



NEWS RELEASE

Mesa Air Group Reports Third Quarter Fiscal 2022 Results

2022-08-08

PHOENIX, Aug. 08, 2022 (GLOBE NEWSWIRE) -- Mesa Air Group, Inc. (NASDAQ: MESA) today reported third quarter fiscal 2022 financial and operating results.

Fiscal Third Quarter Highlights:

- Pre-tax loss of \$12.5 million, net loss of \$10.0 million or \$(0.28) per diluted share
- Adjusted net loss¹ of \$7.1 million or \$(0.20) per diluted share
- Adjusted net loss excludes a \$3.9 million (pre-tax) change in the fair value of investments in equity securities
- Third aircraft with DHL cargo operation entered revenue service
- Added a second CRJ simulator to increase pilot training capacity

Jonathan Ornstein, Chairman and CEO, said, "While demand remained resilient for the quarter, our financial results continue to be impacted by industry-wide, elevated pilot attrition and the significant reduction in the commercial pilot pipeline, exacerbated by the 1,500-hour rule. Looking forward, we intend to take dramatic action to address the pilot shortage through increased recruiting, additional simulator capacity, and expansion of our pilot pipeline. We are also pleased that United Airlines has expanded the Aviate program to include all of our pilots."

Fiscal Third Quarter Details:

Total operating revenues in Q3 2022 were \$134.4 million, an increase of \$9.2 million (7.4%) from \$125.2 million for Q3 2021. Contract revenue increased \$9.2 million, or 8.4%. This was due to the return to normal rates from our partners, which were temporarily reduced last year related to the PSP program. These were partially offset by a

reduction in block hours. Mesa's Q3 2022 results include, per GAAP, the recognition of \$6.8 million of previously deferred revenue, versus the deferral of \$1.9 million of revenue in Q3 2021. The remaining deferred revenue balance of \$22.7 million will be recognized as flights are completed over the remaining terms of the contracts.

Mesa's Adjusted EBITDA¹ for Q3 2022 was \$20.1 million, compared to \$35.3 million in Q3 2021, and Adjusted EBITDAR¹ was \$29.4 million for Q3 2022, compared to \$44.9 million in Q3 2021.

Mesa's Q3 FY22 results reflect a net loss of \$10.0 million, or \$(0.28) per diluted share, compared to net income of \$4.3 million, or \$0.11 per diluted share for Q3 FY21. Mesa's Q3 FY22 adjusted pre-tax loss¹ was \$8.7 million versus an adjusted pre-tax income¹ of \$5.8 million in Q3 FY21. The year over year decrease in adjusted pre-tax income of \$14.5 million was primarily due to lower block hours, the net impact of the PSP program, and the change in deferred revenue.

Operationally, the Company ran a controllable completion factor of 98.8% for American and 99.8% for United during Q3 2022. This is compared to a controllable completion factor of 99.4% for American and 99.9% for United during Q3 2021. 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 97.7% for American and 98.8% for United during Q3 2022. This is compared to a total completion factor of 97.6% for American and 99.2% for United during Q3 2021.

Liquidity and Capital Resources:

Mesa ended the quarter at \$54.4 million in unrestricted cash and equivalents. As of June 30, 2022, the Company had \$653.4 million in total debt secured primarily with aircraft and engines.

Fleet:

For the three months ended June 30, 2022, 46% of the Company's total revenue was derived from our contracts with United, 47% from American, 2% from DHL, and 5% from leases of aircraft to a third party.

Below is our current and future fleet plan by partner and fleet type for FY22:

Fleet Plan (FY22)	Q1 (Dec '21)	Q2 (Mar '22)	Q3 (Jun '22)	Q4 (Sep '22)
Actual	Actual	Actual	Forecast	
E-175 – UA	80	80	80	80
CRJ-900 – AA	40	40	40	40
737-400F – DHL	2	3	3	3
	---	---	---	---

Sub-total	122	123	123	123
CRJ-700 leased	17	18	20	20
CRJ-700 to be leased to third party	3	2	-	-
CRJ spares or parked	25	13	13	13
CRJ held for sale	-	12	12	12
Total fleet	167	168	168	168

Mesa Air Group will host a conference call with analysts on August 8th at 4:30 pm EDT. 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.

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 June 30, 2022 and June 30, 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 June 30, 2022		Income Tax (Expense)/Benefit	Net Income (Loss)	Net Income (Loss) per Diluted Share	Three Months Ended June 30, 2021		Income Tax (Expense)/Benefit	Net Income	Net Income per Diluted Share
Income (Loss) Before Taxes					Income Before Taxes				
GAAP Income (Loss) Adjustments ⁽¹⁾	\$ (12,478)	2,493	(9,985)	\$ (0.28)	\$ 5,801	(1,525)	4,276	\$ 0.11	
Loss on Investments, Net ⁽²⁾	(135)	32	(103)	(0.00)					
Adjusted Income (Loss)	3,926 (896)	3,030	\$ 0.08						
Interest Expense	(8,687)	1,629	(7,058)	(0.20)	5,801(1,525)	4,276	0.11		
Interest Income	8,716	8,627							
Depreciation and Amortization	(24)	(82)							
Adjusted EBITDA	20,103	20,933							
Aircraft Rent	20,108	35,279							
	9,299	9,648							

Adjusted EBITDAR \$ 29,407 \$ 44,927

- (1) Includes true-up adjustment of (\$0.1) million recorded during the three months ended June 2022. This adjustment is related to the termination loss previously recorded in Q2 2022 pertaining to the abandonment of one of our leased facilities.
(2) Includes losses resulting from changes in the fair value of the Company's investments in equity securities of \$3.9 million for the three months ended June 30, 2022.

Nine Months Ended June 30, 2022		Income Tax (Expense)/ Benefit		Net Income (Loss)	Net Income (Loss) per Diluted Share	Nine Months Ended June 30, 2021		Income Tax (Expense)/ Benefit	Net Income	Net Income per Diluted Share
Income (Loss) Before Taxes						Income Before Taxes				
GAAP Income (Loss)	\$ (86,029)	18,987	(67,042)	\$ (1.86)		\$ 32,319	(8,236)	24,083	\$	0.62
Adjustments ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	39,708 (9,065)	30,643	\$ 0.85	3,558 (900)		2,658	\$ 0.07			
Loss on Investments, Net ⁽⁵⁾	12,649 (2,888)	9,761	\$ 0.27							
Adjusted Income (Loss)	(33,672)	7,034 (26,638)	\$ (0.74)	35,877		(9,136)	26,741	\$ 0.69		
Interest Expense	24,766	26,464								
Interest Income	(117)	(287)								
Depreciation and Amortization	61,878	62,108								
Adjusted EBITDA	52,856	124,162								
Aircraft Rent	28,319	29,688								
Adjusted EBITDAR	\$ 81,174	\$ 153,850								

- (1) Includes adjustment for gain on extinguishment of debt of \$1.0 million related to repayment of the Company's aircraft debts during the nine months ended June 30, 2021.
(2) Includes adjustment for lease termination expense of \$4.5 million during our nine months ended June 30, 2021 related to the purchase of a CRJ-900 aircraft which was previously leased from Bombardier Capital.
(3) Includes adjustment for impairment charges of \$39.5 million for the nine months ended June 30, 2022 related to certain of the Company's aircraft which are classified as held for sale.
(4) Includes adjustment related to the abandonment of one of our leased facilities resulting in operating lease right-of-use asset impairment charges of \$0.2 million during our nine months ended June 30, 2022.
(5) Includes losses resulting from changes in the fair value of the Company's investments in equity securities of \$12.6 million for the nine months ended June 30, 2022.

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 121 cities in 41 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport. As of June 30, 2022, Mesa operated a fleet of 168 aircraft with approximately 360 daily departures and 2,600 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., United Airlines, Inc., and 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. Many of the risks identified in the periodic reports have been and will continue to be heightened as a result of the ongoing and numerous adverse effects arising from the COVID-19 pandemic. 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.

MESA AIR GROUP, INC.

Condensed Consolidated Statements of Operations

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

Three Months Ended June 30, 2022 2022	2021		Nine Months Ended June 30, 2021 2021	
	2022	2021	2021	2021
Operating revenues:				
Contract revenue	\$ 118,899	\$ 109,654	\$ 367,781	\$ 318,524
Pass-through and other revenue	15,498	15,503	54,284	
Total operating revenues	134,397	125,157	405,367	372,808
Operating expenses:				
Flight operations	43,254	41,314	133,262	115,681
Maintenance	49,694	51,986	156,032	156,623
Aircraft rent	9,299	9,648	28,319	29,688
General and administrative	11,112	12,087	31,550	36,324
Depreciation and amortization	20,103	20,933	61,878	62,108
Lease termination	—	—	—	4,508
Impairment of assets held for sale	—	—	39,475	—
Other operating expenses	722	916	3,379	3,148
Government grant recognition	—	(26,101))	—
Total operating expenses	134,184	110,783	453,895	314,701
Operating income (loss)	213	14,374	(48,528)	58,107

Other income (expense), net:					
Interest expense	(8,716)	(8,627)		(24,766)	(26,464)
Interest income	24	82	117	287	
Loss on investments, net	(3,926)	—	(12,649)	—	
Other income (expense), net	(73)	(28)	(203)	389	
Total other (expense), net	(12,691)	(8,573)		(37,501)	(25,788)
Income (loss) before taxes	(12,478)	5,801	(86,029)	32,319	
Income tax expense (benefit)	(2,493)	1,525	(18,987)	8,236	
Net income (loss)	\$ (9,985)	\$4,276		\$ (67,042)	\$24,083
Net income (loss) per share attributable to common shareholders					
Basic	\$ (0.28)	\$0.12		\$ (1.86)	\$0.68
Diluted	\$ (0.28)	\$0.11		\$ (1.86)	\$0.62
Weighted-average common shares outstanding					
Basic	36,183	35,769	36,064	35,642	
Diluted	36,183	39,513	36,064	38,811	

MESA AIR GROUP, INC.

Condensed Consolidated Balance Sheets

(In thousands, except shares) (Unaudited)

June 30, 2022			June 30, 2021		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents			\$ 54,448		\$ 120,517
Restricted cash			3,348		3,350
Receivables, net			4,050		3,167
Expendable parts and supplies, net			26,341		24,467
Prepaid expenses and other current assets			7,234		6,885
Total current assets			95,421		158,386
Property and equipment, net			1,072,826		1,151,891
Intangible assets, net			6,026		6,792
Lease and equipment deposits			6,972		6,808
Operating lease right-of-use assets			65,878		93,100
Deferred heavy maintenance, net			6,848		3,499
Assets held for sale			36,528		—
Other assets			29,686		36,121
TOTAL ASSETS			\$ 1,320,185		\$ 1,456,597
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current portion of long-term debt and finance leases			\$ 726		112,776
Current portion of deferred revenue			16,854		6,298
Current maturities of operating leases			66,811		32,652
Accounts payable			10,781		61,476
Accrued compensation			32,322		12,399
Other accrued expenses			240,270		33,657
Total current liabilities			240,270		258,192
NONCURRENT LIABILITIES:					
Long-term debt and finance leases, excluding current portion			523,231		539,700
Noncurrent operating lease liabilities			20,585		33,991
Deferred credits			3,295		3,934
Deferred income taxes			50,803		69,940
Deferred revenue, net of current portion			21,994		28,202
Other noncurrent liabilities			36,971		34,591
Total noncurrent liabilities			656,879		710,358
Total liabilities			897,149		968,550
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; 36,292,401 (2022) and 35,958,759 (2021) shares issued and outstanding, and 4,899,497 (2022) and 4,899,497 (2021) warrants issued and outstanding			258,403		256,372
Retained earnings			164,633		231,675
Total stockholders' equity			423,036		488,047
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			\$ 1,320,185		\$ 1,456,597

MESA AIR GROUP, INC.

Operating Highlights (unaudited)

Three months ended				Change		
June 30						
2022		2021				
Available Seat Miles (thousands)	1,553,616	2,056,905	-24.5	%		
Block Hours	63,486	85,162	-25.5	%		
Average Stage Length (miles)	619	651	-4.9	%		
Departures	33,291	42,390	-21.5	%		
Passengers	2,164,295	2,572,303	-15.9	%		
Controllable Completion Factor*						
American	98.77	%	99.42	%	-0.7	%
United	99.76	%	99.98	%	-0.2	%
Total Completion Factor**						
American	97.66	%	97.57	%	0.1	%
United	98.83	%	99.21	%	-0.4	%

*Controllable Completion Factor excludes cancellations due to weather and air traffic control

**Total Completion Factor includes all cancellations

Source: Mesa Air Group, Inc.

Mesa Air Group, Inc.

Media

Jacqueline Palmer

Media@mesa-air.com

Investor Relations

Doug Cooper

IR@mesa-air.com

Source: Mesa Air Group, Inc.