

## What is the JetBlue Effect?

The JetBlue Effect occurs when legacy carriers react to JetBlue's unique combination of low fares and award-winning customer service.

Backed by MIT Research



AUGUST 2013

**The JetBlue Effect was first noted in an MIT study<sup>1</sup>**

“The effects of other low-cost and ultra-low-cost carriers on average airfares at U.S. airports now exceed the Southwest effect. In 2012, the presence of JetBlue Airways, another low-cost carrier, was associated with a decrease of about \$32 in average one-way fare, controlling for average itinerary distance and other low-cost carrier competition.”

USA Today



AUGUST 2013

**Southwest's influence on lowering airfares waning**

“You might want to start calling it the ‘JetBlue effect.’ A study released Thursday has found that Southwest’s fabled ability to lower fares by its mere presence in a market has diminished over the past six years, weakening the argument that the carrier can play a key role in keeping prices in check despite a wave of mergers sweeping the airline industry. JetBlue, meanwhile, and ultra-low-cost carriers such as Allegiant and Spirit have shown a greater impact on lowering the average price of a ticket where they fly.”

<sup>1</sup>SOURCE: <https://dspace.mit.edu/bitstream/handle/1721.1/79878/ICAT-2013-07.pdf?sequence=1&isAllowed=y>



## Examples of JetBlue Effect in Action

Here are a few examples of how the JetBlue Effect works.



**JetBlue Effect pushes fares down immediately upon entering a route**

### New York, NY (JFK) to San Antonio, TX (SAT)

fares dropped from ~~\$164~~ to **\$119** for a decrease of  **~27%\***

### Boston, MA (BOS) to Milwaukee, WI (MKE)

fares dropped from ~~\$164~~ to **\$85** for a decrease of  **~48%\***

\*21-day advance purchase fare comparisons



**JetBlue Effect keeps fares down even one year later**

### Boston, MA (BOS) to New York, NY (LGA)

fares dropped from ~~\$165~~ to **\$82** for a decrease of  **~50%\*\***

### South Florida (FLL) to Detroit, MI (DTW)

fares dropped from ~~\$136~~ to **\$107** for a decrease of  **~21%\*\***

### South Florida (FLL) to Las Vegas, NV (LAS)

fares dropped from ~~\$175~~ to **\$136** for a decrease of  **~22%\*\***

\*\*14-day advance purchase fare comparisons

# JetBlue Effect More Effective Than Ultra-Low-Cost Carriers

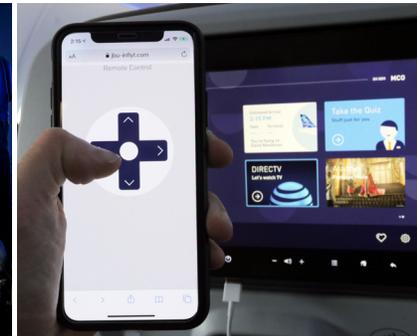
## 3x more effective than Spirit.

JetBlue triggers significantly greater fare decreases from legacy airlines when it enters a new market than when ultra-low-cost carriers enter a market.

**Preliminary economic work done this year shows JetBlue's presence on a nonstop route decreases legacy fares ~16% versus only ~5% when it's Spirit on a nonstop route instead – making JetBlue three times more effective.**

## MIT, in its study, also found JetBlue's effect on fares to exceed ultra-low-cost carriers.

"In 2012, the presence of JetBlue Airways, another low-cost carrier, was associated with a decrease of about \$32 in average one-way fare, controlling for average itinerary distance and other low-cost carrier competition. In the same year, Allegiant Air service was associated with an average one-way fare decrease of about \$29, and Spirit Airlines service was associated with a decrease of about \$22. However, it is important to note that these latter carriers often charge ancillary fees in addition to the base airfare, so a comparison of changes in base airfares alone does not fully capture differences in total travel price."



## Customers shouldn't have to choose between a low fare and a great experience.

Low fares are only half the JetBlue story. While other airlines make you choose, JetBlue offers an incredible onboard experience for a low fare. JetBlue features the most legroom in coach<sup>a</sup>; free and fast Fly-Fi broadband internet<sup>b</sup>; complimentary and unlimited name-brand snacks and soft drinks; and free, live DIRECTV<sup>®</sup> programming at every seat.

### The Department of Justice on the JetBlue Effect



CASE 1:21-CV-11558<sup>2</sup>

## In the Department of Justice's court filing regarding JetBlue's Northeast Alliance with American Airlines, the DOJ told the court:

"JetBlue's reputation for lowering fares is so well known in the airline industry that it has earned a name: the 'JetBlue Effect.' JetBlue's record in Boston and New York City illustrates why. Since launching service at Boston Logan in 2004, JetBlue has challenged the major airlines—including American—by offering lower fares and better service. Consumers voted with their feet. JetBlue became Boston's leading airline, offering more flights out of Boston than any other airline. What's more, JetBlue forced American and other airlines that serve Boston to lower their fares as well. This competition has resulted in substantial savings for consumers. In 2019, JetBlue estimated that it had saved consumers flying to and from Boston more than \$3 billion since it started serving the airport in 2004. JetBlue has had a similar effect in New York City. In a presentation titled '16 Years of Disrupting the Industry,' JetBlue explained that 'there's no question we are a disruptor. There's no better example of how we've influenced change than at our home at JFK Airport.'"

<sup>2</sup>SOURCE: <https://www.justice.gov/opa/press-release/file/1434621/download>



APRIL 6, 2022

## JetBlue CEO Robin Hayes appears on CNBC

"When JetBlue flies into a market and competes with a legacy airline, the overall fares come down more than when an ultra-low-cost carrier flies against the legacy airlines and they do that because JetBlue is not ignored [by the legacy airlines]."

# Important Information for Investors and Stockholders

## Forward Looking Statements

Certain statements in this communication, including statements concerning JetBlue, Spirit, the proposed transaction and other matters, contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent JetBlue management's beliefs and assumptions concerning future events. These statements are intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. When used in the communication, the words "expects," "plans," "intends," "anticipates," "indicates," "remains," "believes," "estimates," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "goals," "targets" and similar expressions are intended to identify forward-looking statements. Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed, or assured. Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to JetBlue and Spirit. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, those listed in JetBlue's and Spirit's U.S. Securities and Exchange Commission ("SEC") filings, matters of which JetBlue or Spirit may not be aware, the coronavirus pandemic including new and existing variants, the outbreak of any other disease or similar public health threat that affects travel demand or behavior, the occurrence of any event, change or other circumstances that could give rise to the right of JetBlue or Spirit or both of them to terminate the merger agreement; failure to obtain applicable regulatory or Spirit stockholder approval in a timely manner or otherwise and the potential financial consequences thereof; failure to satisfy other closing conditions to the proposed transactions; failure of the parties to consummate the proposed transaction; JetBlue's ability to finance the proposed transaction and the indebtedness JetBlue expects to incur in connection with the proposed transaction; the possibility that JetBlue may be unable to achieve expected synergies and operating efficiencies within the expected timeframes or at all and to successfully integrate Spirit's operations with those of JetBlue, and the possibility that such integration may be more difficult, time-consuming or costly than expected or that operating costs and business disruption (including, without limitation, disruptions in relationships with employees, customers or suppliers) may be greater than expected in connection with the proposed transaction; failure to realize anticipated benefits of the combined operations; demand for the combined company's services; the growth, change and competitive landscape of the markets in which the combined company participates; expected seasonality trends; diversion of managements' attention from ongoing business operations and opportunities; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the transaction; risks related to investor and rating agency perceptions of each of the parties and their respective business, operations, financial condition and the industry in which they operate; risks related to the potential impact of general economic, political and market factors on the companies or the proposed transaction; ongoing and increase in costs related to IT network security. Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Further information concerning these and other factors is contained in JetBlue's and Spirit's SEC filings, including but not limited to, JetBlue's and Spirit's 2021 Annual Reports on Form 10-K and their Quarterly Reports on Form 10-Q. In light of these risks and uncertainties, the forward-looking events discussed in this communication might not occur. JetBlue's and Spirit's forward-looking statements included in this communication speak only as of the date the statements were written or recorded. JetBlue and Spirit undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, changed circumstances, or otherwise.

## Additional Important Information and Where to Find It

This communication is being made in respect to the proposed transaction involving JetBlue, Sundown Acquisition Corp., and Spirit. A meeting of the stockholders of Spirit will be announced as promptly as practicable to seek stockholder approval in connection with the proposed transaction. Spirit expects to file with the SEC a proxy statement and other relevant documents in connection with the proposed transaction. The definitive proxy statement will be sent or given to the stockholders of Spirit and will contain important information about the proposed transaction and related matters.

STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ALL OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IN THEIR ENTIRETY CAREFULLY WHEN THEY BECOME AVAILABLE, INCLUDING ALL PROXY MATERIALS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Any definitive proxy statement (if and when available) will be mailed to stockholders of Spirit. Investors and stockholders may obtain a free copy of any proxy statement and (when available) other documents filed by JetBlue and Spirit at the SEC's web site at <https://www.sec.gov>. In addition, investors and stockholders will be able to obtain free copies of any proxy statement (when available) and other documents filed by JetBlue and Spirit with the SEC on JetBlue's Investor Relations website at <http://investor.jetblue.com> and on Spirit's Investor Relations website at <https://ir.spirit.com>.

## Participants in the Solicitation

JetBlue and Spirit, and certain of their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Spirit common stock. Information regarding JetBlue's directors and executive officers is contained in JetBlue's Definitive Proxy Statement for its 2022 Annual Meeting of Stockholders filed with the SEC on April 7, 2022, and in JetBlue's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 22, 2022. Information regarding Spirit's directors and executive officers is contained in Spirit's Definitive Proxy Statement for its 2022 Annual Meeting of Stockholders filed with the SEC on March 30, 2022. Investors may obtain additional information regarding the interests of such participants by reading the proxy statement and other relevant materials regarding the proposed transaction when they become available. These documents can be obtained free of charge as described in the preceding paragraph.

## No Offer Or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.