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BEEP.OQ - Q2 2025 Mobile Infrastructure Corp Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to the Mobile Infrastructure Corporation second-quarter 2025 earnings conference call. (Operator Instructions) Please be advised that today's call is being recorded.

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

Casey Kotary - Mobile Infrastructure Corp - Investor Relations

Thank you, operator. Good afternoon, everyone, and thank you for joining us to review Mobile's second quarter 2025 performance. With us today from Mobile are Stephanie Hogue, CEO; Manuel Chavez, Executive Chairman; and Paul Gohr, CFO. In a moment, we will hear management statements about the company's results of operations as of the second quarter of 2025.

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, Stephanie Hogue, to discuss second quarter 2025 performance. Stephanie?

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Thank you, Casey. Good afternoon, everyone, and thank you for joining us today. Today, I will start with a business overview. Manuel Chavez will provide an update on our asset optimization strategy, and Paul Gohr will be presenting an overview of the quarterly financial information. Let me now turn to our results for the second quarter.

To provide context, several of our key markets continue to face temporary defined headwinds that, over time, should shift to tailwinds, enhancing the long-term value of our assets. Renovations of marquee properties, event centers and business centers are disruptive to near-term performance but extremely positive catalysts as we think about durable demand drivers.

Construction delays impact the timing of corporate contract demand and disrupt transient traffic. Coupled with adverse weather conditions, Mobile navigated a complex operating environment in the second quarter, and we are pleased to have delivered performance that was generally in line with expectations and stable year-over-year, which is a testament to our diversified portfolio and the secular growth trends in most of our markets.

Business trends in the second quarter were similar to the first quarter. As expected, transient volumes remained somewhat soft year-over-year, but improved meaningfully over the first quarter. Adverse weather was a contributing factor to lower year-over-year transient traffic.

In addition, several markets saw fewer marquee events, and sporting attendance has been mixed. Our markets have seen an uneven rebound of activity in the first half of the year, influenced both by weather as well as a consumer that felt economic uncertainty through the first half of 2025.

On a positive note, we saw a year-over-year increase in transient pricing, a reflection of the positioning of our garages and our ability to drive rate even in a lower volume environment, specifically for assets that are near multiple demand drivers. Encouragingly, contract parking continued to grow.

Monthly contracts increased 2.5% during the quarter and are up over 6.5% year-to-date, with particularly strong growth in residential monthly contracts, which are up 44% since year-end. This has been a major focus for the team, and we are optimistic that both the volume and the quality of business being secured are green shoots of the opportunities ahead as residential development gains momentum around many of our assets.

Monthly parking is slowly ticking up, offering long-term stability and providing a more predictable foundation for future utilization and pricing decisions. Our objective is to continue to grow this important metric over the medium term. There are several markets in the portfolio that highlight the importance of this trend.

In Cleveland, we have found strong partnership with our operator in focusing on residential parking. While transient traffic in our Cleveland assets has been mixed year-to-date, the focus on contract, specifically residential parking, has been successful. Contract revenue is up nearly 30% year-over-year, representing both residential and traditional office.

A similar trend is occurring in St. Louis, where transient traffic in several of our assets has been constrained given attendance of Cardinals games. We have spent much of the first half of the year on building monthly contracts and are seeing significant progress. A return to office in the market has seen an increase of monthly contracts, as well as provided an environment for rate expansion due to utilization rates that are near stabilized.

And finally, Oklahoma City highlights the continued importance in our portfolio of marquee events for the long-term viability of both central business districts and parking assets. With both the NBA Finals and the NCAA Women's Softball World Series Finals in early June, Bricktown saw its year-over-year utilization 15% higher than its ongoing stabilized performance.

While Bricktown's performance may not be indicative of the future, it does illustrate that a stabilized garage can still achieve substantial upside throughout the year, almost all of which falls directly to NOI.

Overall, our portfolio level utilization was slightly below last year's utilization, with the decline primarily concentrated in three markets. While uncomfortable in the short term, the construction and development around key Mobile assets in Cincinnati, Detroit and Denver should add meaningful value to the portfolio over time.

In Cincinnati, our assets have held up remarkably well despite the temporary closure of the Cincinnati Convention Center, which has meaningfully reduced transient hotel and event demand in this micro market. Despite near-term disruption, we are pleased that our three Cincinnati garages have maintained stable year-over-year performance, which is a commendable accomplishment of our team's focus on driving residential and commercial contract volume, which is up 9% since the end of 2024.

As the convention center reopens in January 2026 and the surrounding district continues its revitalization, we see multiple demand drivers for a step change in Cincinnati demand. As we discussed in recent earnings calls, one of the largest assets in our portfolio is a 1,200-space parking garage in Detroit, where we have experienced a year-over-year decline in utilization driven by a decrease in monthly contracts.

The Renaissance Center, which was home to General Motors' headquarters and a beacon of economic activity in Detroit, is undergoing a large-scale redevelopment that will ultimately reshape 5.5 million square feet of real estate into a modern riverfront mixed-use destination comparable to Hudson Yards in New York City or the Boston Seaport District.

As that redevelopment progresses over the next three to five years, we believe that the long-term value accretion of our adjacent asset will be substantial. In the meantime, we believe that this asset is largely near expected performance for the construction phase. And once construction is completed in 2028 to 2030, we expect a significant increase in this asset's net operating income.

And finally, turning to Denver. The 16th Street Mall redevelopment, a \$175 million project aimed at revitalizing one of the city's central corridors, is slated for full opening in the fall of 2025.

Through the second quarter, the downtown corridor remained under construction, and traffic was lighter for hotels and leisure travel. However, as this market reopens in the fall, our garage is well positioned to benefit from the increase in transient and event-based demand that should follow.

As we shared earlier this year, we expected 2025 to be more back-end loaded as we scaled monthly contract volumes and projects around certain assets concluded. While that contract growth is happening and certain micro market projects are wrapping up, the pace is slower than we originally forecasted. Coupled with lighter-than-expected transient volumes in a few markets for the year, we expect full year results to track towards the low end of our full year guidance range.

That said, a shift right of new monthly contracts and a return of transient traffic by market in no way changes our fundamental view of the company's value. We would much prefer incremental NOI to be realized in the third quarter of 2025 as opposed to the first or second quarter of 2026.

However, this timing delta has no bearing on the value of Mobile's portfolio. While redevelopment efforts and construction surrounding our key assets dampens short-term performance, we are extremely optimistic about the positive NAV impacts on our portfolio over time.

Combined with the long-term secular growth trends such as return to office mandates and the conversion of downtown office buildings into residential rentals, we continue to believe that Mobile's portfolio is materially misvalued in the marketplace. With that said, I am pleased to turn the call over to Manuel, who will provide an update on progress made to date on our asset rotation strategy. Manuel?

Manuel Chavez - *Mobile Infrastructure Corp - Executive Chairman of the Board*

Thank you, Stephanie, and good afternoon, everyone. Five months ago, we announced our portfolio optimization strategy, building on the momentum of the 2024 sale of three assets at significant multiples of their parking income. These transactions demonstrated the potential to unlock substantial value from noncore assets in our portfolio.

Importantly, this strategy can be executed with an immaterial impact on our financial position, as approximately 50% of our portfolio consists of core assets that generate about 80% of our revenue and an even higher portion of our net operating income. Bifurcating the portfolio into core and noncore segments has given us a valuable perspective to closely evaluate our noncore assets, assessing both their future demand drivers and the intrinsic value of the underlying land.

As outlined on our last call, we believe Mobile's optimization strategy can unlock \$100 million of proceeds from these noncore assets over three years, which is an important driver of our asset repositioning strategy and my full-time focus. To that end, I am pleased to report that we are in active negotiations for approximately \$20 million in asset sales.

Since announcing our strategy publicly, we have received inbound interest from a range of parties who recognize the strategic value in unique assets and Mobile's unique central business district real estate portfolio. We will be methodical in our asset rotation strategy.

Also, as previously discussed, we plan to redeploy the proceeds into select parking assets, restructuring our portfolio with fewer but larger assets that offer higher net operating income potential and are anchored by multiple demand drivers within markets we know well.

We continue to maintain a substantial pipeline of acquisition opportunities, and our deep industry experience and long-standing relationships give us access to off-market deal flow. We look forward to sharing another update on our Q3 earnings call.

With that, I'll turn the call over to Paul for a financial review. Paul?

Paul Gohr - *Mobile Infrastructure Corp - Chief Financial Officer*

Good afternoon, everyone. I am pleased to discuss the financial details of our second quarter 2025 results. Revenue of \$9.0 million in the second quarter was down modestly compared to the \$9.3 million in the second quarter of 2024, but generally in line with our expectations.

As Stephanie noted, the lower year-over-year revenue was primarily due to lower transient volumes, reflecting adverse weather conditions, a reduced number of special events and lower associated attendance, as well as construction-related impacts at several of our locations.

The decline in transient volume was partially offset by increased transient rate, evidencing adept price management and the value of our assets when there is adequate demand. Revenue Per Available Stall, or RevPAS, a key metric we use to manage our portfolio, was down 2% from \$217 in the second quarter of 2024 to \$212 in the second quarter of 2025, resulting from the factors I just mentioned.

Adjusting for our Detroit location, which is one of the largest assets in the Mobile portfolio, RevPAS was essentially flat. As we have discussed before, for our Detroit location, redevelopment is underway. So near term, it has some challenges and headwinds, but longer term, the asset is extremely well positioned.

We see RevPAS as a valuable tool to track our assets, particularly as we convert more assets to management contracts and a larger portion of our portfolio is included in the calculation. Property taxes of \$1.8 million were flat compared to last year. Property operating expenses were also flat at \$1.8 million for the second quarter of 2025 and 2024, benefiting from our disciplined cost management.

Net operating income, or NOI, was \$5.4 million, down 3.5% from last year's second quarter. The decrease was a function of the lower transient volumes I previously discussed. General and administrative expenses of \$1.2 million were down modestly from \$1.3 million in the prior year's second quarter. This excluded noncash compensation of \$0.8 million in the current year quarter compared with \$1.6 million of noncash compensation in the prior year quarter.

As we have noted in the past, Mobile Infrastructure is positioned to benefit from significant operating leverage and can grow without expense increases, as our infrastructure in place can easily support a larger asset base. Adjusted EBITDA was \$3.8 million, down about 6% from \$4.1 million in the prior year, and adjusted EBITDA margin was 42.8%.

Turning to our balance sheet. At the end of the first quarter, we had \$15.9 million of cash and restricted cash on hand. We ended the quarter with total debt outstanding of \$214 million, flat with the first quarter and similar to the \$213 million at the end of 2024.

As a reminder, last year, we refinanced \$87.5 million of secured debt. And in the first half of this year, we have turned our attention to our debt maturities through 2027, evaluating alternative structures that offer flexibility around our capital rotation strategy, away from noncore assets, as Manuel discussed.

Enhancing our balance sheet through flexible financing structures is an important value driver long term and will support our noncore asset rotation and reduce refinancing risk. We plan to have more to share on this front in the near future. Also, as we have discussed in the past, last September,

we put in place a \$40 million credit facility to redeem any preferred stock conversions in cash, as opposed to converting to common stock, thus avoiding substantial dilution and downward pressure on our stock.

It also gave us the ability to reinstate the dividends to these preferred holders. We are getting the intended results, as during the second quarter, we redeemed just \$1.5 million of preferred, which is significantly below what we saw in 2024. The preferred outstanding now sits at \$17.4 million, down from \$39.5 million at the start of last year.

Our published NAV is \$7.25 per share, and this does not credit our assets for their meaningful replacement value. Considering the material discount in Mobile's stock price relative to NAV, we intend to continue taking potential dilution off the table by settling preferred redemptions with cash and using our repurchase plan to buy back our stock in the open market. To date, we have repurchased over 530,000 shares at an average price of \$3.21 per share.

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

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

Thank you, Paul. Owning operating real estate assets makes quarterly comparisons difficult. Over reasonable time periods, we are confident in our ability to considerably increase the utilization of our core assets and drive substantial value for our shareholders. But timing can be difficult to predict.

Our year-to-date results are approximately flat with the same period last year, even amid difficult market conditions. Yet we had expected contract revenue to be higher, and transient revenue is light. That said, whether revenue and NOI growth materialize in Q2 2025 or Q2 2026, it does not change the company's overall value from a net asset value perspective.

Looking ahead, we expect second half 2025 business trends to be similar to those of the first half, with possible upside driven by potential seasonal tailwinds such as increased event attendance and hotel occupancy across several of our key markets.

With respect to our full year 2025 guidance of \$37 million to \$40 million of revenue and \$23.5 million to \$25 million of net operating income, we note that based on our year-to-date results and current visibility into construction delays in several of our micro markets, we expect the year to track to the low end of those ranges. We remain focused on disciplined management of our balance sheet, growing recurring cash flow and enhancing the long-term value of our portfolio.

Operator, please open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John Massocca, B. Riley Securities.

John Massocca - *B. Riley Securities Holdings Inc - Equity Analyst*

Good afternoon, everyone.

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Hey John.

John Massocca - B. Riley Securities Holdings Inc - Equity Analyst

So maybe thinking about the dispositions first, what's kind of the general kind of parameters of the \$20 million of potential dispositions you've highlighted in the earnings report? I guess kind of how many properties and what are you kind of looking at in terms of pricing?

Manuel Chavez - Mobile Infrastructure Corp - Executive Chairman of the Board

Yes. We're not going to get specific on the number of properties. But in terms of pricing, it's going to be similar to the asset sales we did last year in 2024, which are significant multiples of their parking income.

John Massocca - B. Riley Securities Holdings Inc - Equity Analyst

Okay. And then maybe as we think about even the use of proceeds from those sales or other kind of refinancing activity that you're talking about, how are you planning to or thinking about addressing or extending the line of credit, just getting kind of getting close to the original October maturity here?

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Yes. I think first, we want to reiterate that we put that in place really to prevent shareholder dilution. We've moved very quickly on it and continue to work with a very supportive lender and shareholder on that. So we are evaluating through refinancing of the larger portfolio and sale of assets, the best way to work with that particular lender on the maturity. But we're confident that we'll continue to work towards positive progress.

John Massocca - B. Riley Securities Holdings Inc - Equity Analyst

Okay. And then in terms of guidance, I know in the release, you talked about trending to the low end of the NOI guidance, the revenue guidance. How is that maybe flowing through to EBITDA? Are there some kind of pushes and pulls there that either get you lower than what you're expecting on the NOI revenue side or better? Just kind of curious, your thoughts on the EBITDA guidance today you've given to 1H performance.

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Yes. I mean, the great thing about this company is we have a significant amount of operating leverage, right? So we're focused very heavily on monthly contracts continuing to push there. If trends in transient are like they were in the second quarter, there's potential upside. We have really strong cost controls in our assets to drive NOI. And then G&A is largely fixed. So in terms of operating leverage, as we start to move assets in and out of the portfolio, there's substantial upside coming forward.

John Massocca - B. Riley Securities Holdings Inc - Equity Analyst

Okay. And then kind of lastly, as we maybe think about 3Q, what are you seeing so far in terms of transient performance, just given we kind of have one month in the books already?

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

So transient performance in the second quarter was better than it was in the first quarter. I would say it was impacted by a few things. Weather, for sure. Construction in several of our assets. We've seen fewer marquee events across the portfolio in the second quarter. And that trend may or may not persist going forward.

John Massocca - *B. Riley Securities Holdings Inc - Equity Analyst*

I mean, is that -- is that kind of -- go ahead.

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

Yes. No, I was just going to say as we kind of look ahead through the end of the year, we have line of sight into the end of construction. That's obviously outside of our control in certain markets, but that will very positively impact transient going forward, both events and hotel, et cetera.

John Massocca - *B. Riley Securities Holdings Inc - Equity Analyst*

Okay. And I guess maybe some of the positive trends from 1Q to 2Q, have those kind of continued into 3Q? I know there's transient can be impacted by a lot of things that are very specific to very -- events, right, sporting teams, et cetera. But just kind of what are you seeing so far in July relative to what you were experiencing in 2Q?

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

Yes. I mean, we don't have that data today.

John Massocca - *B. Riley Securities Holdings Inc - Equity Analyst*

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

Operator

Kevin Steinke, Barrington Research Associates.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Hey, good afternoon. Thank you. So I wanted to just to ask about, first, the contract parking trend, the sales and the volumes. You noted that's up 6.6% year-to-date. I believe you might have said in your prepared remarks that contract parking demand was maybe a little bit slower than you expected. I wanted to make sure I heard that correctly?

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

Yes. So that was really in reference to residential pickup and delivery. So delivery was a little bit slower for residential coming online. And lease-ups tend to be in the third quarter and the fourth quarter. So a little slower in the second quarter, but the team is delivering well, and we're seeing that longer-term pickup that we want to in terms of trend.

Kevin Steinke - Barrington Research Associates Inc - Analyst

Okay. Good. And I think also related to contract demand. I think you said on the corporate side, maybe construction has disrupted that a little bit as well. I don't know if just -- people are obviously maybe less willing to come in to the office if there's construction. Is that kind of what you were referring to there?

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

I think that comment was in reference to Detroit, largely impacting the monthly contracts in Detroit as Renaissance Center goes through its redevelopment. Construction certainly has an impact on transient traffic, as does weather. But in terms of monthly, it's a repositioning of assets, but we're extraordinarily positive on the long-term view of that asset.

Kevin Steinke - Barrington Research Associates Inc - Analyst

Right. Okay. Got it. Yes. Thanks for that clarification. And so I think you referred to potential upside in the second half related to transient. So I guess the implication is that you're trying to bake in pretty conservative assumptions around transient parking in the second half. And potentially based on sports attendance and other things, perhaps you can maybe exceed those expectations?

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Yes. I mean, sporting attendance in the second quarter was down for sure. Fewer events were impactful in the second quarter as well. That's sort of out of our control in the near term. I think construction is the same, the line of sight that we're really positive on seeing that come to an end in kind of third and fourth quarter, that will be positive to our assets because it just impacts flow in and around the micro market.

Kevin Steinke - Barrington Research Associates Inc - Analyst

Right. Okay. And so you also talked about improved demand in 2026 as event centers reopen and construction is completed across several key markets that you called out. Denver, Cincinnati, I think, would be two of the big ones, obviously, but is there anything else we should be thinking about in that bucket?

Stephanie Hogue - Mobile Infrastructure Corp - Chief Executive Officer

Those are the two largest. Nashville has an element of that. That asset was right by the Christmas Day bomb in 2020. So construction is wrapping there right in front of our asset. But those will be the most impactful in 2026 as we have no construction, more events, event centers coming back online and then an increase in monthly.

Kevin Steinke - Barrington Research Associates Inc - Analyst

Okay. Great. And then lastly, you talked about after publicly announcing your asset rotation strategy, getting inbound calls and inbound interest, and you're in active negotiations on about \$20 million of assets. What -- is there significant competition in the market for those assets, just to the extent that you can talk about really, the demand levels for the assets you have out there?

Manuel Chavez - Mobile Infrastructure Corp - Executive Chairman of the Board

Yes. The demand for parking assets is significant in the market. We've got a wide array of different buyers of those assets, and they buy them for a lot of different reasons, which provides us a lot of optionality. Being at \$20 million approximately at this point in the year, we feel as though we're ahead of schedule, and we're optimistic about the momentum that we're creating at very desirable valuations.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay, Great. Thank you. Turn it back over.

Stephanie Hogue - *Mobile Infrastructure Corp - Chief Executive Officer*

Thanks Kevin.

Operator

Thank you. And I'm not showing any further questions at this time. This concludes the question-and-answer session. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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