



NEWS RELEASE

# Mesa Air Group Announces Fourth Quarter and Fiscal Year 2018 Results

2018-12-03

PHOENIX, Dec. 03, 2018 (GLOBE NEWSWIRE) -- Mesa Air Group, Inc. (NASDAQ: MESA) today reported fourth quarter and Fiscal Year 2018 financial and operating results.

Highlights for Fourth Quarter and Fiscal Year 2018 (ending September 30, 2018)

Mesa's Q4 2018 results reflect net income of \$19.4 million, or \$0.65 per diluted share, compared to net income of \$5.5 million, or \$0.23 per diluted share for Q4 2017. Mesa's Q4 2018 income before taxes was \$26.6 million, compared to \$10.2 million for Q4 2017. In addition, Mesa's EBITDA<sup>1</sup> for Q4 2018 was \$59.3 million, compared to \$38.5 million in Q4 2017 and EBITDAR<sup>1</sup> was \$73.6 million, compared to \$56.7 million in Q4 2017.

Mesa reported net income of \$33.3 million, or \$1.32 per diluted share for the 2018 fiscal year, compared to net income of \$32.8 million, or \$1.40 per diluted share for the 2017 fiscal year. Excluding special items for both periods adjusted net income<sup>1</sup> was \$31.0 million for the 2018 fiscal year compared to \$32.8 million for the 2017 fiscal year. Mesa reported income before taxes of \$15.8 million for the 2018 fiscal year compared to \$53.7 million in the 2017 fiscal year. Excluding special items for both periods adjusted income before taxes<sup>1</sup> was \$42.0 million compared to \$53.7 million in the 2017 fiscal year. In addition, Adjusted EBITDA<sup>1</sup> was \$163.8 million, compared to \$160.8 million in the 2017 fiscal year. Similarly, Adjusted EBITDAR<sup>1</sup> was \$232.7 million, compared to \$233.4 million in the 2017 fiscal year.

Mesa operated 112,475 block hours during the fourth quarter, an increase of 9.3% from Q3 2018 of 102,939 and an increase of 14.9% from Q2 2018 of 97,853.

“In spite of industry challenges, there were a number of positive developments in the quarter, most notably the progress we have made increasing the utilization of our aircraft through a combination of strong hiring and declining attrition among our pilots, reduced training backlog, and improved utilization of existing resources,” stated Jonathan Ornstein, Chairman and Chief Executive Officer of Mesa Air Group. “We appreciate the hard work and dedication of all of our employees for their very important and meaningful contribution to our improving operational capabilities.”

Mike Lotz, President and Chief Financial Officer continued, “On August 14, 2018, we successfully completed our IPO. Including the partial exercise of the underwriters’ option to purchase additional shares, we raised approximately \$112 million and subsequently paid down \$25.6 million outstanding on our revolving credit facility, reducing annual interest expense by \$1.2 million per year. We are currently negotiating the purchase of ten additional aircraft currently on lease to us and hope to complete the transaction by the end of March 2019. In addition, we are finalizing negotiations to refinance our high-cost debt primarily associated with spare engine purchases by the end of this year. This is expected to result in a further reduction of interest expense going forward,” said Lotz.

<sup>1</sup> See Reconciliation of non-GAAP financial measures

## Outlook

The Company is providing the following guidance for the fourth quarter of FY 2018:

Fleet, Block Hours, Engine Expense - Actual and Forecast for Q1 FY 2019

FY '18 Q2 Qtr Ended Mar '18	(Actual)	FY '18 Q3 Qtr Ended Jun '18	(Actual)	FY '18 Q4 Qtr Ended Sep '18	FY '19 Q1 Qtr Ended Dec '18	(Forecast)
Fleet Count						
E-175	58	58	60	60		
CRJ-900	64	64	64	64		
CRJ-700	20	20	20	20		
CRJ-200	1	1	1	1		
Total	143	143	145	145		
Production						
Block Hours	97,853	102,939	112,475	114,650		
Block Hours per day per Aircraft	7.7	8.0	8.5	8.7		
Non Pass-Through Engine Expense	\$	10.8	\$	8.5	\$ 2.4	\$ 8.5

Reconciliation of non-GAAP financial measures

Although these financial statements are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"), certain non-GAAP financial measures may provide investors with useful information regarding the underlying business trends and performance of Mesa's ongoing operations and may be useful for period-over-period comparisons of such operations. The table below reflects supplemental financial data and reconciliations to GAAP financial statements for the three months and twelve months ended September 30, 2018. Readers should consider these non-GAAP measures in addition to, not a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures exclude some, but not all items that may affect the Company's net income. Additionally, these calculations may not be comparable with similarly titled measures of other companies.

#### Reconciliation of GAAP versus Non-GAAP Disclosures (unaudited)

(In thousands, except for per diluted share)

Three months ended September 30, 2018					
Net Income					
Income Before Taxes	Income Tax Expense	Net Income	per Diluted Share		
Income	26,646	7,251	19,395	\$	0.65
Interest Expense	15,274				
Interest Income	(85)	)			
Depreciation and Amortization	17,420				
EBITDA	59,255				
Aircraft Rent	14,334				
EBITDAR	73,589				
Weighted-average Shares Outstanding					
Three months ended September 30, 2018					
Basic			18,663		
GAAP weighted-average common shares outstanding <sup>2</sup>	Diluted		29,675		

<sup>2</sup> As of 9/30/18 we had 23,902,903 common shares and 10,614,990 warrants outstanding for total diluted shares outstanding of 34,517,893.

Twelve months ended September 30, 2018					
Income Before Taxes	Income Tax Expense (Benefit)	Net Income	Net Income per Diluted Share		
Income	15,829	(17,426)	)	33,255	\$ 1.32
FY18 Adjustments (1) (2)	26,193	28,455	(2,262)	)	\$ (0.09)
Non-GAAP Income	42,022	11,029	30,994	\$	1.23
Interest Expense	56,867				
Interest Income	(114)	)			
Depreciation and Amortization	65,031				
Adjusted EBITDA	163,806				
Aircraft Rent	68,892				

Adjusted EBITDA	232,698		
Weighted-average Shares Outstanding Twelve months ended September 30, 2018			
Basic	13,516	Diluted	25,171
GAAP weighted-average common shares outstanding <sup>2</sup>			

#### 2018 fiscal year special items:

Includes one-time non-cash adjustments of \$11.1 million in General and Administrative expense related to an increase in accrued compensation as a result of the increase in the fair value of the Company's common stock at the S-1 filing date and \$15.1 million related to the acquisition of nine CRJ-900 aircraft previously leased in Lease termination expense.

Includes adjustment for tax benefit resulting from the Tax Cuts and Jobs Act enacted during Q1 2018. The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, we have recorded a decrease related to our net deferred tax liabilities of \$22.0 million. The Company has also estimated an increase to its valuation allowance of \$0.5 million due to the rate change. We have recorded a corresponding net adjustment to deferred income tax benefit of \$21.5 million for the period ending September 30, 2018.

Mesa Air Group will host a conference call with analysts on Tuesday, December 4 at 11:00am EST/9:00am MST. The conference call number is 888-323-9808 (Passcode: Phoenix). The conference call can also be accessed live via the web by visiting <https://edge.media-server.com/m6/p/3y279bbm>. A recorded version will be available on Mesa's website approximately two hours after the call for approximately 14 days.

#### About Mesa Air Group, Inc.

Headquartered in Phoenix, Arizona, Mesa is a regional air carrier providing scheduled passenger service to 121 cities in 39 states, the District of Columbia, Canada, Mexico, Cuba and The Bahamas. As of November 30, 2018, Mesa operated a fleet of 145 aircraft with approximately 648 daily departures and 3,412 employees. Mesa operates all of its flights as either American Eagle or United Express flights pursuant to the terms of capacity purchase agreements entered into with American Airlines, Inc. and United Airlines, Inc.

#### Forward-Looking Statements

This news release contains forward looking statements, including, but not limited to, (i) the fleet and block hours forecast of Mesa for the first quarter of fiscal 2019, (ii) the major non pass-through engine overhaul expense forecast for the same fiscal periods, (iii) the Company's expectations regarding completing the purchase of ten additional GECAS leased aircraft by the end of this year, and (iv) the refinancing of high-cost debt associated with spare engines by the end of this year and the impact thereof on the Company's future interest expense. These forward-looking statements are based on Mesa's current expectations and are subject to uncertainty and changes

in circumstances. Actual results may differ materially from these expectations due to changes in global, regional or local economic, business, competitive, market, regulatory and other factors, many of which are beyond Mesa's control. Any forward-looking statement in this release speaks only as of the date of this release. Mesa undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

MESA AIR GROUP, INC.  
Condensed Consolidated Statements of Operations  
(In thousands, except per share amounts) (Unaudited)  
Three Months Ended September 30,  
2018

	2017		2018		Twelve Months Ended September 30, 2017	
Operating revenues:						
Contract revenue	\$	168,444	\$	151,577	\$	639,264
Pass-through and other		9,088		5,717		24,878
Total operating revenues		177,532		157,294		681,595
Operating expenses:						
Flight operations		53,463		45,215		209,065
Fuel		149		152		498
Maintenance		39,118		46,488		193,164
Aircraft rent		14,334		18,217		68,892
Aircraft and traffic servicing		950		918		3,541
General and administrative		10,314		7,786		53,647
Depreciation and amortization		17,420		15,828		65,031
Lease termination		-		-		15,109
Total operating expenses		135,748		134,604		608,947
Operating income		41,784		22,690		72,648
Other (expenses) income, net:						
Interest expense		(15,274)		(12,451)		(56,867)
Interest income		85		9		114
Other income (expense)		51		(67)		(66)
Total other (expense), net		(15,138)		(15,138)		(12,509)
Income before taxes		26,646		10,181		15,829
Income tax (benefit) expense		7,251		4,698		(17,426)
Net income	\$	19,395	\$	17,426	\$	20,874
Net income per share attributable to common shareholders						
Basic	\$	1.04	\$	0.49	\$	2.46
Diluted	\$	0.65	\$	0.23	\$	1.32
Weighted-average common shares outstanding						
Basic		18,663		11,117		13,516
Diluted		29,675		23,459		25,171

MESA AIR GROUP, INC.  
Condensed Consolidated Balance Sheets  
(In thousands) (Unaudited)  
September 30,  
2018

	September 30, 2018		September 30, 2017	
ASSETS				
Current assets:				
Cash and cash equivalents	\$	19,921	\$	103,311
Marketable Securities		3,823		-
Restricted cash		14,290		3,559
Receivables, net		15,658		8,853
Expendable parts and supplies, net		40,914		15,114
Prepaid expenses and other current assets		197,917		61,525
Total current assets		1,250,829		145,839
Property and equipment, net		11,341		1,192,448
Intangibles, net		2,598		11,724
Lease and equipment deposits		9,703		1,945
Other assets				5,693
Total assets	\$	1,472,388	\$	1,357,649
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	\$	54,307	\$	155,170
Accounts payable		12,208		44,738
Accrued compensation		29,696		9,080
Other accrued expenses		251,381		23,929
Total current liabilities		760,177		218,213
Long-term debt, excluding current portion		15,393		803,874
Deferred credits		39,797		17,189
Deferred income taxes		31,173		56,436
Other noncurrent liabilities		846,540		39,713
Total noncurrent liabilities		1,097,921		917,212
Total liabilities		1,097,921		1,135,425

Stockholders' equity:				
Common stock	234,683	114,456		
Retained earnings	139,784	107,768		
Total stockholders' equity	374,467	222,224		
Total liabilities and stockholders' equity	\$ 1,472,388	\$ 1,357,649		

## Operating Highlights (unaudited)

Three months ended September 30 2018	2017	Change		
Available Seat Miles - ASMs (thousands)	2,652,219	2,258,060	17.5	%
Block Hours	112,475	95,109	18.3	%
Departures	63,153	55,517	13.8	%
Average Stage Length (miles)	552	535	3.2	%
Passengers	3,733,543	3,248,072	14.9	%
Twelve months ended September 30 2018	2017	Change		
Available Seat Miles - ASMs (thousands)	9,713,877	9,471,914	2.6	%
Block Hours	410,974	395,084	4.0	%
Departures	227,978	221,990	2.7	%
Average Stage Length (miles)	560	561	-0.2	%
Passengers	13,556,774	13,005,844	4.2	%

Source: Mesa Air Group, Inc.

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