



NEWS RELEASE

Mesa Air Group Reports First Quarter Fiscal 2023 Results

2023-02-09

PHOENIX, Feb. 09, 2023 (GLOBE NEWSWIRE) -- Mesa Air Group, Inc. (NASDAQ: MESA) today reported first quarter fiscal 2023 financial and operating results.

Fiscal First Quarter Update:

- Total operating revenues of \$147.2 million
- Pre-tax loss of \$10.0 million, net loss of \$9.1 million or \$(0.25) per diluted share
- Adjusted net loss¹ of \$4.3 million or \$(0.12) per diluted share
- Adjusted net loss excludes a \$3.7 million impairment related to intangible assets and \$1.7 million related to investments in equity securities
- As previously reported, closed on United Airlines, American Airlines, and aircraft-related transactions
- Subsequent to quarter end, closed sale of 8 remaining CRJ-550s to United Airlines

Jonathan Ornstein, Chairman and CEO, said, "The first quarter was an important one for Mesa, as we executed several key agreements that will materially enhance our operational and financial position and alleviate significant issues that we have faced. While block hour production continued to be challenged by the industry-wide pilot shortage during the quarter, we believe all the pieces are in place to begin restoring capacity across our fleets. We are preparing for the transition of our CRJ-900 operation to United next month. Our pilot pipeline continues to strengthen and pilot attrition has remained significantly lower since we have enhanced our paycales and expanded our participation in the Aviate program with United."

Fiscal First Quarter Details:

Total operating revenues in Q1 2023 were \$147.2 million, a decrease of \$0.6 million (0.4%) from \$147.8 million for Q1 2022. Contract revenue decreased \$8.4 million, or 6.2%. These decreases were driven by lower block hours, offset by increased block-hour revenue for new pilot payscales. Mesa's Q1 2023 results include, per GAAP, the recognition of \$5.3 million, versus the recognition of \$4.2 million of previously deferred revenue in Q1 2022. The remaining deferred revenue balance of \$18.8 million will be recognized as flights are completed over the remaining terms of the contracts.

Mesa's Adjusted EBITDA¹ for Q1 2023 was \$21.8 million, compared to \$17.0 million in Q1 2022, and Adjusted EBITDAR¹ was \$25.9 million for Q1 2023, compared to \$26.6 million in Q1 2022.

Mesa's Q1 2023 results reflect a net loss of \$9.1 million, or \$(0.25) per diluted share, compared to a net loss of \$14.3 million, or \$(0.40) per diluted share for Q1 2022. Mesa's Q1 2023 adjusted net loss¹ was \$4.3 million, or \$(0.12) per diluted share, versus an adjusted net loss¹ of \$9.3 million, or \$(0.26) per diluted share, in Q1 2022. The year over year increase in adjusted net income of \$5.0 million was primarily due to increased block-hour revenue for new pilot payscales and lower maintenance, D&A, and aircraft rent expenses, partially offset by higher expenses for flight operations due to increased costs for training and employee wages.

Operationally, the Company ran a controllable completion factor of 99.4% for American and 99.9% for United during Q1 2023. This is compared to a controllable completion factor of 97.7% for American and 98.3% for United during Q1 2022. This excludes cancellations due to weather and air traffic control.

With respect to a total completion factor that includes all cancellations, Mesa reported a total completion factor of 97.9% for American and 99.2% for United during Q1 2023. This is compared to a total completion factor of 95.8% for American and 95.8% for United during Q1 2022.

For Q1 2023, 50% of the Company's total revenue was derived from our contracts with United, 45% from American, 3% from DHL, and 2% from leases of aircraft to a third party.

¹ See Reconciliation of non-GAAP financial measures

Balance Sheet and Cash Flow:

Mesa ended the quarter at \$56.1 million in unrestricted cash and equivalents. As of December 31, 2022, the Company had \$701.3 million in total debt secured primarily with aircraft and engines. This amount includes \$64.2 million corresponding to the reclassification from operating lease to finance lease on 15 CRJ-900s. Additionally, we borrowed \$25.5 million in the form of a term loan from United, of which \$15 million is forgivable upon the meeting of certain performance criteria.

Conference Call Details:

Mesa Air Group will host a conference call with analysts on February 9th at 4:30 pm EST. The conference call number is 888-469-2054 (Passcode: Phoenix (7463649)). The conference call can also be accessed live via the web by visiting <https://investor.mesa-air.com>.

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 Air Group, Inc. is the holding company of Mesa Airlines, a regional air carrier providing scheduled passenger service to 106 cities in 42 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport. As of December 31, 2022, Mesa operated or leased a fleet of 158 aircraft with approximately 293 daily departures and 2,500 employees. Mesa operates all of its flights as either American Eagle, United Express, or DHL Express flights pursuant to the terms of capacity purchase agreements entered into with American Airlines, Inc. and United Airlines, Inc. and a flight service agreement with DHL.

Forward-Looking Statements

Certain statements contained in this press release that are not historical facts contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to the "safe harbor" created by those sections. Forward-looking statements can be identified by the use of words such as "estimate," "anticipate," "expect," "believe," "intend," "may," "will," "should," "seek," "approximate" or "plan," or the negative of these words and phrases or similar words or phrases. Forward-looking statements, by their nature, involve estimates, projections, goals, forecasts and assumptions and are subject to risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. For more information on risk factors for Mesa Air Group, Inc.'s business, please refer to the periodic reports the Company files with the Securities and Exchange Commission from time to time. These forward-looking statements herein speak only as of the date of this press release and should not be relied upon as predictions of future events. Mesa Air Group, Inc. expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein, to reflect any change in Mesa Air Group, Inc.'s expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except as required by law.

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MESA AIR GROUP, INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(In thousands, except per share amounts) (Unaudited)

| Three Months Ended December 31 2022 | 2021 | | |
|---|-----------|---------|-------------|
| Operating revenues: | | | |
| Contract revenue | \$128,450 | | \$136,894 |
| Pass-through and other revenue | 18,723 | 10,863 | |
| Total operating revenues | 147,174 | 147,757 | |
| Operating expenses: | | | |
| Flight operations | 58,320 | 47,598 | |
| Maintenance | 48,287 | 58,981 | |
| Aircraft rent | 4,083 | 9,586 | |
| General and administrative | 13,988 | 12,578 | |
| Depreciation and amortization | 15,203 | 21,028 | |
| Impairment of assets | 3,719 | — | |
| Other operating expenses | 1,126 | 1,972 | |
| Total operating expenses | 144,727 | 151,743 | |
| Operating income (loss) | 2,447 | (3,986) |) |
| Other income (expense), net: | | | |
| Interest expense | (11,276) |) | (7,930) |
| Interest income | 71 | 51 |) |
| Loss on investments, net | (1,679) |) | (6,462) |
| Other income (expense), net | 417 | (59) |) |
| Total other expense, net | (12,467) |) | (14,400) |
| Income (loss) before taxes | (10,020) |) | (18,386) |
| Income tax expense (benefit) | (930) |) | (4,112) |
| Net income (loss) | \$(9,090) |) | \$(14,274) |
| Net income (loss) per share attributable to common shareholders | | | |
| Basic | \$(0.25) |) | \$(0.40) |
| Diluted | \$(0.25) |) | \$(0.40) |
| Weighted-average common shares outstanding | | | |
| Basic | 36,378 | 35,963 | |
| Diluted | 36,378 | 35,963 | |

MESA AIR GROUP, INC.

Consolidated Balance Sheets

(In thousands, except shares) (Unaudited)

| December 31, 2022 | | September 30, 2022 | |
|--|--|--------------------------|-------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$56,077 | \$57,683 |
| Restricted cash | | 3,343 | 3,342 |
| Receivables, net | | 13,115 | 3,978 |
| Expendable parts and supplies, net | | 25,509 | 26,715 |
| Prepaid expenses and other current assets | | 3,953 | 6,616 |
| Total current assets | | 101,99798,334 | |
| Property and equipment, net | | 945,545865,254 | |
| Intangible assets, net | | — | 3,842 |
| Lease and equipment deposits | | 1,781 | 6,085 |
| Operating lease right-of-use assets | | 11,896 | 43,090 |
| Deferred heavy maintenance, net | | 10,311 | 9,707 |
| Assets held for sale | | 73,000 | 73,000 |
| Other assets | | 14,984 | 16,290 |
| TOTAL ASSETS | | \$1,159,514 | \$1,115,602 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Current portion of long-term debt and finance leases | | \$88,802 | \$97,218 |
| Current portion of deferred revenue | | 1,204 | 385 |
| Current maturities of operating leases | | 5,354 | 17,233 |
| Accounts payable | | 51,257 | 59,386 |
| Accrued compensation | | 9,097 | 11,255 |
| Other accrued expenses | | 30,561 | 29,000 |
| Total current liabilities | | 186,275214,477 | |
| NONCURRENT LIABILITIES: | | | |
| Long-term debt and finance leases, excluding current portion | | 597,816502,517 | |
| Noncurrent operating lease liabilities | | 9,533 | 16,732 |
| Deferred credits | | 2,869 | 3,082 |
| Deferred income taxes | | 16,705 | 17,719 |
| Deferred revenue, net of current portion | | 17,607 | 23,682 |
| Other noncurrent liabilities | | 28,938 | 29,219 |
| Total noncurrent liabilities | | 673,468592,951 | |
| Total liabilities | | 859,743807,428 | |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock of no par value, 5,000,000 shares authorized; no shares issued and outstanding | | — | — |
| Common stock of no par value and additional paid-in capital, 125,000,000 shares authorized; 36,378,550 (2023) and 36,376,897 (2022) shares issued and outstanding, 4,899,497 (2023) and 4,899,497 (2021) warrants issued and outstanding | | 259,864259,177 | |
| Retained earnings | | 39,907 | 48,997 |
| Total stockholders' equity | | 299,771308,174 | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | \$1,159,514 | \$1,115,602 |

MESA AIR GROUP, INC.

Operating Highlights (unaudited)

| Three months ended December 31 2022 | 2021 | Change | | | | |
|---|-----------|-----------|-------|---|-----|---|
| Available seat miles (thousands) | 1,175,745 | 2,104,621 | -44.1 | % | | |
| Block hours | 50,940 | 86,079 | -40.8 | % | | |
| Average stage length (miles) | 565 | 644 | -12.3 | % | | |
| Departures | 27,776 | 43,447 | -36.1 | % | | |
| Passengers | 1,746,376 | 2,693,468 | -35.2 | % | | |
| Controllable completion factor* | | | | | | |
| American | 99.36 | % | 97.17 | % | 2.3 | % |
| United | 99.96 | % | 98.33 | % | 1.7 | % |
| Total completion factor** | | | | | | |
| American | 97.85 | % | 95.76 | % | 2.2 | % |
| United | 99.21 | % | 97.58 | % | 3.6 | % |

*Controllable completion factor excludes cancellations due to weather and air traffic control

**Total completion factor includes all cancellations

¹Reconciliation 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 tables below reflect supplemental financial data and reconciliations to GAAP financial statements for the three and nine months ended December 31, 2022 and December 31, 2021. 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 or loss. Additionally, these calculations may not be comparable with similarly titled measures of other companies.

¹Reconciliation of GAAP versus non-GAAP Disclosures

(In thousands, except for per diluted share) (Unaudited)

| Three Months Ended December 31, 2022 | | | | Three Months Ended December 31, 2021 | | | |
|--------------------------------------|--------------------------------|-------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------------|------------------------------|
| Income (Loss) Before Taxes | Income Tax (Expense) / Benefit | Net Income (Loss) | Net Income (Loss) per Diluted Share | Income (Loss) Before Taxes | Income Tax (Expense) / Benefit | Net Income (Loss) | Net Income per Diluted Share |
| GAAP income (loss) | \$930 | | | | | | |
| Adjustments ⁽¹⁾⁽²⁾ | | | | | | | |
| Adjusted income (loss) | \$(10,020) | \$(9,090) | \$(0.25) | \$(18,386) | \$4,112 | \$(14,274) | \$(0.40) |
| Interest expense | 5,398 (589) | 4,809 | 4,992 | 9,282 | | | |
| Interest income | (4,622) | 341 (4,281) | (1,924) | (9,282) | | | |
| Depreciation and amortization | 11,276 7,930 | | 2,642 | | | | |
| Adjusted EBITDA | (71) | (51) | | | | | |
| Aircraft rent | 15,203 21,028 | | | | | | |
| Adjusted EBITDAR | 21,786 16,983 | | | | | | |
| | 4,083 9,586 | | | | | | |
| | \$25,869 | \$26,569 | | | | | |

(1) Includes adjustment for impairment charges of \$3.7 million during our three months ended December 31, 2022, related to the intangible asset under the American CPA. (2) Includes losses resulting from changes in the fair value of the Company's investments in equity securities of \$4.7 million and \$6.9 million for the three months ended December 31, 2022 and 2021, respectively.

Source: Mesa Air Group, Inc.

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