

Blade Fiscal Second Quarter 2021 Earnings Call Transcript

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Participants:

Rob Wiesenthal, Chief Executive Officer
Will Heyburn, Chief Financial Officer and Head of Corp. Development
Tom Cook, ICR, Inc.

Operator

[Operator Instructions]

Host (Tom Cook, ICR)

Thank you, Katrina. Good afternoon, ladies and gentlemen. Welcome to the BLADE Urban Air Mobility Fiscal Second Quarter 2021 Conference Call and Webcast. We appreciate everyone joining us today.

Before we get started, I would like to remind you of the Company's Safe Harbor language. The statements contained in this conference call and webcast, which are not historical facts, may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties.

Any statement that refers to expectations, projections or other characterizations of future events including financial projections or future market conditions is a forward-looking statement. Actual future results may differ materially from those suggested in such statements due to a number of risks and uncertainties, including those described in the Company's filings with the SEC. The Company assumes no obligation to update any forward-looking statements. Please also note that past performance or market information is not a guarantee of future results.

During this conference call, the Company may discuss non-GAAP financial measures as defined by SEC Regulation G. A reconciliation of each of these non-GAAP measures to the most directly comparable GAAP financial measure can be found in the earnings press release, which is available on the Investor Relations website, ir.blade.com. A recorded replay of this call together with related materials will be available on our Investor Relations website.

Hosting today's call are Rob Wiesenthal, Founder and Chief Executive Officer of BLADE and Will Heyburn, Chief Financial Officer of BLADE.

I will now turn the call over to Rob Wiesenthal, Rob?

Robert S. Wiesenthal, Chief Executive Officer, Blade

Thanks. Thank you, Tom. And thanks to everyone on the line for their interest in Blade. I am very pleased to welcome you to our first earnings call as a public company. I am pleased to inform you of our 44% revenue growth, even amidst the pandemic as well as reaching a number of important milestones we held out for our investors such as securing Electric Vertical Aircraft, or what we call EVA, from multiple manufacturers.

Before we dive into the results, I'd like to take a few minutes to recap the genesis of our company as well as describe our powerful air mobility platform.

Prior to BLADE, Urban Air Mobility was a cumbersome inefficient and expensive proposition.

Helicopters on average had utilization of 1.4 passengers for every six to 8 seats.

The booking process often required wire transfers, signed contracts and sometimes even 24-hour notice.

Blade changed everything.

By leveraging mobile technology and opt-in geo, we can aggregate numerous commuters who need to travel between the same points at similar times in large, high-congestion metropolitan areas.

Our consumer-to-cockpit technology stack, all built in-house, facilitates real-time flight status, passenger manifest and check-in data that is shared with our group of integrated operators. Where we often represent over 70% of their commuter volumes. It has also enabled us to service up to hundreds of passengers per hour across multiple locations.

Additionally, our network of private and dedicated Blade terminals located in the U.S. and in India allows for the processing of passengers prior to flights enabling rapid check-in, security, baggage assessment, health and safety screenings, electrostatic decontamination of aircraft between flights among other important items to ensure safety for our passengers. Our highly trained terminal employees provide real-time communication with passengers to enable recovery in the event a flight is delayed or cancelled for any reason, such as inclement weather, by moving fliers on to later flights, or providing ground transport.

All of this, layered with our strong brand, has reduced both the intimidation and indulgence factors our fliers faced prior to Blade. Simply put, Blade is a verb in the markets we operate. Blade to the airport. Blade to Palm Springs or even in India, the way to Mumbai.

Given our scale, passenger aggregation capabilities, and strong "data exhaust", we have managed to make our products much more affordable. In 2019, we shattered Uber Black ground transportation pricing with our \$195/seat flights between three Blade New York City terminals and all three New York Area airports. With a purchase of an annual Airport Pass, that price is reduced to \$95 per seat providing a strong catalyst into the enterprise market for us. At these prices we have ensured Blade is not only for the wealthy—but is competitive with multiple forms of ground transport.

The value proposition is crystal clear for Blade Airport: We turn up to two-hour-plus drives between the airport and the city into 5-minute flights. And with our American Airlines partnership we can even pick up passengers at the side of their commercial flight and expedite them to their helicopter, avoiding the long walk through the airport terminal.

And the growth in scale is real. As evidence, when we started Blade Airport in 2019, we achieved a run-rate of approximately 20,000 passengers annually—for New York City alone (prior to pausing for the pandemic lockdown) as compared to about 40,000 passengers in total for Blade for the entire calendar year 2019.

Most importantly, we can provide this tremendous value to our fliers while maintaining attractive unit economics using conventional aircraft in service today. In the future, we expect Electric Vertical Aircraft, or EVA, to allow us to lower prices to fliers, improve our margins, and, over time, catalyze development of additional vertiport infrastructure in our existing and new markets.

Today, Blade is a global urban air mobility platform that has created an enormous pool of new fliers since inception. In fact, we estimate that over 70% of all Blade fliers have never flown on a helicopter prior to flying with Blade. Our growth and flexibility are accomplished by leveraging our asset-light business model. Blade neither owns nor operates any aircraft, pilots, maintenance, insurance, and fuel are all costs borne by our network of operators, which provide us with dedicated Blade branded aircraft at fixed hourly rates, all subject to regular audits by our in-house Head of Safety. This enables our

operator partners to focus on what they do best: training pilots, maintaining aircraft, and flying. We can then focus on what they do best: aggregating fliers and reducing travel friction by providing cost-effective, reliable, and enjoyable air transportation alternatives to some of the most congested ground routes in the U.S. and abroad. This model also serves to maximize our return on assets, optimize free cash flow, and enable our substantial cash balance to be earmarked for the acquisition of strategic infrastructure and operating companies, rather than the acquisition of expensive, depreciating aircraft.

Now that we have completed our business combination with Experience Investment Corp., which yielded Blade approximately \$365 million in gross proceeds, we look forward to deploying our capital to supercharge our growth plans, both through organic route expansion and acquisitions. I should mention that the minimum cash requirement for our deal was only \$125 million and more than enough to fund our long-term business plan.

On the organic growth front, we are pleased to resume our New York Airport service this June 1st, beginning with JFK airport. These are already available on the Blade app and site and by fall, we plan to service all three New York area airports and add commuter service between Manhattan and the Westchester/Connecticut area with connections to local area airports. Additionally, before the end of the calendar year, we expect to share details around new routes for 2022.

On the acquisition front, we continue to make progress with our pipeline of actionable acquisitions and partnerships. We expect to announce additional transactions and alliances before calendar year end that will both fortify our strategic moat and accelerate our growth.

We look forward to sharing additional developments on these and other important milestones in future calls.

With that, I'd like to turn it over to Will, who will discuss recent developments and financial results.

Will Heyburn, Chief Financial Officer and Head of Corp. Development, Blade

Thank you, Rob. Blade is already making great progress towards our strategy of providing cost-effective air mobility alternatives to ground transportation today, while preparing for the transition to quiet, emission-free electric flight tomorrow.

In recent months, we have achieved several important milestones related to both of these missions.

Supported by our new partnership with Kayak, a division of Booking Holdings—one of the largest online travel agencies in the world, we will be re-introducing our New York City airport service on June 1st. We expect Kayak to dramatically expand our customer acquisition funnel, as users booking flights to or from New York City airports will be prompted to add Blade Airport connections. In addition, in order to support its loyalty program, Kayak will purchase Blade airport seats directly from Blade for its customers.

On the EVA front, our recent announcements with Beta Technologies and Wisk Aero will help facilitate a rapid transition from conventional aircraft to Electric Vertical Aircraft, as they become available, and do this in a way that is consistent with our aircraft-agnostic, asset-light model.

Our agreement with BETA includes a commitment for our operators, or third-party financing sources who will enter leasing arrangements with our operators. The purchase up to 20 of BETA's first passenger-configure EVAs, scheduled for delivery beginning in late 2024. Blade intends to deploy these initial BETA EVAs on routes between our network of dedicated terminals in the Northeast, where BETA has agreed to provide and install charging infrastructure at certain key locations.



Our partnership with Wisk Aero, a joint venture between Boeing and Larry Page-backed Kitty Hawk, is an arrangement whereby Wisk will provide Blade with up to 30 EVA, to be owned, operated and maintained by Wisk.

We look forward to continuing to add to our network of EVA manufacturers to ensure that, just as we do with traditional aircraft today, we are always able to use the most appropriate equipment for each particular mission.

Given our proven asset-light model, we are fortunate that we are able to leverage our existing, scalable platform and team to support future growth. However, we are actively building out the organization in functional areas specific to our public company transition and we have engaged Oliver Wyman to assist us in this effort.

Moving on to the financials. For the three months ended March 31, 2021 and 2020, revenue increased from \$6.5 million in 2020 to \$9.3 million in 2021. We are pleased with Blade's 44% year-over-year revenue growth amidst the pandemic this quarter, particularly given the comparison to the previous period that was largely unaffected by COVID-19. Strong performance in our MediMobility organ transport, jet and Northeast commuter short-distance businesses in the three months ended March 31, 2021 more than offset the absence of Blade Airport, which was paused due to the pandemic.

MediMobility organ transport and jet revenue increased by 68% from \$4.6 million in the three months ended March 31, 2020 to \$7.7 million in 2021. In MediMobility, growth was driven by our successful effort to add additional hospital customers and the continued need for organ transplants during the pandemic.

Short distance revenues were negatively impacted by a significant reduction in demand for commercial airline travel and, by extension, our New York airport transfer service, which continued to be paused in the three months ended March 31, 2021. As a result, short distance revenues decreased 41%, from \$1.8 million in 2020 to \$1.0 million in 2021. However, we did see growth in our Northeast commuter business within this category.

As expected, our flight operator costs and other costs of revenue increased 32% year-over-year correlated with our 44% increase in revenue. Most importantly, cost of revenue decreased as a percentage of revenues, driven by higher passenger utilization on our short-distance flight services. Our increased contribution from revenues drove an improved adjusted EBITDA of negative \$(2.2) million versus negative \$(3.1) million in the prior year period.

With the merger completed, we have a strong debt-free balance sheet with more than ample liquidity to support our growth strategy. We expect that Blade will benefit from significant pent-up demand for travel this summer. We are already seeing a meaningful spike in forward bookings, pass purchases and customer inquiries. In fact, April 2021 revenues were well in excess of both April 2020 and April 2019, a period with zero pandemic impact. This is a great signal heading into our June and September quarters, which are historically our second and first largest revenue quarters, respectively, given significant seasonal demand for our leisure markets.

Looking ahead, Blade's expansion strategy is focused on new routes with significantly less seasonality, such as intercity connections, airport transfers, and year-round daily commuter routes. Demand for our existing commuter products in the three months ended March 31, 2021 was greater than demand for those products in the three months ended March 31, 2020 or 2019. Additionally, commuter demand has become more dispersed throughout the week versus what has historically been more weekend focused travel. We expect this trend, which we believe is driven by new hybrid remote/office work patterns, to help drive our operations to be more efficient and enable us to provide more schedule options for our fliers.

With that, I'll turn it back over to Rob for a few closing remarks.

Rob Wiesenthal, Co-founder and Chief Executive Officer, Blade

Thanks, Will. Blade is well positioned to leverage 200,000 registered users, current and forthcoming routes, network of proprietary air mobility terminals, strong brand, and asset-light business model, to enable a smooth, rapid, and largely de-risked transition from conventional aircraft to quiet and emission-free Electric Vertical Aircraft.

While the booking journey, in-terminal experience, seat cost and flight time will be nearly identical in the initial years of EVA deployment as it is today with conventional aircraft, we believe the quiet and emission-free attributes of EVA eventually will enable us to develop EVA-only landing zones, with the opportunity to exponentially increase our addressable market by offering our fliers more convenient locations to depart from and arrive at. Almost every aspect of the service we provide our fliers today, as well as the mindset our team requires, will remain the same in an EVA world—outside the forthcoming equipment swap to quiet and emission-free aircraft.

This only serves to help to derisk our transitions to EVA especially when compared to companies that would like to start similar businesses from scratch. For the sake of simplicity and clarification, EVA must not be thought of as "flying cars" nor "air taxis"—they will be quiet and zero emission helicopter substitutes operating on a shared basis as Blade does today but with more landing zone options for our fliers.

Given the growing and strong business that we have today, we are in the enviable position of being able to:

1. Continue to grow our business, customer base, route network and brand using conventional aircraft with profitable unit economics, without waiting for the deployment of EVA or being materially impacted by the potential for shifting manufacturing or certification timetables.
2. Avoid betting on one single EVA airframe. As evidenced by our recent alliances with Beta Technologies and Wisk, aerospace manufacturers understand the value of the Blade platform. At the same time, given the significant work involved with building, testing, and manufacturing any new generation of aircraft, we will continue to increase and optimize the mix of our forthcoming accessible EVA fleet to help ensure that we are protected from specific OEM delays and that we have access to most appropriate EVA for our routes and services—and most importantly for our passengers and the communities we serve.

Before we move to our Q&A, let me take a few moments to discuss the current capital markets environment.

The past few months have been an extremely volatile time for emerging growth companies like Blade.

However, unlike many of our peers, we have a strong existing business, with a very experienced management team and have enjoyed growing revenues with profitable unit economics for six years.

With approximately \$4.25 of cash per share on our debt-free balance sheet post-merger, it is both management's and our board's view that the current share price does not adequately reflect the long-term prospects of our company.

We commit to you that we will not only continue to execute against our plan, but, if needed and appropriate, use other tools in our tool box, without hesitation, to maximize shareholder value.

With that, we are ready to take questions.

Operator

[Operator Instructions] There are no questions on the phone lines at this time. I'll now turn the call back over to you.

Rob Wiesenthal, Co-founder and Chief Executive Officer, Blade



Okay. We want to thank you all for joining our call today. And if you have any questions that you'd prefer not to ask on this call, but do within the email, feel free to email your representative ICR and we'd be happy to get back to you as soon as we can. Thanks for your interest in Blade and we look forward to speaking to you next quarter.

Operator

That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your line.

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