we -- the number we originally gave back at Investor Day and in the first or second call after fare options, we had seen things trending, but it was a little bit too early to call. But we will revise the guidance if we do see any change in it. But we're very comfortable with the number we're seeing right now. It's just a little bit too soon to say.

Duane Pfennigwerth (Analyst - Evercore ISI):

I guess just as a follow-up there, can you quantify, I guess, the headwind during this transition in the first quarter?

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Marty St. George (EVP Commercial and Planning):

I mean, the biggest challenge we had in the first quarter was we had a over a three-month period where we were not acquiring any new credit card accounts. There's a transition period when the old account-holder sort of freezes the portfolio because they're in the process of negotiating the sale of it. And they basically want a static base to work with.

So -- and I don't have that exact date. I believe it was -- but definitely in the fourth quarter, like in October or November, we stopped soliciting new credit cards. And we're a growing airline with growing geography. We're always adding credit cards. We took a pretty big period where we weren't adding additional credit cards.

Also it was a time period where the normal course of business, not seeing activities that you would normally see from American Express weren't happening. Because they weren't going to garner any of the benefit from it. They were basically investing in a long term that was going to accrue to a new partner. That's really what happened during the period. And again, because we transitioned at the end of the quarter, that really -- that was the situation the majority of the quarter.

Duane Pfennigwerth (Analyst - Evercore ISI):

Thanks very much.

Operator:

Michael Linenberg with Deutsche Bank.

Michael Linenberg (Analyst - Deutsche Bank):

Hey, everybody. Hey Marty, I had a question for you just back on Mint. You talked about the new markets and how you expect to see margin improvement. And I appreciate that. But when I think about the markets that Mint is in today, those are markets where there is clearly significant demand for that higher end product. And I'm just curious as you look at some of these other Mint markets, it does feel like that there could be some diminishing returns here. And so I look at your fleet plan next year and you have 9 of your 10 going into the Mint rather than the core.

What has kind of evolved here? Because I would think that lots of conversations and dialogue, even over the last year or so there was sort of a lot of back and forth about whether or not there were that many more markets that you could put the Mint product in. And so I guess the math comes down to that the margin improvement that you see in these markets that convert to Mint more than offset potential opportunities to deploy A321 core craft, at least in the near term. Could you just run through some of the thinking there? Because it does feel like it's a bit of a sea change.

Marty St. George (EVP Commercial and Planning):

Sure, Michael. Good morning, and thanks for the question. I think you're actually making a very important point that I don't want to brush over. And I think the overarching summary that I would say is, Mint is been a pleasant surprise for us from the very beginning. When we originally announced it we had a business case. We have blown away the numbers in the business case. We've recently launched Boston/San Fran services.

That was a market that I think in a lot of ways fit some of the characteristics that you described, not as much premium demand, not quite as clear as far as what the value proposition could be. Also market that's been a very, very good surprise very quickly. At first, I don't think I've seen a load factor that didn't start with a nine on that route from day one. It's been extremely lucrative.

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I'll give you a quick anecdote which you'll appreciate. When we originally were floating the idea of Mint with some of our large corporate accounts and talking to some corporate accounts in New York, and we don't have that many -- at that point in time we didn't have that many big corporates in New York. And we talked to them about Mint. We talked about pricing. They said, yes, we're in, we love it, we totally want to do it, we'll definitely support you. And this was back three years ago or four years ago.

We had the same conversation in Boston, and in Boston we have a very large corporate account base. We went to corporate accounts. We have good shares with, 43% market share. And said the same thing to them and they said, no we're not interested. Our customers don't fly premium. We're not sure it's going to work. Looks like a great product, but it's not for us. We also said, by the way there are times when the Mint fare is lower than the core fare on America, Delta, United. Are you sure? They said, yes we're not interested. Two years later they're saying to us, hey that Mint service, we kind of want that. That's how good it was.

So from that perspective, these are our markets that we're very confident of the ability to get customers into this cabin. Interestingly enough, think about the people that we talked about originally, small or medium businesses, high-end leisure and large corporate. All three legs of those stool have been very strong contributors. And I think if you look at the markets we entered in, we are comfortable that we're going to get that exact same demand in those markets.

Michael Linenberg (Analyst - Deutsche Bank):

Okay, very good. And then just a second one. And Marty, I guess this one is to you as well. Just with Newark potentially becoming somewhat less constrained later this year per the new sort of DOT FAA rules, I think you have about a dozen flights a day or so in Newark. And I know that's a function of your current slot position. But I do think that you have access to maybe three gates. So it would seem that you could do, if you wanted to, probably schedule a bit more service than what you're currently offering. Is there an opportunity there for you, or is it more just focused on LaGuardia/Kennedy?

Robin Hayes (President & CEO):

Hey Michael, it's Robin. I'm going to take that because I love talking about congested high fare airports.

Michael Linenberg (Analyst - Deutsche Bank):

Not a problem.

Robin Hayes (President & CEO):

Again, good morning and thanks for the question. Look, actually we're over 20 flights a day now on average out of Newark. So we've done a good job over the years getting the odd slot here and there. Great news about the airport sort of moving to a level II unslotted airport. Obviously, gates and other facilities do act as a form of constraint. But we're very happy about the news.

And no announcements today. But we are looking very closely at Newark, and we definitely see an opportunity for expansion there as well. We do extremely -- Newark is the sort of airport we do extremely well, where there's a constrained airport with a incumbent competitor that charges very high fares and we can go in and offer a better product at a lower price and do very well. So watch this space on Newark.

Michael Linenberg (Analyst - Deutsche Bank):

Okay. Thank you.

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Hunter Keay with Wolfe Research.

Hunter Keay (Analyst - Wolfe Research):

Thank you. Good morning.

Robin Hayes (President & CEO):

Good morning, Hunter. How are you?

Hunter Keay (Analyst - Wolfe Research):

Hi. Good. Thanks, Robin. Hey Marty, can you educate us a little bit on the Lauderdale market and how Miami International competes against Hollywood for some of the local traffic? And wondering if there's any key distinctions that we should be aware of between those two airports that make them maybe a little bit less competitive with each other than just the sort of typical geography would suggest?

Because obviously there's going to be a lot of growth in that market, not just from you guys over the next couple years but from some other airlines as well, too. So how are you guys thinking about those two airports in the context of sort of fighting over local growth, local share?

Marty St. George (EVP Commercial and Planning):

Hi, Hunter. Good morning, and thanks for the question. We love talking about Fort Lauderdale. We think it's a very important market for us and it's had a lot of growth in the last couple of years from JetBlue. And as Robin said earlier, more to come.

We look at the Fort Lauderdale versus Miami and just throw Palm Beach in there. We look at those, the balance between those three airports, from a lot of different lenses. And it's funny, JetBlue we're still a low cost airline. The number one lens we look at is cost. Airport fees for enplanement at Lauderdale are a fraction of what it cost to fly out of Miami. We think that gives us a great opportunity right off the bat because we can offer lower fares in Fort Lauderdale than we could offer in Miami, which we think gives us a great opportunity on the pricing front.

Second issue on the demand front, what we think is great about Fort Lauderdale is it has its own catchment area. That's a very, very strong catchment area. Miami obviously is a big city, a great city and a great catchment area. They certainly do compete against each other. Most people at JetBlue have done that drive many times. The distance between those two airports is not that far. If you look at how we penetrate the market, obviously Broward County is by far our most important origination point for customers, and some down from Palm Beach County. From Northern Dade County we do penetrate that market well.

The thing I want to stress more than anything is, the reason we do -- I think one of the reasons we do so well in Fort Lauderdale is that we have a fantastic value proposition. If you look at the other two airlines that have the big top-of-the-line space in South Florida, American or Spirit, we clearly have a differentiated value proposition and differentiation product. So I think the ability to have the best product in South Florida and also always have the ability to have lower fares in South Florida than in Miami, we think gives us a great opportunity for growth.

Hunter Keay (Analyst - Wolfe Research):

Okay. Thanks Marty. And then Robin, getting back to Joe's question earlier in the call about how you're running this business. You talked about, correct me if I'm wrong, but you said basically maximizing EBIT dollars and maximizing profits. But isn't there a difference? You said you're not tone deaf earlier when

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asked about guiding to 2Q RASM too, which I think is a great comment. I appreciate that.

But isn't there a difference between managing your business for shareholder wealth creation and managing your business for profit maximization? And I think at this point the shareholder wealth creation thing is particularly sensitive when you see these stocks all go down day after day in the exact same guidance point. At what point does the focus shift to maximizing shareholder wealth and stemming the bleeding, which is feeling pretty painful for some of your owners as opposed to just maximizing profit?

Robin Hayes (President & CEO):

Yes. No, I mean, I also did mention ROIC. I mean, we've continued to make great strides on improving our ROIC metrics, and we continued to focus on doing that. Look, personally I think the stock provides a great value right now. If you look at where we're are in the space with a sort of a positive revenue, unit revenue trend toward the rest of this year, a tight handle on costs, delivering a top-of-cost margin in the first quarter. When I think about all of that and also really in terms of some of the revenue initiatives. We're still in the early stages of things like the credit card and the cabin restyling, I think all of those go together to drive shareholder wealth creation.

And so for an airline like JetBlue where we have to be very conscious of delivering here and now, but also on our long-term plan, I think we're executing well. The comments that are being made about unit revenue, I do understand. And that's why we kind of changed how we kind of describe the quarter because we did want to be sympathetic to that. But at the end of the day we are, by improving our margin, improving our net income, driving a stronger ROIC performance, we think in the medium to long term that's what delivers the most value to shareholders.

Hunter Keay (Analyst - Wolfe Research):

Okay. Thank you, guys.

Operator:

David Fintzen with Barclays.

David Fintzen (Analyst - Barclays Capital):

Hey, good morning everyone. I guess question for Marty. When I think back to, I guess it was November 14 when you guys rolled out all the initiatives and the cabin restyle, $100 million incremental EBIT contribution. That was obviously a very different pricing environment. When you look at the world today, how do you feel about that $100 million? Are there -- is there a little more dilution in the revenue environment we need to take into account, or kind of what's changed between in here and late 2014?

Marty St. George (EVP Commercial and Planning):

Hi, David. Good morning. Thanks for the question. We absolutely fully agree with the guidance we gave originally, $100 million in cabin restyling. Obviously, some things have moved since we originally made that announcement. I will also mention that we did throw in additional fees on the A321 all-core fleet, which we're actually going to start seeing this summer.

So to the extent that we've looked at that overall package, we still feel very comfortable with what that's going to produce for our owners when that fully rolls out. And honestly if you look at overall industry dynamics, prices come and go, demand comes and goes. I think there's a much longer trend line here. I don't think any of us looked at the current demand environment and the pricing environment at this demand and said, this is going to be the new normal forever.

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David Fintzen (Analyst - Barclays Capital):

Okay. Appreciate that. And then coming back to Lauderdale, how do you think about Mint fitting into Lauderdale at some point? Obviously you're doing some of the transcons. Does that further differentiate your franchise in Lauderdale, particularly down into Lat Am down the road?

Marty St. George (EVP Commercial and Planning):

Interesting question about the future of Mint on different types of markets. I think if you look at how Mint has progressed, what we've shown is we're not afraid to take Mint to unconventional places. I think places like Aruba and Barbados I think were good examples of some pretty significant changes versus where the US industry has flown in premium transcon markets. I can give you a look at things like the other islands we're flying this year. St. Martin, a much shorter haul than the six-hour flight to Barbados. Also places where we think there's very strong premium demand.

With respect to Fort Lauderdale, it's a market we do very well in. We've grown a lot. We're very profitable. We do see the opportunity for strong premium demand to the West Coast. So we're excited about the additions that we added from Fort Lauderdale. As we've talked about things like three 21LRs, if we wanted to fly longer distance, not necessarily from Fort Lauderdale but from elsewhere in the system, we think a Mint-like product would be very important to that.

So I think the fact that we have proven, first of all, that our crew members can deliver a premium product and can deliver it better than anybody else. And second, that customers will respond to JetBlue offering a premium product by shifting share, I think there's a lot of runway ahead of the growth of Mint.

David Fintzen (Analyst - Barclays Capital):

Okay. Appreciate all that color. Thanks.

Operator:

Dan McKenzie with Buckingham.

Dan McKenzie (Analyst - Buckingham Research Group):

Thanks. Good morning, guys. With respect to the revenue outlook for the second quarter, I understand the holiday shift. But stripping this out, I'm wondering if you can help add some color around some of the key buckets.

So Latin America versus walk-up fares, say, versus growth markets or competitive capacity. Just given the number of strengths that you cite in the business and the general strengths we're seeing from other airlines domestically. I guess I'm just trying to understand where you might be seeing some sequential deterioration here?

Marty St. George (EVP Commercial and Planning):

Hi, Dan. Thanks for the question. Can you just restate that one more time? I feel like the first half of the question and the second half of the question are different. I want to make sure I answer exactly what you're trying to get at.

Dan McKenzie (Analyst - Buckingham Research Group):

I'm wondering if you could add some color around some of the key revenue buckets. As I think about those Latin America versus walk-up pricing, what those trends are doing versus perhaps the growth markets? And I -- we're seeing some domestically seems pretty good from the other airlines that have

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reported. And you guys have been talking about a lot of positive things that are going on in your system. I'm just wondering, I'm just trying to separate out where we might be seeing any sequential deterioration.

Marty St. George (EVP Commercial and Planning):

Okay. That's very helpful. Thank you for that. First of all let me give you a high level view of how we see the competitive environment shaking out for the rest of the year. And actually it's a lot of it's essentially enough a JetBlue story. One thing we didn't stress in the script, and maybe we should have, is that if you look at our ASM growth for the rest of the year, I think we made sort of a glancing comment to it, but I think it's worth stressing a little bit more. We annualized a lot of our growth as we hit third quarter and fourth quarter. So, for example, right now our schedule growth for second quarter is like 11% in ASMs. Third quarter it's down to 7% and fourth quarter it's in the 5%s. So our comps get a lot better from that perspective. So we think that's actually a big upside for us.

With respect to what we're seeing in the demand environment, I think as we said in the script, we're seeing good demand in the business market. And we're very happy we have that good mix of business and leisure. And really I think -- I don't think what we're saying is all that different than what we're hearing competitors say. Clearly, Latin America has been a challenge for us. But again, it's a very strong franchise. It's still extremely profitable. I don't think we can look at this as any sort of crisis.

Dan McKenzie (Analyst - Buckingham Research Group):

Understood. Okay. And I guess just going back to the corporate/leisure mix, can you share with that mix is today and how would you compare the year-over-year trends in those? I guess if you could just perhaps also, following up on my prior question, perhaps talk about walk-up pricing and maybe how those trends might be affecting the revenue outlook?

Marty St. George (EVP Commercial and Planning):

Hi, Dan. Thanks. Well first of all, I get very skittish talking about pricing in general. But I feel pretty good talking about what's happening in the corporate market. What we're seeing in our corporates is that their total demand for air travel among all airlines is flat, flat to slightly down. What we're seeing JetBlue is actually increasing our share in the overall corporate market space. And I think there are a couple things that are causing that.

First is, we do continue to add in incremental routes. I'll give quick shot out to Cleveland. We started Cleveland earlier. Cleveland had a very, very good start out of the gate. No disrespect to Cleveland, but that's a classic business market and has done very well for us with our corporate accounts. So I think that's been a big help. And the second thing is, I think as corporate travel accounts get stressed, and I think if we're seeing corporate travelers who looking to get more value out of the buck, that's a perfect opportunity to take another look at JetBlue. And we're seeing it in our numbers. That tends to be a very good time for us.

Dan McKenzie (Analyst - Buckingham Research Group):

Very good. Thanks, Marty. Appreciate it.

Operator:

Jamie Baker with JPMorgan .

Jamie Baker (Analyst - JPMorgan):

Good morning, gentlemen.

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Robin Hayes (President & CEO):

Hi, Jamie.

Jamie Baker (Analyst - JPMorgan):

So a couple of interesting things have happened recently. One, and you address this. You think you have the bandwidth to take on a merger but you opted to walk away and keep your powder dry, and that's fine. The second issue is that the DOT tentatively approved Norwegian's US flights. So I'm basically wondering if either of these events have any impact on how you feel about wide-body and/or transatlantic flying? Or any eventual decision on that front is simply, I don't know, mutually exclusive from the two aforementioned issues? Because Norwegian definitely seems to be beating you to the punch. And you clearly have additional bandwidth to take on more than what you're doing, otherwise you wouldn't have been sitting across the table from Virgin America a few weeks ago. Any thoughts?

Robin Hayes (President & CEO):

No. Thanks Jamie. And good morning to you. Yes. No, I think I'll address the sort of forward-looking intent behind your question. Look, we are very focused on delivering our current plan. But as I said when I think you fired the question at me at your Investor Day, we do, when we look at our success in Mint and flying into markets, high premium markets with high fares, than we do think that that presents a longer-term opportunity for JetBlue.

Now, I think one of the things that we put a lot of value on is the simplicity. And so as I think I said, the 321LR is something we're looking very seriously at because we think that the incremental amount of complexity that that provides is very manageable. I think a step-up to wide-bodies is a much bigger deal. I think it's something that one can never say never, it's something potentially further out. Right now we're focused on the current plan. And we continue to evaluate the A321LR.

Jamie Baker (Analyst - JPMorgan):

Got it. And second question, still trying to get a better handle on revenue performance in March. I realize that's kind of old news now. But for a portion of the quarter the advantage fares at the big three had gone away. But then Delta started bringing them back right as American was considering doing the same, and now they have returned. If anything, I would've thought the absence of advantage fares would've helped you earlier in the quarter and then hurt you in March. But that's not how the cadence of RASM played out. Were there any changes in the industry's fare structure as the quarter rolled on that had an impact on you? Or did your revenue performance just, I don't know, march to its own drum during the quarter?

Robin Hayes (President & CEO):

Marty, would you?

Marty St. George (EVP Commercial and Planning):

Yes. Thanks Jamie, and thanks Robin. First of all, again we all get skittish talking about pricing, but I'll do my best to try to answer without going to jail.

Jamie Baker (Analyst - JPMorgan):

Yes, of course.

Marty St. George (EVP Commercial and Planning):

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One thing I'll say is that, with especially advantage pricing, we don't really play in the markets where advantage pricing is big. We said this publicly, and I'd like to remind everybody. We generally don't carry a lot of connecting customers domestically. Internationally we have a higher connecting percentage, but our connecting percentage on the system level is in the teens. So the impact of the Burlington to Los Angeles customer going over four different gateways at advantage pricing is really not that big of a deal for us. We do carry people at some point to one of (inaudible) itineraries, but we don't really play that game.

The second thing I'd say is, if you look at what we saw in our overall bookings over the first quarter, we clearly saw, I'd say, the sort of second half of March going forward, we really saw bookings solidify to the extent that we were seeing challenging yield environment up until then. We really see things sort of, I don't know if I want to use the word flattened out because it depends on how you look at the metric, but in general I think we've certainly seen our bookings sort of, not long before Easter until now, I think it's much stronger. It's definitely stable versus what we've seen before.

Jamie Baker (Analyst - JPMorgan):

Okay. I appreciate it very much. Thanks, guys.

Operator:

Helane Becker with Cowen and Company.

Helane Becker (Analyst - Cowen Securities LLC):

Hi, guys. Thank you so much for getting me in towards the end here. Most of my other questions have been asked and answered. But I know I heard your comments earlier about Puerto Rico, and I know there's a new airport operator who is making some pretty big investments in the airport. And I'm just kind of wondering if you could just discuss how that will benefit your service? And if once those are done, it makes sense to grow that market?

Marty St. George (EVP Commercial and Planning):

Hi, Helene. It's Marty. Thanks for the question and good morning. We've been working with that new operator for a while. And I think one of the things that's enabled our growth in Puerto Rico to date, and in we've grown a good bit over the last four or five years, is the relationship we've had with the Commonwealth, with the last administration and the current administration. We're in terminal A, and we've been in terminal A for several years because we wanted to be in a position to grow.

We're very excited about the new operator. We've worked with them already in Cancun. So we have experience with them. We're very optimistic. We're very hopeful that the economic situation in Puerto Rico resolves. But I'll say the diaspora of Puerto Ricans to Florida has actually worked out for us. I'd like to be in a position where people are moving back and forth rather than moving in one direction. But having a Puerto Rican community in more parts of the US we think is a very good thing for JetBlue.

Helane Becker (Analyst - Cowen Securities LLC):

And that brings me to my follow-up question. Does Cuba represent a similar opportunity, given your South Florida presence?

Marty St. George (EVP Commercial and Planning):

Cuba, we think it represents a very similar opportunity. Cuba is a very, very big market. A great VFR market. And for those of us who have been there I think we would all tell you it'll be a great reach market

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when it opens up fully. So we're very excited about it. We're looking forward to seeing where the DOT comes out and their decision with respect to who's going to get what route authorities. The one advertisement I'm putting in for JetBlue is, we are infamous for going in and reducing fares and stimulating markets. I think a market like this that gets VFR demand, we are exactly the right carrier to get everything we ask for.

Robin Hayes (President & CEO):

Helene, if I can just build on that last point. Cuba today has about 60% of the number of international businesses that the Dominican Republic has, which is the largest market in the Caribbean. And ultimately it does that without significant access to the US market. I'm talking vacationers here.

So it wouldn't be hard to conclude that once there is sort of scheduled air services those numbers will grow. And that clearly is going to take some time for infrastructure to catch up. But once it does then Cuba has the potential, I think, to be the largest inbound Caribbean market.

Helane Becker (Analyst - Cowen Securities LLC):

Okay. Thank you. And then, have you ever quantified the impact of densification on your unit revenue performance later in the year? I guess it was going to be a drag until the whole fleet is done. So have you ever tried to quantify that for us?

Robin Hayes (President & CEO):

I'll answer that very quickly. The impact this year's very small because we're just talking about the additional 10 seats on, I think, the 2014 or 2015 all-core A321s. Once we start getting into next year, 2017 and beyond, than the 323 gets done. We'll start to lay that out in a little bit more detail.

Mark Powers (CFO):

In the investor update we do have that schedule of the reselling program by fleet type.

Helane Becker (Analyst - Cowen Securities LLC):

Great. Thank you so much.

Operator:

Darryl Genovesi with UBS.

Dave Beam (Analyst - UBS):

Hi, everyone. This is Dave [Beam] stepping in for Darryl. Only one question here. Can you talk about how much of an opportunity you have to build out LA and San Francisco organically?

Marty St. George (EVP Commercial and Planning):

Hi, Dave. It's Marty. Thanks for the question. Good morning. Let me take it on a higher level, then go more micro. We have a challenge on the West Coast with facilities. It's certainly one of the things we find attractive about Virgin America. We've been working with the airport authorities both airports, trying to get additional gate access. And we're still optimistic that we will get there at some point.

Not for nothing. It's one of the reasons why we haven't focused on trying to grow in Long Beach for quite a while. We think it's a great airport for Southern California. We expect Northern California, where we're similar constrained now. We actually don't have our own gates in San Francisco today. And we're always looking for opportunities to grow more.

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Robin Hayes (President & CEO):

I do want just stress, I think both of those markets remain priority markets for us to serve. We've seen a lot of success with our Mint expansion. And we do believe that there needs to be access for airlines like JetBlue to come in and offer more choice and lower fares. And we're going to be working extremely hard to make sure that happens, both in LAX and San Francisco.

Dave Beam (Analyst - UBS):

Okay. Great. Thank you.

Operator:

Rajeev Lalwani with Morgan Stanley .

Rajeev Lalwani (Analyst - Morgan Stanley):

Hi, guys. Thanks for squeezing me in at the end here. Just two questions. One, just kind of back to Fort Lauderdale. Just adding all that capacity and growing that market, how does that impact your Lat Am exposure? I'm assuming it pushes it up a fair amount. I'm just wondering if you're comfortable with that, given some of the pressures you're seeing?

Then the other question is on the capital return side, or capital allocation. As you get through this year and you finish paying down debt, repay the numbers that you noted earlier, should we just assume that going forward it's going to be all capital returns, buybacks, dividends, et cetera?

Marty St. George (EVP Commercial and Planning):

Hi, Rajeev. It's Marty. Let me take the first question first. We search for Lauderdale growth. We have a pretty strong Latin portfolio out of Fort Lauderdale now. And I'd say the last few routes we've added from Lauderdale have included domestic routes, routes like Nashville which starts beginning of May, San Diego which starts in June. And then we announced New Orleans for this fall. So we see growth both domestically and internationally. And we have a great international presence here right now. So I don't think we look at this as a marked change in our overall Latin exposure.

Mark Powers (CFO):

And with respect to your second question, I'll simply repeat our statement in the prepared remarks is that we will assess additional capital return options and update you on our plans towards the end of the year.

Robin Hayes (President & CEO):

Well, thanks for the questions everybody, and joining us this morning. And back to Kevin.

Kevin Crissey (IR):

That's it, everybody. That concludes our first-quarter call. Thanks for joining us. And [Dreese] and I are available if you have any follow-up questions. Please give us a call. Thanks.

Operator:

And again, that will conclude today's conference.

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