Sustained Superior Performance Analysis of jetBlue and Southwest Airlines

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Presentation Overview

public

Industry Context

Landscape and recent sector challenges

assessment

Evaluation Method

Sustained Superior Performance metrics

flight_takeoff

jetBlue Analysis

Strategies and performance trends

explore

Southwest Analysis

Strategies and performance trends

pie_chart

Ratio Analysis

Side-by-side financial metrics

check_circle

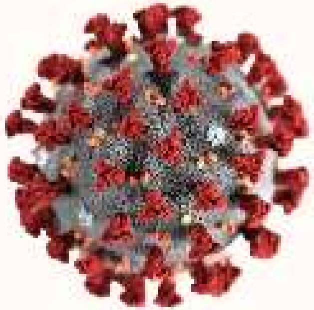
Conclusion

Final assessment and key takeaways

Industry Context

Recent problems with the airline industry:

- High Competition:
  - Similar services
  - Little differentiation
  - Price competition
  - Low loyalty
- High Fixed Costs:
  - Aircraft are expensive to fly
  - Lots of employees
  - Maintenance & safety requirements
  - Airport fees
- Sensitive to external shocks:
  - Heavily affected by COVID-19
  - Fuel price fluctuation
  - Effects of weather
  - Economic downturns



Sustained Superior Performance?

- **Sustained superior performance:**
  - Profitability (ROIC) & profit growth greater than that of most if not all others within the same industry.
- To determine whether jetBlue/Southwest have achieved sustained superior performance, we can:
  - Analyze 5-7 year performance with income sheets and balance statements.
  - Compare companies to the NYSE Arca Airline Index (industry benchmark)
  - Look at graphs of performance over time
  - Key decisions each company has made recently.
  - Evaluate consistency of outperformance over time.

Financial Ratios

--Calculated using average values of the past 5 years--

- Liquidity Ratios: - ability to meet short-term obligations
  - Current Ratio = Current Assets / Current Liabilities
  - Quick Ratio = (Current Assets - Inventories) / Current Liabilities
- Leverage Ratios: - asses how much debt the company is using
  - Debt-to-Equity Ratio = Total Liabilities / Equity
- Profitability Ratios: evaluation of how effectively the company generates profit
  - Basic Earnings Per Share = Profit / # of Common Stock Shares Outstanding
  - Net Profit Margin = Profit / Sales
  - Return on Assets = Profits / Assets
  - Return on Equity = Profits / Stockholder Equity
- Activity Ratios: - evaluation of how effectively the company generates profit
  - Inventory Turnover = Cost of Goods Sold / Average Inventory
  - Asset Turnover Ratio = Sales / Total Assets

jetBlue

Theme: Growth attempts followed by restructuring due to external or regulatory changes

- Acquisition of Spirit Airlines (2022-2024)
- Northeast Alliance with American Airlines (2020-2023)
- Operational Changes During COVID-19 (2020-2021)
- "JetForward" Company Restructuring Plan (2024-2025)
- Cost-Cutting and Capacity Reduction on Unprofitable Routes (2025)
- Leadership Changes (2024)

Key Idea: Most strategies were largely reactive rather than sustained competitive advantages.

jetBlue Calculations

jetBlue	2021	2022	2023	2024	2025	Average	jetBlue Calculations	
Current Assets (USD millions)	3247	1916	2160	4258	3238	2963.8	Current Ratio (current assets / current liabilities)	0.78
Current Liabilities (USD millions)	3417	3748	3628	3881	4402	3815.2	Quick Ratio (Current Assets - Inventories) / Current Liabilities	0.75
Total Liabilities (USD millions)	9793	9482	10516	14200	14450	11688.2	Debt-to-Equity Ratio (Total Liabilities / Equity)	3.77
Equity (USD millions)	3849	3563	3337	2641	2120	3102	Basic Earnings Per Share (Profit / Common Shares outstanding) (USD per share)	-1.32
Profit (net income/loss) (USD millions)	-182	-362	-310	-795	-602	-450.2	Net Profit Margin (Profit / Sales)	-5.22%
Common Shares Outstanding (millions of shares)	320	327	339	353	370	341.8	Return on Assets (Profits / Assets)	-3.04%
Sales (Revenue) (USD millions)	6037	9158	9615	9279	9062	8630.2	Return on Equity (Profits / Stockholder Equity)	-14.51%
Assets (USD millions)	13642	13045	13853	16841	16570	14790.2	Inventory Turnover (Cost of Goods Sold / Average Inventory)	80.02
Stockholders' Equity (USD millions)	3849	3563	3337	2641	2120	3102	Asset Turnover Ratio (Sales / Total Assets)	0.58
Operating Expenses (used as COGS proxy) (USD millions)	6117	9456	9845	9963	9430	8962.2		
Average Inventory (USD millions)	72.5	80.5	98.0	133.5	175.5	112.0		
Total Assets (USD millions)	13642	13045	13853	16841	16570	14790.2		

jetBlue Analysis

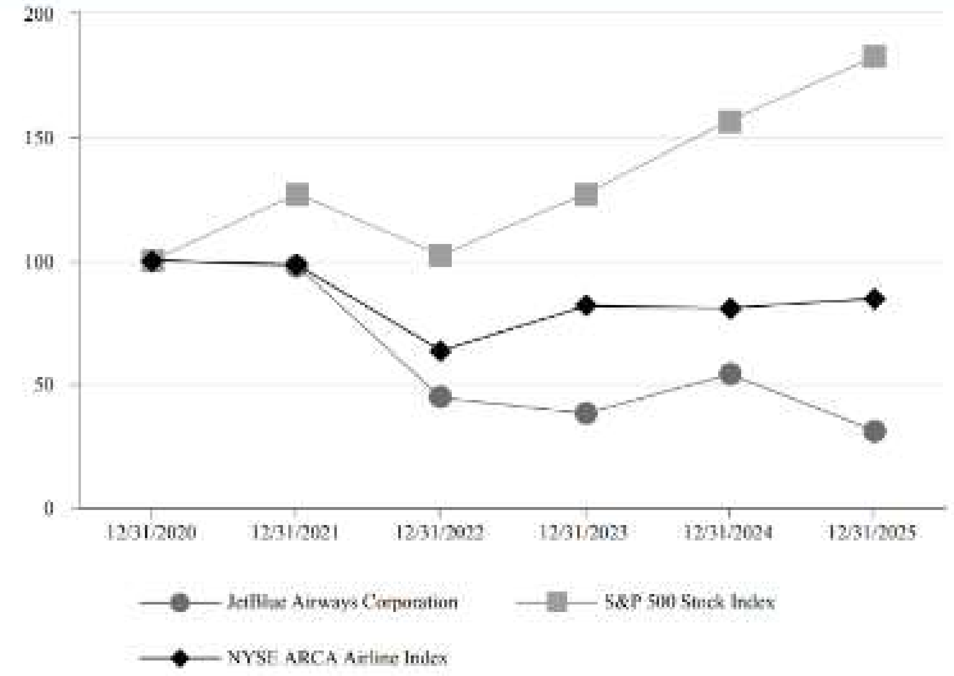
Key Observations about jetBlue during research:

- Significant decline after 2021
- Limited recovery in 2024, followed by decline in 2025
- Consistently lags behind the NYSE ARCA Airline Index

Implication:

- Indicates weak and inconsistent performance over time
- Suggests a difficulty maintaining a sustained competitive advantage

No clear pattern of consistent outperformance is observed for jetBlue.



	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
JetBlue Airways Corporation	$ 100	$ 98	$ 45	$ 38	$ 54	$ 31
S&P 500 Stock Index	100	127	102	127	157	182
NYSE ARCA Airline Index	100	98	64	82	81	85

Southwest

Theme: Strong core strategy with operational challenges and a weakening cost advantage

- No Middle Seats During COVID-19 (2020-21)
- Rapid Capacity Restoration Post-COVID (2021-22)
- Operational Crisis – December 2022
- Heavy Investment in Technology and Operations (2023-Present)
- Removal of Open Seating (January 2026)

Key Idea: Southwest remains more stable than competitors, but recent disruptions and strategic shifts suggest its long-term advantage is weakening.

Southwest Calculations

Southwest	2021	2022	2023	2024	2025	Average	Southwest Calculations	
Current Assets (USD millions)	18036	14808	1355	11274	5645	11840.5	Current Ratio (current assets / current liabilities)	1.18
Current Liabilities (USD millions)	9164	10378	12256	12276	10921	10042.5	Quick Ratio (Current Assets - Inventories) / Current Liabilities	1.12
Total Liabilities (USD millions)	25906	24682	25972	23400	21080	24208	Debt-to-Equity Ratio (Total Liabilities / Equity)	2.63
Equity (USD millions)	10414	10687	10515	10350	7981	9197.5	Basic Earnings Per Share (Profit / Common Shares outstanding) (USD per share)	1.28
Profit (net income/loss) (USD millions)	977	539	465	465	441	709	Net Profit Margin (Profit / Sales)	3.23%
Common Shares Outstanding (millions of shares)	592.1	594	596.5	593.3	515.6	553.85	Return on Assets (Profits / Assets)	2.17%
Sales (Revenue) (USD millions)	15790	23814	26091	27483	28063	21926.5	Return on Equity (Profits / Stockholder Equity)	7.71%
Assets (USD millions)	36320	35369	36487	33750	29061	32690.5	Inventory Turnover (Cost of Goods Sold / Average Inventory)	33.02
Stockholders' Equity (USD millions)	10414	10687	10515	10350	7981	9197.5	Asset Turnover Ratio (Sales / Total Assets)	0.67
Operating Expenses (used as COGS proxy) (USD millions)	14069	22797	25867	27162	27635	20852		
Average Inventory (USD millions)	475.5	663.5	798.5	803.5	787.5	631.5		
Total Assets (USD millions)	36320	35369	36487	33750	29061	32690.5		

SouthWest Analysis

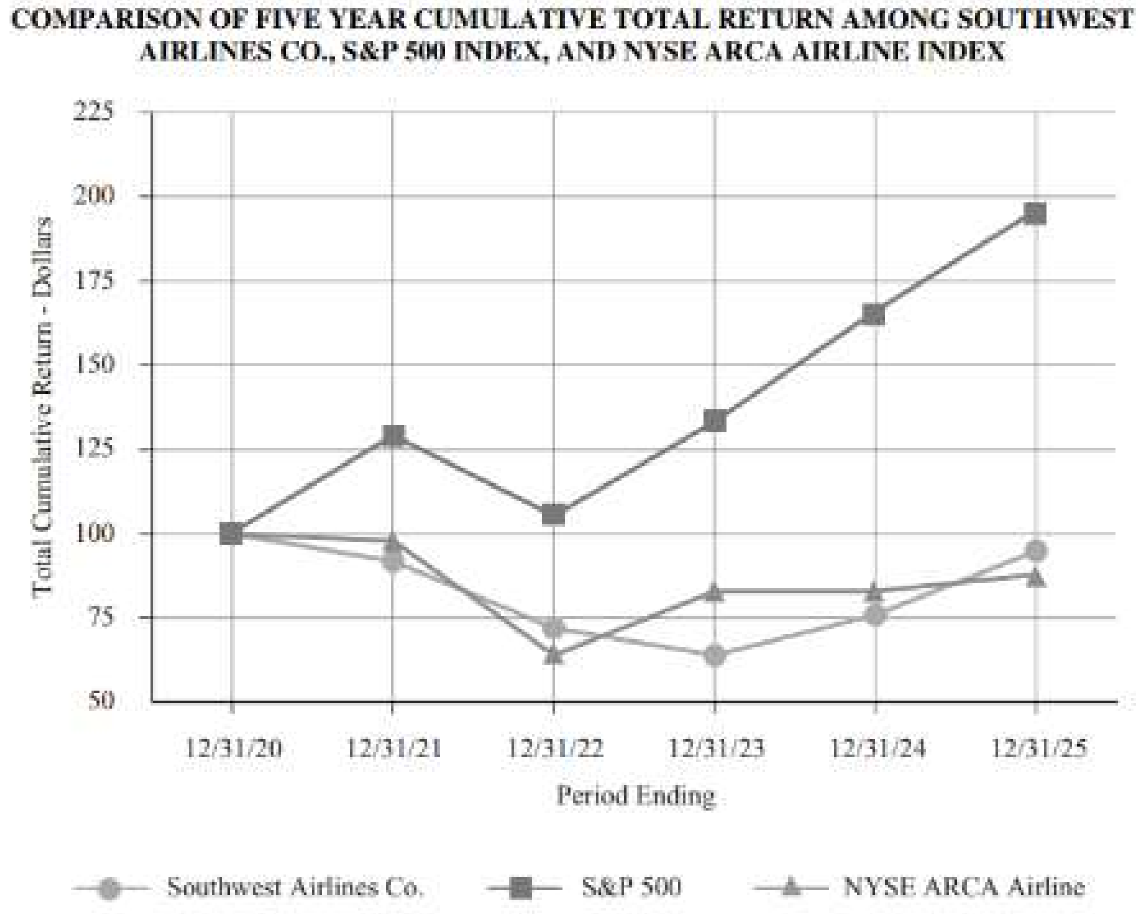
Key Observations about Southwest during research:

- Decline in performance from 2020-2022
- Gradual recovery after 2022
- Remains below the S&P 500 throughout the period
- Tracks close to or slightly above the NYSE ARCA Airline Index

Implication:

- Shows recovery, but not strong outperformance
- Indicates stable but not dominant performance

While stable, Southwest does not demonstrate consistent outperformance.



	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
Southwest Airlines Co.	$ 100	$ 92	$ 72	$ 64	$ 76	$ 95
S&P 500	$ 100	$ 129	$ 105	$ 133	$ 166	$ 196
NYSE ARCA Airline	$ 100	$ 98	$ 64	$ 83	$ 83	$ 88

JetBlue and Southwest Ratio Analysis

Profitability:

- Southwest: Positive margins, ROA, ROE
- jetBlue: Negative profitability across all metrics
- Southwest is performing significantly stronger

Liquidity:

- Southwest: Current and quick Ratios above 1
- jetBlue: Ratios below 1
- Southwest better positioned to meet short-term obligations

Leverage:

- Southwest: lower debt-to-equity ratio (2.63)
- jetBlue: higher debt-to-equity (3.77)
- jetBlue carries greater financial risk

Activity:

- Southwest: Higher asset turnover
- jetBlue: lower asset utilization
- Southwest uses assets more effectively

Southwest demonstrates stronger financial performance across most categories, while jetBlue shows weaker profitability and higher financial risk

Sustained Superior Performance Analysis

Main Conclusion:

- **Neither jetBlue nor Southwest has achieved sustained superior performance**

jetBlue	Southwest
• Consistent underperformance vs NYSE ARCA Airline Index	• More stable performance over time
• Weak recovery after decline	• Occasionally matches/exceeds industry
• No sustained outperformance overall	• Still fails to consistently outperform benchmarks

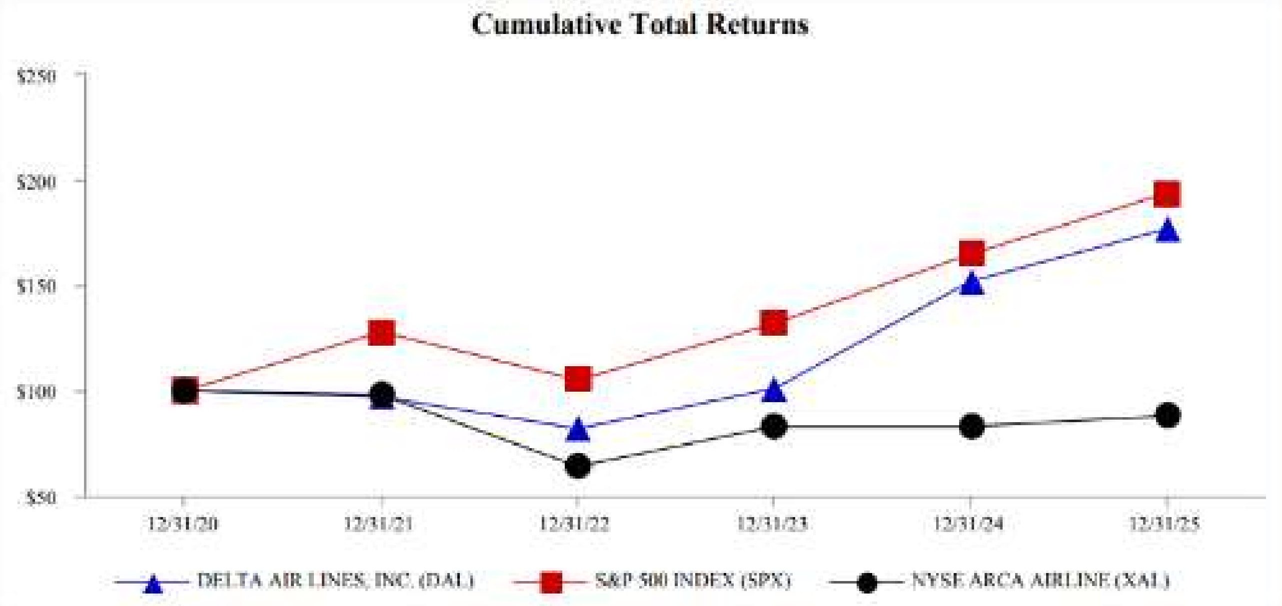
Industry conditions limit sustained superior performance in airlines

Is There an Airline That Has Achieved Sustained Superior Performance?

Delta Airlines is the closest to achieving sustained superior performance in recent years.

- Generally outperforms the NYSE ARCA Airline Index
- Shows strong recovery after COVID-19
- Outperforms jetBlue and Southwest
- Does not consistently outperform the S&P 500

Final Takeaways: Even the strongest airline companies are not outperforming the broader market, which highlights the difficulty of achieving sustained superior performance in this industry.



Thank you

Questions?

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