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FLYX.A - Q1 2025 Flyexclusive Inc Earnings Call

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CORPORATE PARTICIPANTS

Jim Segrave *flyExclusive - Founder, Chairman, and CEO*

Brad Garner *flyExclusive - Chief Financial Officer*

PRESENTATION

Operator

Greetings and welcome to the flyExclusive First Quarter 2025 Earnings Call.

(Operator Instructions)

I would now like to turn the conference over to your host, [Mr. Kyle Ngarkar] investor relations.

Thank you. You may begin.

Unidentified Company Representative

Thank you, operator. Good afternoon and thank you for joining flyExclusive's First Quarter 2025 Earnings conference call. Joining me on the call today is Jim Segrave, flyExclusive's Founder and Chief Executive Officer, and Brad Garner, our Chief Financial Officer. We announced First Quarter financial results yesterday after the market closed, along with the filing of our Form 10Q for the quarter ended March 31, 2025.

Today we'll be providing certain non-GAAP information during today's discussion. Important disclosures about this information and a reconciliation of the non-GAAP information to comparable GAAP information is included in our Form 10Q filed with the SEC and is available on our Investor relations website. In addition, this discussion might include forward-looking statements.

Actual results might differ materially for any number of reasons, including risk factors described in our in our annual report on Form 10K. In our quarterly reports on Form 10Q and in the press release covering forward-looking statements rather than re-reading this information, we're going to incorporate it by reference in our prepared remarks. With that, let me turn the call over to the Jim.

Jim Segrave - flyExclusive - Founder, Chairman, and CEO

Thank you, [Kyle], and thanks to everyone for joining us today. Last quarter, I spoke about the transformation of flyExclusive throughout 2024.

That transformation continues and the benefits are now showing up across our operations, our customer experience, and most importantly, our financial results.

We've modernized our fleet, strengthened our team, and streamlined our cost structure.

Our partners, along with Jet Club and fractional members are seeing the results in better aircraft, better service, and more reliability and our shareholders should now be seeing the value this platform can deliver over time.

Let's start with the fleet because that's where so much of our turnaround began.

At the start of 2024, as we've discussed in the past, we had 37 non-performing aircraft in the fleet. The older Gulfstreams were the biggest drag, followed by the citation encore and ex fleets. Today, We only have 1 of the non-performing golf strings left in the fleet, down from 7, and just 2 of the encores remain down from 11.

We've eliminated half of the Citation X fleet and we'll wind down the remaining aircraft over the next 12 months as new Challengers come online.

The negative impact from these non-performing aircraft has been reduced by approximately 80% from a peak of over \$3 million per month to less than \$600,000 today.

Over the next few quarters, we will fully eliminate this drag on our performance.

From an operational standpoint, these non-performing aircraft had dispatch availability of around 30%. As we eliminated 23 of them, we improved our overall maintenance dispatch availability by nearly 100%, now reaching in the low 60% range. As we finish removing the remaining aircraft, we expect continued gains.

This is how we've delivered sustained growth in flight hours and revenue with approximately 17 fewer aircraft. We estimate the old fleet structure at its peak was costing us as much as \$36 million per year.

The addition of challengers to the fleet alongside our profitable CJ 3s and Excels has had a major positive impact on performance. We now have 5 challengers in operation, with a 6th on-site preparing to enter service this month.

We expect to accelerate our Challenger editions over the remainder of 2025. We anticipate the Challenger fleet will grow to 12 to 15 aircraft and represent as much as 30% of overall revenue by year end, just over a year after introducing the first Challenger 350.

Again, speaking to how fast we are transforming the landscape.

These aircraft are delivering dispatch availability in the 80% range as projected and with the 6th arriving this month, we've extended super mid-size access to our Jet Club members.

Each Challenger should generate \$8 million to \$10 million in annual revenue and deliver stronger margins than any other aircraft in our fleet.

When paired with the high performing CJ 3s and XLSs in our fleet, the story is clear. Our fleet is more reliable, more profitable, and better aligned to deliver what our customers want and expect.

Two new XLS Gen 2s are scheduled for delivery from Textron in the second half of 2025, and we continue to add CJ 3s to our fleet as the customer base grows.

Now let's talk about how that's translated into our performance in Q1.

We flew 17,333 hours in the quarter, a 6% increase from a year ago, and we did that with nearly 20% fewer aircraft.

What's even more impressive is that this performance essentially matched Q4, which is always our busiest quarter due to the very high demand over the holidays.

We are extremely pleased with this performance. Revenue tells the story even better. We generated \$88 million in Q1, up 10% year over year, again with nearly 20% fewer aircraft.

Nothing speaks more clearly to our transformation and delivering more flight hours and revenue with far fewer aircraft. This performance has been driven by strong customer demand, better fleet utilization, and much higher aircraft availability.

To add more color, although we removed more than 20 revenue-generating aircraft over the past year, our active membership grew by 38%. This kind of leverage is exactly what our vertically integrated model is designed to capture.

Our member to aircraft ratio is now 12.8, still the lowest in the industry among the major players, giving us ample runway to grow while continuing to deliver the service our customers expect. Right, We're up nearly 4% with some benefit from favourable aircraft mix.

As we add more challengers. We expect this trend to continue throughout 2025 and beyond.

Non-programmed charter revenue per aircraft, while now a smaller share of total revenue due to rapid growth in our direct to customer recurring programs still increased 9% year over year. Utilization per member increased by 13%. That's a healthy trend, and when combined with improved, improving flight margins and rising dispatch availability, it makes the foundation even stronger.

I also want to remind everyone again, at our current scale, each 1% improvement in dispatch availability adds roughly \$3 million to our bottom line annually. So, this isn't just about service quality, it's a major driver of profitability.

And we fully expect to continue improving our dispatch availability through operational enhancements.

We have been asked how financial market volatility or trade developments might affect our business. Let me speak to what we're actually seeing. Contrary to reports of weakening demand in both leisure and business travel, our Q1 2025 revenue, a retail charter activity, was up 10%, and April was up 15% year over year.

Engagement from new and existing members continues to grow. Utilization trends remain strong.

While formal market share data has not been published yet, based on Q1 and April, we are confident we're continuing to take share both from competitors and new entrants. Our improved fleet reliability and service are accelerating this growth.

While our customer base isn't overly sensitive to interest rates or currency fluctuations, what we are seeing is a modest shift from international to domestic travel, which plays to our strengths given our US based fleet.

On the cost side, there's been a lot of speculation around tariffs and trade policy. We believe the uncertainty has slowed some whole aircraft and fractional purchases, but cost customer confidence continues to rise each day.

I will not predict, I will not attempt to predict global trade negotiations, but if policies make it harder to build aircraft outside the US, it is likely this will only increase the value of our fleet. This is where we could have a real advantage. We built flyExclusive to be vertically integrated. We manage, fly, maintain, refurbish and repair our own aircraft.

That gives us control over quality, cost, and uptime. If the industry faces bottlenecks, we believe we'll be in a stronger position than most, ready to capture market share and serve our customers without disruption.

Let's turn to customer programs. Jet Club had another strong quarter. Sales were up 25% compared to Q1 last year, and active members grew by 192% over the same period.

On the fractional side, Q1 is typically slower for new purchases, but in Q1, we recorded \$16.2 million in fractional program activity, including \$7.6 million in new fractional share sales and \$8.6 million in fractional flight revenue.

That's up 100% year-to-date versus Q1 2024 and that's with many customers still waiting for clarity around the new tax bill and whether it includes 100% bonus depreciation.

Interest remains strong, especially as more challengers enter service in our new XLS Gen 2s near delivery. These assets are in high demand, and we expect conversations to accelerate as the year progresses.

I also want to highlight the continued growth of our MRO paint and interior business. We generated \$1.8 million in external MRO revenue in Q1, up 18% over Q1 2024.

While a small portion of our total revenue, we see very strong long term growth potential for this division. And as I've said before, it's a clear competitive advantage. Few operators do what we do in-house. If supply chains tighten from trade issues, our MRO business becomes even more valuable as a revenue stream, a profit center, and a driver of fleet uptown.

Turning the profitability.

We reduced our adjusted EBITDA loss to \$6.3 million in Q1. That's a \$13 million dollar improvement over Q1 2024, nearly a 70% year over year improvement. We made that progress by expanding flight margins and continuing to improve SGNA. Compared to last year, SGNA was down 17% and SGNA as a percent of revenue declined over 7 points to roughly 24%.

That 7 point improvement saved us over \$6 million this quarter alone, or \$24 million on an annualized basis.

We've built a more efficient and scalable public company infrastructure, and we expect SGNA to continue declining as a percentage of revenue.

SGNA revenue per employee increased more than 40% in 2024 and continues to rise in 2025. Moving to capital markets and our 2025 financing plans. The first quarter. We believe this transaction will create operational efficiencies and support continued growth. As an update, we filed the S4 a few weeks ago and anticipate closing in the next 60 days as planned.

Jet AI has already met the minimum cash condition, and we expect that cash position to increase further before close, further strengthening our balance sheet.

Over the last few quarters, we've developed multiple financing options to support our Challenger acquisitions and incoming XLS deliveries in the second half of the year.

This puts us in a strong position to execute our growth plan in 2025. We are optimistic that we'll be included in the Russell 2000 in the coming weeks. We now meet all qualification criteria.

While inclusion is never guaranteed, we've checked every box to reach that milestone.

Lastly, with the filing of our Q1 2025 financials, we are now shelf eligible and plan to file an S3 shelf registration on or around June 2nd.

This will provide access to additional funds to accelerate aircraft acquisition and just as important, the funds we expect to raise will further solidify our liquidity, reduce leverage, improve cash flow, and eliminate our warrant overhang.

To wrap up, we believe 2025 will be the year we establish a clear, sustained record of EBITDA growth and positive free cash flow. Q1 started strong with meaningful improvements across the board. We are more confident than ever in our strategy. I couldn't be more proud of our team, and I'm grateful to our shareholders, analysts, and partners for their continued support. To our employees, from our administrative and accounting staff, to our pilots and technicians, our dispatchers, customer service teams, and our sales and marketing organization, thank you. Your hard work and dedication to our company, our share shareholders, our members, and our customers is what makes this all possible.

With that, I'll turn it over to Brad to walk through the financials.

Brad Garner - *flyExclusive* - Chief Financial Officer

Thank you Jim.

I'll say again as one of the newer members of the flyExclusive team that the energy and excitement at the company is real. Our improvement year over year is a testament to the continued execution against our strategic initiatives, modernizing our fleet to disposing non-performing aircraft, adding challengers, right sizing the cost structure to an appropriate and scalable level, and institutionalizing the operation.

I'll begin with the first quarter's financial highlights.

As Jim mentioned, flyExclusive reported Q1 2025 revenues of \$88 million which again is up roughly 10% year over year. A strong result given a roughly 20% reduction in the fleet due to the disposals of non-performing aircraft over the past year.

The growth was broad-based and reflects strength in the demand for our charter, Jet Club, and fractional businesses. Total fractional and Jet Club membership increased nearly 30% over the last year, and we ended the quarter with over 1,000 customers contributing to revenue during the last 3 months.

Additionally, in what's typically a slower quarter for fractional sales, we saw strength driven by the onboarding of new jets in the fleet. Fractional program activity generated \$16.2 million of sales in Q1, up 100% year over year.

And as Jim mentioned, our pipeline remains strong. Light revenues generated from our fractional members more than doubled over last year to \$8.6 million during the quarter. And as we've seen in prior quarters, we continue to see a positive shift in our revenue mix to contractually committed demand through our fractional and Jet Club membership programs.

We also continued the momentum from Q4 2024 in our MRO business, which continues to scale and has high inbound inquiry and a growing backlog. MRO revenues of \$1.8 million in the quarter were 18% higher than a year ago, and we have ample capacity to continue growing this business.

With strong demand and increased revenue, we continue to realize improvement in our operating margins. Gross margin for Q1 2025 was roughly 13%, a 600-basis point improvement year over year.

This step function improvement is a testament to the successfully execution on our fleet refresh initiative. Our improved dispatch availability and effective cost management.

In a seasonally slower quarter, our operating efficiency and improved fleet utilization and up time drove strong results. We believe there's further potential for operating margin expansion through the busier seasons and with the ongoing progress of our fleet modernization initiative, coupled with ever greater operational efficiencies.

In summary, I'd reemphasize Jim's statement earlier that our operating model in 2025 is transformed and will only improve. The operating leverage potential we see ahead is significant and with continued demand for both our Jet Club and fractional programs paired with substantial improvement in fleet utilization, we expect 2025 to be a leapfrog year for the company.

Moving to our cost structure.

We continued to drive improved operating leverage as our SGNA costs declined to 24% of revenue, an improvement of nearly 700 basis points year over year.

These savings were the result of decisive actions taken over the past year to reduce SGNA headcount by 23%, improve processes to realize operational efficiencies and scale, and exit from a number of expensive outside consulting and professional fees. This work culminated in a 43% increase in our revenue for SGNA headcount. Culminating at \$147,000 at the end of the quarter.

We expect to continue to see significant scale realized over the balance of 2025, resulting in SGNA relative to our sales to continue to decline. As a result of these margin enhancements and cost management actions, our adjusted EBITDA loss narrowed to \$6.3 million during the quarter, a \$13 million and 67% improvement year over year.

As we exit Q1, we're encouraged by the demand in April and fully expect to continue to take steps forward to generating positive adjusted EBITDA in 2025 by capitalizing on that increasing demand. Adding significantly to the 5 challengers online currently.

Additional aircraft acquisitions in the pipeline, improved operational efficiencies and dispatch availability, and additional actions on cost management. Beyond EBITDA, we continue to strengthen our liquidity and balance sheet flexibility and believe there's opportunity in the future to add value to reducing our cost of capital.

In 11, we repaid the \$59 million dollar line of credit resulting in annual savings of roughly \$3.6 million.

Additionally, in late March, we amended our senior secured note to extend our maturity until 2027. And also converted a sponsor loan to equity. In addition to these actions which improved our liquidity, we continued our positive momentum in our Jet Club and fractional retail sales.

Jet Club new and renewal business increased \$34 million during the quarter, a 32% increase year over year. Retail sales of fractional shares increased 91% year over year to \$7.5 million during Q1.

With the simplified JC 25 Jet Club contract, a robust fractional pipeline and the breaking news just yesterday that the return of 100% bonus depreciation is expected in an upcoming tax bill. The outlook for the balance of 2025 remains strong.

Lastly, as Jim mentioned, we filed an amended S4 related to the Jet AI merger agreement and anticipate closing that transaction in the near future.

As we've highlighted previously, we expect the Jet AI merger to realize operational efficiencies with their fleet and to provide additional capital to accelerate our 2025 growth plans. Each of these developments allows us to capitalize on and accelerate the value generation drivers. We've spent this call highlighting.

A strong and improving balance sheet is an important priority for flyExclusive, especially given the differentiated competitive advantage our model and refresh fleet have in today's market.

To close, the execution by our team, from our pilots and technicians to our sales, finance, and support teams against our initiatives have resulted in a remarkable transformation in our business. A modernizing fleet. Expanding market share, improving utilization and availability resulting in expanded margins, a more scalable and efficient cost structure, and most importantly, an intense focus on customer service and experience. We still have work ahead of us, but the momentum is real.

We are more streamlined, more capable, and better aligned than at any point in our history. I'm proud of what we've accomplished and even more excited about where we're headed.

Thank you all for joining, and now I'll turn it back to the operator.

Operator

Thank you, ladies and gentlemen thank you for your participation. This now concludes our conference.

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