

# Mobile Infrastructure Corporation

## First Quarter 2024 Financial Results Conference Call

Wednesday, May 15, 2024, 4:30 PM Eastern

### **CORPORATE PARTICIPANTS**

**Manuel Chavez** - *Chief Executive Officer*

**Stephanie Hogue** - *President, Chief Financial Officer*

**Casey Kotary** - *Representative, Investor Relations*

## **PRESENTATION**

### **Operator**

Good day. And welcome to the Mobile Infrastructure Corporation First Quarter 2024 Financial Results Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "\*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "\*" then "1" on a touchtone phone. To withdraw your question, please press "\*" then "2." Please note, this event is being recorded.

I would now like to turn the conference over to Casey Kotary, Investor Relations Representative. Please go ahead.

### **Casey Kotary**

Thank you, Operator. Good afternoon, everyone, and thank you for joining us to review Mobile's first quarter 2024 performance. With us today from Mobile are Manuel Chavez, CEO; and Stephanie Hogue, President and CFO.

During this conference call, we will make forward-looking statements to assist you in understanding Mobile management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially, and I refer you to our May 15, 2024, press release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our views as of today. We anticipate that future developments will cause our views to change. Please consider the information presented in that light. We may, at some point, elect to update the forward-looking statements made today, but specifically disclaim any obligation to do so. I will now turn the call over to Mobile's CEO, Manuel Chavez, to discuss first quarter 2024 performance. Manuel?

### **Manuel Chavez**

Thank you, Casey. And thank you all for participating in today's call to review our first quarter results and discuss our outlook for 2024.

To provide context to newcomers, Mobile Infrastructure is the owner of a diversified portfolio of 42 parking assets, which are split between garages and surface lots. Our assets are located in 21 markets with an average MSA population of about 2.9 million people, most of whom drive to their destinations. In 2022, this asset portfolio was valued at \$520 million by an independent national financial services firm. And since 2022, our net operating income has increased by approximately 10%. Thus, while we are a small cap company, our underlying asset base is substantial.

The first quarter is typically our slowest quarter of the year as there are fewer sporting events, concerts, and other events in our markets. That said, we are pleased with our results for the period, which demonstrate continued progress in several key areas.

First, we further improved the performance of our asset portfolio compared to year-ago levels, posting considerable revenue growth and a double-digit increase in net operating income.

Second, these results were closely tied to actions we took early in the quarter to convert 26 of our parking assets from leases to management agreements. First quarter revenue growth was

comprised of mid-single-digit organic growth that benefitted from our ability to drive increased utilization on the converted contracts, and the faster growth in net operating income was attributable to our team's focus on actively managing expenses on these contracts.

And lastly, we saw positive momentum across several key end markets in the first quarter that we expect to build throughout the year.

Taking a closer look at our first quarter business results, we were pleased to see year-on-year growth both in contract revenue, which is the revenue we derive from monthly parking tenants and in commercial revenue, which comes from our parking garages that are attached to retail destinations. Transient volume, while always light in the first quarter due to the absence of events, was particularly sluggish this year, but it picked up progressively throughout the period. Also, our average transient parking rate increased, which mitigated the softness in this category.

With respect to end markets, we continued to see strength in hotel parking, as well as growth in monthly parking from medical and social service facilities, municipal offices, and residential locations, and geographically the Midwest remained our strongest market.

Our technology infrastructure is a key differentiator in the marketplace, providing us with unique insight into parking trends at our locations and giving us the ability to customize offerings. In the first quarter, we continued to build out our systems to track revenue data on a real-time basis, which will enable us to implement sophisticated pricing models and other utilization tools across our asset portfolio.

As we discussed on our fourth quarter 2023 conference call, 2024 will be a year we plan to accelerate operational improvements as we work to strengthen the performance of our existing asset base. Our first quarter results represented a good step in that direction.

Additionally, as we have announced, we have named a new CFO, who will expand our bench strength at the executive level and relieve Stephanie of this role so she can concentrate on her responsibilities as President. Paul Gohr officially joined us on Monday after many years as Chief Accounting Officer and Vice President of Corporate Finance at CECO Environmental. Paul's public company experience, his impressive track record of accounting excellence and change management, and his reputation as a team player are important attributes that support our ambitious growth plans, and we welcome him as a key member of our leadership team.

I would like to thank Stephanie for her willingness to remain in the CFO role until we found the right person for this position, and now I would like to turn the call over to her for a financial review.

### **Stephanie Hogue**

Thank you, Manuel, and good afternoon, everyone. I am pleased to provide additional details on our first quarter 2024 financial performance.

First quarter revenue of \$8.8 million increased 24% year-over-year from \$7.1 million in the first quarter of 2023. This strong revenue performance was comprised of mid-single-digit organic growth from increased parking activity across our locations and from our conversion of 26 of our assets to management contracts from leases. As a reminder, this shift moved our revenue recognition on the converted assets to a more standardized accrual recognition, which more closely aligns with the underlying business performance.

We are pleased with the organic growth achieved in the first quarter, as it demonstrates the benefits of our active asset management strategy. Using our proprietary analytics, we have been able to customize our offerings and drive additional traffic to our locations.

Property operating expenses were \$1.5 million, compared to \$0.5 million in last year's first quarter. The increase primarily resulted from the accounting treatment associated with the shift to management contracts. This shift gives us more control over the expenses at the 26 managed assets in our portfolio, which enables us to better align spending in areas such as staffing, repairs and marketing with projected revenue generation. Property taxes were \$1.9 million, up slightly from \$1.8 million one year ago.

The net impact of our higher revenue and operating expenses resulted in net operating income, or "NOI", of \$5.4 million, up 11.9% from last year. NOI represented 61% of first quarter 2024 revenue.

General and Administrative expenses were \$3.0 million, which is \$0.4 million ahead of the similar period last year, reflecting public company costs, technology expense, and non-cash compensation of \$1.8 million. On a cash basis, G&A was \$1.2 million, and our platform is well positioned to scale; we expect to carefully manage G&A and believe parking revenue can grow meaningfully with very little incremental corporate OPEX as our business ramps. As a result, we would expect to show significant operating leverage over time via contribution margin as we drive incremental revenue.

Adjusted EBITDA was \$3.5 million, up 3.6% from \$3.4 million last year, and adjusted EBITDA margin was 40.0%.

In the first few months of this year, we converted 26 locations to management contracts, and we have ongoing discussions to convert several others in the near term, with the remaining locations requiring lease rollovers, which will take place in 2026 and 2027. We remain focused on building our base of managed locations.

Turning to our balance sheet, at the end of the first quarter Mobile Infrastructure had \$13.9 million in cash and restricted cash. Total debt outstanding was \$192 million, similar to the \$193 million at the end of 2023. Earlier this year, we successfully completed an extension of our revolving credit facility, which had an outstanding balance of \$59 million at quarter-end, providing extension options through June 2025, and are actively working with our lenders to refinance our upcoming debt maturities.

Our first quarter results were on plan and support the 2024 guidance we provided when we released our full year 2023 results. For full year 2024, we are reaffirming our prior guidance and continue to expect revenue of \$38 million to \$40 million, reflecting mid-single-digit organic growth and the benefit of the shift from leases to management contracts. As a reminder, net operating income is our operational North Star. We expect NOI of \$22.5 million to \$23.25 million, indicating growth from 2023 of 8.3% at the midpoint.

As Manuel mentioned, we have an active pipeline of potential acquisitions and our tax-advantaged ability to buy these assets for stock, where any gain will be deferred to the owners, offers liquidity for family-owned operations. We offer strong management capability, the benefit of scale, and technology services, which together, have the proven ability to immediately improve NOI on many of these assets.

As I noted on our last call, our ability to use our stock as a currency for acquisitions is dependent on achieving a more reasonable equity valuation.

With that, I will turn the call back to Manuel for closing remarks.

**Manuel Chavez**

Thank you, Stephanie.

To sum up, we are pleased that our first quarter results put us on track to achieve the guidance we provided for full year 2024, and that early indications for the second quarter point to the continued strengthening of our business. The growth we anticipate for 2024 does not include any material benefit from return-to-office mandates in our markets. Improvements in these metrics would be a growth tailwind for us.

Looking ahead, our long-term vision is to become the acquirer of choice in the parking industry. Our experience, relationships and technology infrastructure have attracted substantial interest in what is a fragmented and traditionally single-asset-owner industry. That said, while we have a sizeable pipeline of potential acquisitions, we intend to carefully navigate an unfavorable interest rate environment and will continue to work hard to create shareholder value. We believe that our stock price is materially undervalued relative to its inherent asset value.

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

**QUESTION AND ANSWER**

**Operator**

We will now begin the question and answer session. To ask a question, you may press "\*" then "1" on your touchtone phone. If you are 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 "\*" then "2." At this time, we will pause momentarily to assemble our roster.

The first question today comes from Bryan Maher with B. Riley Securities. Please go ahead.

**Bryan Maher**

Thank you and good afternoon. Just a few for me today. Stephanie, you touched upon the acquisition pipeline in your prepared comments, but I don't think you gave us a number there. I forget if you volunteered it last quarter or if we pulled it out of you, but I think you might've mentioned that you were kind of looking at like \$300 million in assets. Can you give us an update there, and let us know if you are close to doing anything or does it solely rely on your stock price moving up, so that you don't have to tap into cash?

**Stephanie Hogue**

Yes, great question, Bryan, and thanks for asking it. No, we're really watching the stock price. I mean, Manuel said it in his comments. We believe that it's largely undervalued. And so today using stock to acquire really is not accretive. I think if we saw something substantially accretive or with a very high cap rate, we would use cash to do that, but we're not seeing something that's that far in-the-money that it makes sense to execute today.

**Bryan Maher**

Would you say that the pipeline of opportunities that you are looking at is still somewhere in that couple- to few-hundred-million-dollar area?

**Stephanie Hogue**

Yes, absolutely. It's closer to \$300 million still.

**Bryan Maher**

Okay, and I think, Manuel, you talked a little bit about the seasonality in your prepared comments with the first quarter being the slowest. Could you or Stephanie give us an idea of how to think about the modeling of the seasonality of the business. In lodging, 4Q and 1Q are the weakest and 3Q and 2Q are the strongest. What is it in your world?

**Stephanie Hogue**

Sure, so first quarter is always the weakest. I'd say it's generally 21% to 23% of the full year over the last - certainly in this portfolio - over the last three years. We see a ramp in the second half of the second quarter, third quarter is always very strong and then the first half of the fourth quarter is strong. So, if you look at kind of all of those quarters together, third quarter is always the strongest and you've got kind of second and fourth, the back half and the front half, that are equally strong, and first being the slowest.

**Bryan Maher**

Okay. And then last for me. When you talk about the conversion of the 26 contracts to management contracts, can you maybe walk us through the mechanics of one of those, I mean, is it the same actual people who are working there before are going to work there after it's now a management contract, but not a lease, or is it new people? And if it's new people, how do you get them, and why not just hire your own people?

**Stephanie Hogue**

All great questions, Bryan. I'll start with the first part, which is that it is the same people. So, there's not a day-to-day difference. If you were going into the parking garage, you would not notice the difference at all. Same people, same process, it largely is just the way the revenue is reflected, and expenses are paid. So, by and large, we will change operators, aka "people," when the asset is not performing well or if we find that an operator is not paying attention to an asset, so R&M isn't being capped up, et cetera. But by and large, the experience is the same if you are a consumer.

**Bryan Maher**

Okay. And just maybe lastly, are you seeing any change in property tax trends, and how successful are you in appealing those when you do pursue appeals?

**Manuel Chavez**

Yes, we saw a slight uptick in there. It really depends market-to-market. Our success right now is decent. We tend to appeal if we feel like the increase is sort of outpacing our NOI growth. I would say, over the past couple of years, taxing authorities, auditors have not been that aggressive in CBD cores just based on the overall mood reflecting lack of return-to-work, et cetera.

**Bryan Maher**

Okay. Thank you. That's all from me.

**Stephanie Hogue**

Great. Thank you.

**Operator**

As a reminder if you would like to ask a question, please press "\*" then "1" to enter the question queue. The next question comes from Marc Riddick with Sidoti & Company. Please go ahead.

**Marc Riddick**

Hi, good afternoon.

**Stephanie Hogue**

Hi, Marc. How are you?

**Marc Riddick**

Good. I was wondering if we could continue on that thread a bit. I know in your prepared remarks, you mentioned that return-to-office improvement is not necessarily part of what your guide is incurring. Maybe you could talk a little bit about maybe what you're seeing in some of your markets, if you're seeing some markets perform a little better than others and whether that was any attribution into your first quarter organic growth?

**Manuel Chavez**

Yes, that's a good question, and something we spend a lot of time on. We have seen an increase in our monthly contract parking, which has been good because it's been something we've been focused on. But if you dive into that, it is not because of corporate monthly parking. These are monthly contracts that are primarily representing the medical and hotel industries and then residential.

**Marc Riddick**

Okay. Great, and then I wanted to shift gears as to some of the conversations around future growth plans and the acquisition pipeline there. Are you seeing any particular pockets that are coming to the table or maybe a little more attractive than others, whether that be a geographic fit or property type as far as the pipeline? And has that changed any maybe in the last six months or so?

**Manuel Chavez**

Yes, it's not going to come as a surprise to you. Parking assets that are attached to office towers and that are reliant on that office tower as their sole demand driver, we're starting to see those come to market. But with those comes the risk. We are really focused on having multiple demand drivers on adjacent blocks. And it's what gives us the opportunity to pull different levers. So despite the fact that return-to-office hasn't materialized, we can still focus on validation programs, hotels, residential, medical office, clinics, et cetera. So the real opportunity for us is looking at some of those garages that aren't attached to these sort of vacant office towers, and maybe the office tower is being redeveloped into hotel, residential, et cetera. And those are the ones that we're following there. The ones where we foresee sort of a continued reliance on return-to-office, those are much less interesting to us.

**Marc Riddick**

Got you. And then a last one for me. Can you bring us up-to-date as to what you're seeing as to the pricing environment and what you have baked in, in your forecast and how pricing plays into that?

**Manuel Chavez**

Yes, that's a good question. So, for us, we use pricing to facilitate trial, right? Because parking is a very perpetual, very sticky business. Your end parking consumer not only likes to park in the

same parking facility, oftentimes they prefer to park in the same parking space. So, once we get them in and we show them that we're clean, safe and secure and that is convenient for the demand driver that's bringing them downtown, then we can tend to keep the business. And so, we will aggressively mark down price or discount pricing if we see a surge in demand, meaning an opportunity to drive trial of a potential new customer. Any of our pricing that we change for either daily or monthly was changed on the first. So, it's baked into our Q1 financials and performance. As the dynamics of demand drivers or events sort of start to materialize throughout the year, we will use pricing up or down to fill in these spaces.

**Marc Riddick**

Excellent. Thank you very much.

**Manuel Chavez**

You're welcome.

**Operator**

This concludes our question and answer session. I would like to turn the conference back over to management for any closing remarks.

## **CONCLUSION**

**Manuel Chavez**

I want to thank you all for your time. We're looking forward to the remainder of the year. And as always, thank you.

**Operator**

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