

Mobile Infrastructure Corporation

Fourth Quarter and Full Year 2024 Financial Results

Tuesday, March 11, 2025 8:00 AM Eastern

CORPORATE PARTICIPANTS

Casey Kotary - *IR Representative*

Manuel Chavez - *CEO*

Stephanie Hogue - *President*

PRESENTATION

Operator

Good afternoon and welcome to the Mobile Infrastructure Corporation Fourth Quarter and Full Year 2024 Earnings Conference Call. All participants will be in a listen only. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad, and to withdraw your question, please press star, then 2. Please note this event is being recorded.

I would now like to turn the conference over to Ms. Casey Kotary, investor relations representative. Please go ahead, ma'am.

Casey Kotary

Thank you, operator. Good afternoon, everyone, and thank you for joining us to review Mobile's fourth quarter and full year 2024 performance. With us today from mobile are Manuel Chavez, CEO, and Stephanie Hogue, President.

In a moment, we will hear management's statements about the Company's results of operations of the fourth quarter and full year 2024. Before we begin, we would like to remind everyone that today's discussion includes forward-looking statements, including projections and estimates of future events, business or industry trends or business or financial results. Actual results may vary significantly from those statements and may be affected by the risks Mobile has identified in today's press release and those identified in its filings with the SEC, including Mobile's most recent annual report on Form 10-K and its most recent quarterly report on Form 10-Q. Mobile assumes no obligation and does not intend to update or comment on forward-looking statements made on this call.

Today's discussion also contains references to non-GAAP financial measures that Mobile believes provide useful information to its investors. These non-GAAP measures should not be considered in isolation from or as a substitute for GAAP results. Mobile's earnings release and the most recent quarterly report on Form 10-Q provide a reconciliation of those measures to the most directly comparable GAAP measures and a list of the reasons why Mobile uses these measures.

I will now turn the call over to Mobile's CEO, Manuel Chavez, to discuss fourth quarter and full year 2024 performance. Manuel?

Manuel Chavez

Thank you, Casey, and thank you all for participating in today's call to review our fourth quarter and full 2024 results and discuss our business outlook for 2025.

I would like to begin by thanking our team for delivering on key strategic priorities in 2024. This was our first full year as a publicly traded company, and the combined efforts of our team made it a year of substantial accomplishments. Highlights of the year included, first, our successful conversion of 29 of our 40 parking assets in our portfolio to management contracts from leases which benefits us from both revenue generating and expense reduction perspectives. Second, we built out our sales and leasing team, which delivered higher new contract parking volumes in 2024 despite significant headwinds from the high attrition rates that have plagued the industry since the pandemic. Third, we strengthened our financial position. Fourth, we completed three asset sales at significant multiples of their net operating income as part of our ongoing asset

rotation strategy. And lastly, beyond driving improved operating and financial performance, we took actions to build shareholder value.

Taking a closer look at 2024, the conversion to managed contracts is meaningful in that it provides us as owners with important consumer analytics, which we utilize to assess parking trends in our markets. This gives us greater flexibility to optimize rates and utilization. At the same time, with managed contracts, we have more control over asset level expenses and can more efficiently deploy incremental resources to assets with the greatest revenue potential. Another ten of our assets are slated for conversion in 2026 and 2027.

By going to the market with a systematic process and data driven approach, our sales and leasing team was successful in signing new contracts and building a considerable pipeline for opportunities in 2025 and beyond. Their success in bringing in new business has been masked for much of 2024 by post pandemic cancellations of corporate parking contracts, which brought attrition rates to four times higher than they were in 2019. We believe the impact from these cancellations is pretty much behind us as most of the corporates located in our markets have determined their policies with respect to the number of days their employees are required to spend in the office.

In both the third and fourth quarters of this year, Revenue Per Available stall, or RevPAS, showed year-on-year growth, which supports our expectation that we have reached an inflection point with return-to-office trends most prominent in the healthcare, professional services, food and beverage and government sectors.

In the 2024 fourth quarter, we saw the beginning of what will have a very positive impact on revenue growth from the conversion of Class B downtown office space to residential apartment living, which is taking place in several of our markets. In Cincinnati, the Mercantile Building began leasing in the fourth quarter of 2024. We stand to benefit from this new demand for 24/7 parking access versus the 9:00 AM to 5:00 PM access associated with commercial parking. In the first two months of 2025, we have experienced a continued pickup in utilization at this location as more tenants move in, and there are at least a half a dozen similar projects underway in our markets with planned completion dates between now and 2027. In fact, the largest apartment building in Cincinnati, 7 West 7th, is scheduled to open in April and is connected to our 1 West 7 asset.

Looking at the medium term, we are pleased to report that we see a path forward for one of our largest portfolio assets, the 1,273 space garage that we own in Detroit that is adjacent to the Renaissance Center, which has 5.5 million square feet of office space and a 1,500 room hotel. This asset has been under considerable pressure since the pandemic when General Motors, which was the major tenant, and others permanently moved their employees at this location to other locations or converted them to a remote workforce.

This has been a huge headwind for us, but there is a light at the end of the tunnel. A large real estate development firm, together with General Motors, has formed a joint venture to redevelop the Renaissance Center. They will be converting one of the towers into apartments, renovating another tower into amenity-rich office space, building luxury condos, redoing the Marriott Hotel and razing two existing towers and parking to make way for more cohesion to the riverfront with retail, civic, park and entertainment venues. For context, this redevelopment will have a similar impact that the Hudson Yards development did on the west side of Manhattan.

During the construction period, we will continue to be severely limited in our ability to maintain our net operating income at this location, although we do have a base of business at the location

unrelated to the Center. However, once completed, which is scheduled for the 2028 to 2030 timeframe, we will have an asset that is worth multiples of today's value. We will have the only garage on the west side of the development that is connected to the Center, and we project that this asset alone has the potential to drive as much as a 10% to 15% increase in our consolidated net operating income.

This is an excellent segue to discuss our portfolio strategy. In 2024, we sold three of our assets as part of our portfolio asset rotation strategy. We were able to sell them at significant multiples of their parking income. Two of the assets were sold to companies planning real estate developments at those locations. Approximately 50% of our portfolio consists of core assets that currently generate about 80% of our revenue and over 80% of our net operating income. This gives us a strong base from which to closely evaluate our non-core assets.

Following a detailed analysis to determine the future demand drivers and the intrinsic underlying land value of these non-core assets, we have decided to accelerate our portfolio optimization program by launching a 36-month asset rotation strategy that really began in 2024. This will involve the divestiture of a group of non-core assets between now through 2027. We plan to use the proceeds to invest in additional parking assets, repopulating our portfolio with fewer but larger assets that have multiple demand drivers, higher net operating income opportunities and clustered in markets we like. As you know, we have a substantial pipeline of potential acquisitions, and our deep industry experience and relationships gives us access to deal flow that is not widely available. In other words, recasting our parking asset portfolio is definitely a sweet spot for this management team, and we look forward to keeping analysts and investors apprised of our progress.

Of course, right now, the most compelling opportunity in parking real estate is Mobile Infrastructure stock. Our shares are selling at a substantial discount to our Net Asset Value of \$7.25 per share, which is based on parking income and does not include the incremental value of our assets to strategic buyers planning new developments near our locations. In 2024, we repurchased 420,000 shares in Mobile Infrastructure stock, demonstrating our confidence in the Company's long-term outlook.

I will now turn the call over to our President, Stephanie Hoge, for a financial review of 2024, a discussion of our recent refinancings and further insight into the longer-term opportunities we see on the horizon.

Stephanie Hogue

Thank you, Manuel, and good morning, everyone. Today, I will provide additional color on our financial performance in the fourth quarter and full year of 2024 as well as review our guidance for 2025.

Before we begin, I would like to highlight some actions we took in 2024 to build shareholder value and strengthen our financial position. First, we took on an additional credit line to redeem preferred shares in cash rather than issue common shares, which we believe were being sold in the open market pressuring our stock price. At the end of the year, our preferred share balance outstanding was \$20.1 million, which compared favorably with the \$39.5 million at the start of the year.

Second, we caught up the accrued dividends on the preferred. In addition to this being the right move for a company with our cash flow, we believe this has also helped stem the flow of preferred shares being converted.

Third, we began a \$10 million share repurchase program in September. As Manuel mentioned, by the end of 2024, we repurchased 420,000 shares. Share repurchases underscore our confidence in our long-term prospects and our conviction that our shares are significantly undervalued.

Finally, we completed \$87.5 million of refinancings in the fourth quarter via two new loans with maturities ranging from 2027 to 2034. With the completion of these refinancings, substantially all of our secured 2024 and 2025 debt maturities have been extended. We continue to optimize our capital structure on an opportunistic basis.

Now let's discuss our fourth quarter results. Revenue of \$9.2 million in the fourth quarter increased 16% from \$7.9 million in the fourth quarter of 2023. We have converted 29 assets to management contracts, and this results in higher revenue as we recognize revenue based on usage rather than cash collections, which can be more episodic.

As we have discussed in the past, we view accrual based revenue recognition for management contracts as a reliable metric for investors to monitor our underlying business trends. We plan to convert additional locations in 2026 and 2027 as leases roll over.

Revenue Per Available Stall, or RevPAS, a key metric we use in our portfolio, increased once again in the fourth quarter. Same location RevPAS increased 1% from the prior year to \$200.44 per stall. We believe that this metric reached an inflection point in the third quarter, and we continue to expect positive progress. As we convert additional locations to management contracts, RevPAS provides investors a view of portfolio level performance.

Property operating expenses were \$1.9 million compared to \$0.5 million in last year's fourth quarter. The increase primarily resulted from the shift to management contracts and the related accounting treatment of recognizing asset-level expenses within our financial statements.

Property taxes were \$1.7 million compared to \$1.9 million last year. Net operating income, or NOI, was \$5.5 million, up about 1% from last year's fourth quarter. NOI represented 60% of fourth quarter 2024 revenue with the bulk of the growth derived from our managed locations, underscoring the benefit of the shift of the business model.

General and administrative expenses of \$1.2 million were down from \$1.5 million in the prior year's fourth quarter. This excluded non-cash compensation of \$1.0 million in the current year quarter compared with \$2.4 million of non-cash comp in the prior year quarter. As we have discussed in the past, Mobile Infrastructure benefits from operating leverage and can grow without significant G&A increases as our infrastructure can readily support a larger asset base.

Adjusted EBITDA was \$3.9 million, up 16% from \$3.3 million in the prior year, and adjusted EBITDA margin was 42.3%.

Shifting to full year results, revenue of \$37.0 million increased 22.3% year-over-year with NOI of \$22.6 million up 7.2% when compared to 2023. Adjusted EBITDA of \$15.8 million increased 6.9% year over year in 2024.

Turning to our balance sheet, at the end of 2024, Mobile Infrastructure had \$15.8 million of cash and restricted cash on hand. We ended the year with total debt outstanding of \$213.2 million compared with \$192.9 million at the end of 2023.

While we continue to improve our financial footing and operations, we also spent considerable time examining the parking market of the future to ensure that we are properly positioned to support the demands of tomorrow, such as Autonomous Vehicles. We have significant advantages as our parking assets are in central business districts where parking is increasingly constrained and access to parking options is essential for Autonomous Vehicles. We are examining the preparations needed to be certain our facilities easily accommodate Autonomous Vehicles at scale. We are investing in features like EV charging, clearly marked driving lanes and gateless entry and exit systems so that autonomous vehicles can both test our facilities today and easily navigate with them in the future. We see reliable navigable parking facilities as a crucial element of downtown mobility, and we are doing what we can at this early stage to ensure that we are a “best in breed” provider and a partner of choice to provide overnight storage or areas for maintenance. We recognize that it is early stage for these businesses, but we also know that, by taking the right steps, we can build and partner with AV users in the future.

Turning to 2025, we believe secular growth drivers together with another year of strong execution will result in continued expansion of our net operating income and adjusted EBITDA in 2025. We are introducing initial 2025 guidance for revenue of \$37.0 million to \$40.0 million, Net operating income, or NOI, for 2025 is expected to range from \$23.5 million to \$25.0 million, representing year on year growth of 7.0% at the midpoint. Adjusted EBITDA is expected to be between \$16.5 million and \$18.0 million. This guidance does exclude the impact of any potential asset sales that Manuel referenced.

With that, I will turn the call back over to Manuel.

Manuel Chavez

Thank you, Stephanie. To sum up, we are pleased with the accomplishments of 2024 and are looking ahead to accelerated growth in 2025. Underpinning our expectations for 2025 are projections for further increases in contract parking revenue and a pickup in transient volumes after the dip we saw in 2024. We have already begun our plans to revamp the Company's portfolio, which will result in monetizing several assets that have more value to stakeholders and developers than the parking income they provide.

We continue to work towards gaining more sponsorship amongst investors. In 2024, we provided additional financial metrics by which to measure our progress such as Net Asset Value and Revenue Per Available stall. In September of last year, as Stephanie mentioned, we announced several strategic actions to enhance shareholder value, including funding future preferred stock redemptions in cash rather than common stock to mitigate dilution, paying all accrued dividends to the preferred stockholders to date and commencing a stock repurchase plan. Since the beginning of 2025, we are pleased to report that two sell-side analysts have initiated coverage of Mobile Infrastructure with Buy ratings, and we hope to have additional coverage in the near future. Our management team and Board are committed to continuing to explore strategies to address the gap between our Net Asset Value and our share price.

Operator, now I would like to open the call to questions.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your touchtone phone. If you're using a speakerphone, please pick up

your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. And at this time, we'll pause momentarily to assemble our roster.

And the first question will come from John Massocca with B. Riley Securities. Please go ahead.

John Massocca

Good morning.

Manuel Chavez

Morning.

Stephanie Hogue

Morning, John.

John Massocca

So maybe going to the property capital recycling plan, can you maybe talk about what kind of dispositions you're expecting over that 36 month period, like cadence and just overall volume? And is this something that you think you can repeat over time, or is it something where it's really about optimizing the portfolio to be more focused on parking versus maybe some of the surface lots that are more redevelopment opportunities for buyers?

Manuel Chavez

Yeah. Right now in our portfolio, we have some assets that are, their highest and best use is parking, relative to the parking income, and we've got other assets where their highest and best use is to a stakeholder or to a developer. And so what we've done is, we've done a detailed analysis of portfolio to bifurcate the different strip strategies there. And so we've already begun discussions with stakeholders and developers in these different markets to identify who the best owner of these assets is. And what our goal is we're going to reposition the portfolio to be a very plain vanilla parking infrastructure portfolio whose value is derived from the durability and the consistency of its revenue growth over time.

And so this is going to take some time to do because we want to do it in a disciplined way and truly identify the best owner of these of these assets. But it is something that we will be repeating and executing on throughout the next three years.

John Massocca

I guess what's the likelihood of significant transaction volume in the current calendar year, if you will?

Manuel Chavez

Yeah. So in 2025, it is our objective to be under contract for about a third of these non-core assets by the end of the year.

John Massocca

What are kind of the plans around the line of credit, particularly maybe as it pertains to refinancing, just given where interest rates have kind of moved in the last couple of weeks?

Stephanie Hogue

Yeah, it's definitely something that's on our mind, as you know. Just sort of taking a step back, John, when we put that in place, really, the thought was where the share price was and the

conversions putting continued downward pressure, it was a more accretive place to be to have that line of credit in place. So evaluating a number of options, kind of a larger kind of continued look at the balance sheet as well as kind of a smaller transaction that just addresses the line of credit, so working through those things, now have been since the fourth quarter and expect to have more information to share next quarter for sure.

John Massocca

Okay. And then last one - anything related to the Detroit property you called out in the call that would impact 2025 guidance, or is that all in the disruption -- I mean, obviously, the upside is later on, but would the disruption be something that's a 2026, 2027 event?

Manuel Chavez

We've got the disruption and the stress on the parking income baked into our guidance for 2025 in the Detroit property. Throughout '26 and '27, we'll have to see how they how they phase out redevelopment of that. There will naturally be an opportunity for construction and vendor parking throughout the redevelopment process, but you're exactly right. The true upside for this, and it is a huge impact -- it could be 10% to 15% impact on our consolidated NOI just from this one asset alone -- is really at the culmination of the redevelopment.

John Massocca

Okay. That's it for me. I'll hop back in the queue.

Stephanie Hogue

Thanks, John.

Operator

Again, if you have a question, please press star, then one.

Our next question will come from Marc Riddick with Sidoti. Please go ahead.

Marc Riddick

Hey, good morning.

Stephanie Hogue

Good morning, Marc.

Marc Riddick

So I was wondering if you could talk a little bit about some of the puts and takes that are built into the full year guide on the revenue range. And in particular, I was sort of thinking about just from - - you talked about the ongoing general economic challenges, but I was wondering if you could talk a little bit about maybe your demand expectations? And then I have a follow-up on that.

Stephanie Hogue

Yeah, absolutely. I'll kick it off. Manuel, jump in. I mean, our focus, as Manuel referenced in his remarks, is continued focus on contract leasing in the core portfolio. We've really been focusing on that for a year, honing in on the identified opportunities and diversifying out the demand drivers. So not just the return-to-office trends, but the new hospitality, new residential coming online and really kind of getting ahead of that. So I think, as we look at 2025, a lot of the impact of growth is on utilization, and we'll continue to kind of make impact where we can.

Manuel Chavez

Yeah, I think that's right. We've got accelerated growth in our contract parking. That's for both commercial and residential. We have decelerated the attrition, which has really been the headwind for us over the past several years. And then we've got a slight uptick in transient volumes.

Marc Riddick

Okay. Great. And then is there sort of a revenue mix component that we should be thinking about, whether that's from the transient mix type of thing, or is there a pricing dynamic that you have in mind this year that you view as achievable?

Stephanie Hogue

Yeah, I mean, we're really excited about the demand mix. We've talked about it in prior quarters, but this shift to residential and Tier 2 CBD cores is a new product offering. And it is a 24/7 reserved product offering, which comes at a rate that has not historically been seen. So that is what we're most excited about as we think about '25, '26 and '27. And there's an impact both to demand, to my point, but also to pricing and new products coming online.

Marc Riddick

Okay, great. And then it was interesting that, given the calendar shift that we've heard from so many folks about the fourth quarter, that RevPAS was actually up a bit in the fourth quarter year-over-year. And there does obviously -- there's some seasonality there, right? But if you're just looking at the fourth quarter itself, RevPAS was up year-over-year. Can you talk about maybe a couple of contributors that led to that because it seems as though the calendar -- I'm not sure if the calendar was necessarily as favorable as it could have been?

Manuel Chavez

Right. So we saw a flattening off and really an elimination on the attrition rate. And so we started to get some of those gains. We actually started to experience them in our net numbers. And then we went through some targeted rate increases in November and December of that quarter.

Marc Riddick

Okay, great. Thank you very much.

Manuel Chavez

Thank you.

Stephanie Hogue

Thanks.

Operator

The next question will come from Kevin Steinke with Barrington Research. Please go ahead.

Kevin Steinke

Thanks and good morning. Thanks for taking my question. So you talked obviously about accelerating your portfolio optimization efforts, and just wondering if you thought about how meaningful proceeds from some of those divestitures could be in terms of reapplying some of that to your acquisition portfolio and how meaningful a benefit that could be to getting some deals done?

Manuel Chavez

Yeah, we estimate proceeds from these sales could be north of \$100 million. Keep in mind, last year in 2024, we began this asset rotation strategy, and we sold three assets for approximately \$8 million, and it has less than a combined \$50,000 impact on our NOI.

Now moving forward, as we're looking at how we're looking to redeploy those assets, we'll be looking at fewer and larger parking assets. We're looking to develop a critical mass in the markets that we move into or the markets that we're currently in that we want to expand. We want to be surrounded on the adjacent blocks by several different demand drivers, and we want to cluster those assets into sub-markets and even micro-markets that can give us some pricing advantages. But, as I mentioned in our prepared remarks, right now, the best deal out there is Mobile Infrastructure stocks as far as parking asset play.

Kevin Steinke

All right, well, I appreciate you taking the question. I'll turn it back over.

Manuel Chavez

Thank you.

Stephanie Hogue

Thanks, Kevin.

Operator

The next question is a follow-up from John Massocca with B. Riley Securities. Please go ahead.

Stephanie Hogue

Hey, John.

Operator

Perhaps you're muted, Mr. Massocca.

John Massocca

Apologies. I was muted there. Just a quick one for me - what's the RevPAS growth assumption that's baked into guidance, roughly?

Stephanie Hogue

So most of the RevPAS growth is coming from utilization, expected utilization growth as opposed to rate growth for the year.

John Massocca

Okay. All right. And are you expecting it to kind of be single-digit growth kind of similar to what you're seeing on the NOI and EBITDA side or--

Stephanie Hogue

--Yeah, it'll be in line with revenue growth, John.

John Massocca

Okay. That's it for me. Thank you very much.

Stephanie Hogue

Great, thanks.

CONCLUSION**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Manuel Chavez for any closing remarks. Please go ahead, sir.

Manuel Chavez

Thank you all for your time this morning and tuning in. We look forward to updating the market on our progress next quarter. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.