



# Mesa Air Group, Inc.



**Raymond James**  
40<sup>th</sup> Annual Institutional Investors Conference

**March 6, 2019**

# Disclaimer



**This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact contained in this presentation, including statements regarding our future results of operations and financial position, business strategy and plans, and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "should," "expects," "might," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," "seek," "would" or "continue," or the negative of these terms or other similar expressions. The forward-looking statements in this presentation are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements speak only as of the date of this presentation and are subject to a number of risks, uncertainties and assumptions described in the "Risk Factors" section and elsewhere in our 2018 Report on Form 10-K for the fiscal quarter ended December 31, 2018. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.**

# Mesa Profile



**4<sup>th</sup> largest\* U.S regional airline operating as American Eagle and United Express under long term contracts (“Capacity Purchase Agreement” or “CPA”).**



**145**

**Regional Jets**



**3,500**

**Employees**



**\$695M\*\***

**Annual Revenue**

## IPO August 10, 2018



**RAYMOND JAMES**

Cowen

Stifel

**BofA Merrill Lynch**

Imperial Capital

# Our Business Model – CPA



## Capacity Purchase Agreement – Partner Highlights



1. **Set schedules**
2. **Set fares**
3. **Sell seats**
4. **Keep all revenue**

### **Partner Risks**

1. **Fuel** (paid directly by AA/UA)
2. **Airport costs** (paid directly by AA/UA)
3. **Ticket sales**
4. **Load factor**

## Capacity Purchase Agreement – Mesa Highlights



1. Operate aircraft
2. Paid guaranteed fixed revenue
3. Paid variable revenue per hour
4. Pre-paid weekly
5. No fuel risk

### Mesa Risks

1. Manage costs within CPA rates



# Why Majors Use Regionals

Regionals are cost effective and provide capital

**Lower Operating Costs**



**Lower Overhead**

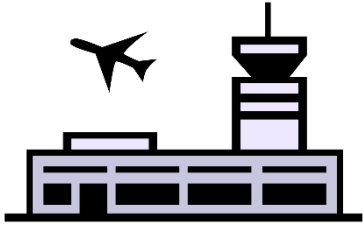


**Reduces Debt Burden –  
Source of Capital**



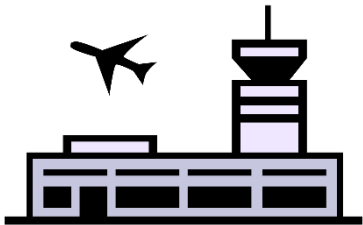
# Importance of Regionals

Regional flying is essential to the U.S. transportation network



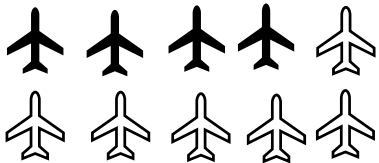
**96%**

Percent of US airports  
served by regionals\*



**63%**

Percent of US airports  
served only by regionals\*



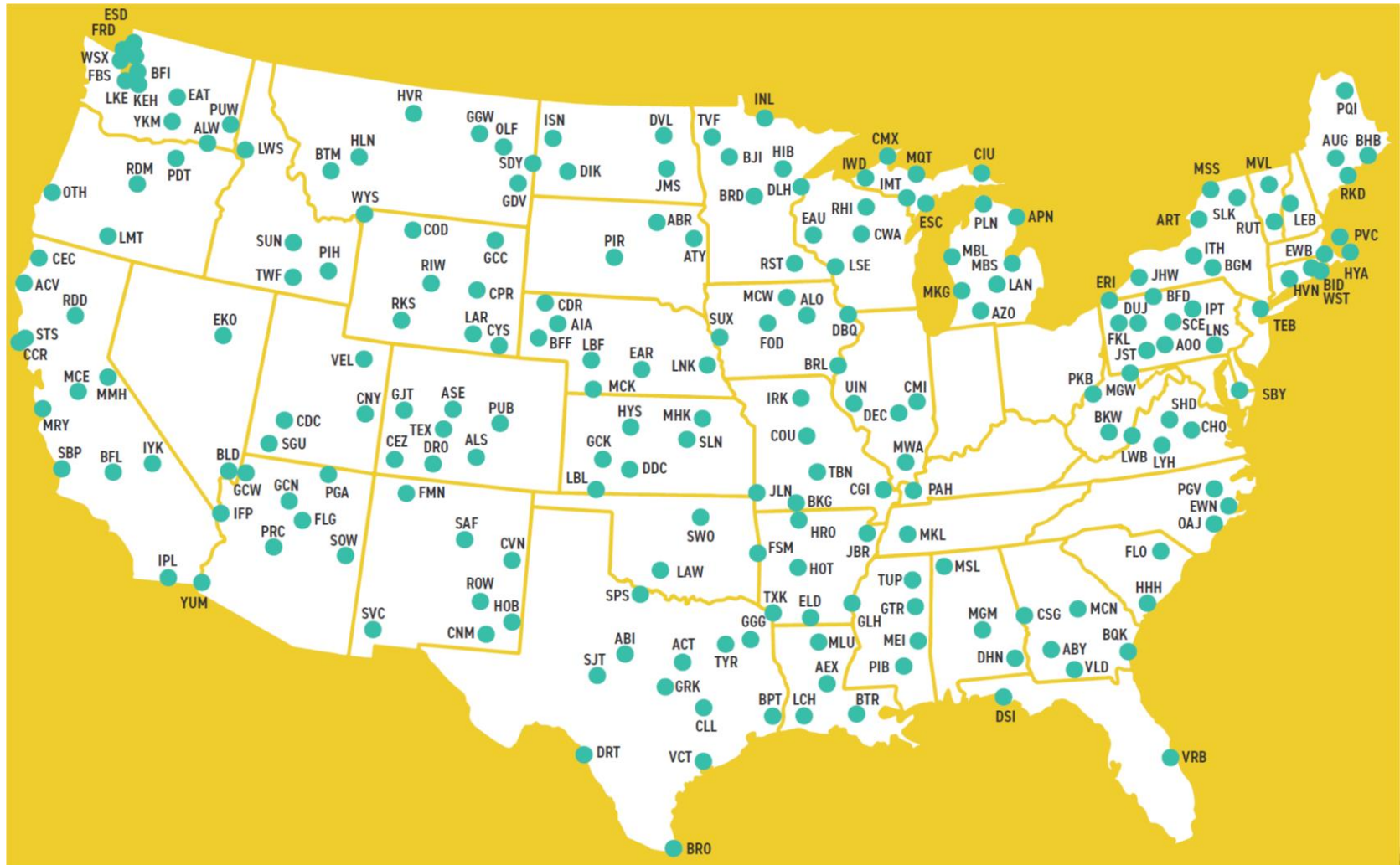
**41%**

Percent of US flights  
operated by regionals\*



**MESA**  
AIRLINES

**217 US airports served only by regional airlines\***



# Importance of Regionals

## Regional Flights at major airports \*



New York  
**LGA**

**56%**



Chicago  
**ORD**

**55%**



Washington  
**DCA**

**52%**



Houston  
**IAH**

**51%**

Mesa has a long history with both UA and AA

## 145 Total Aircraft

American Airlines 

**64**  
BOMBARDIER  
CRJ-900  
76/79 Seat

UNITED 

**60**  
← EMBRAER  
E-175  
76 Seat

**20**  
BOMBARDIER  
CRJ-700  
70 Seat

SPARE

**1**  
CRJ-200

**MESA**  
AIRLINES

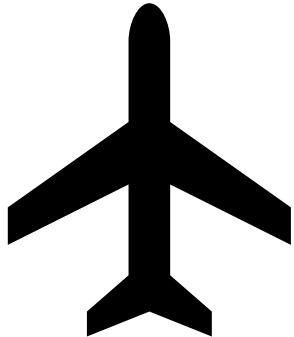
A map of the United States illustrating flight routes from three major hubs: Phoenix (PHX), Dallas (DFW), and Houston (IAH). The map shows a dense network of flight paths connecting these hubs to numerous other cities across the country. The routes are color-coded: red lines for American Airlines, blue lines for United, and black lines for Mesa Airlines. The map also includes logos for American Airlines, United, and Mesa Airlines. The text 'Phoenix Dallas' is in a red box, and 'Houston Dulles' is in a blue box. The map shows a dense network of flight paths connecting these hubs to numerous other cities across the country.



# Where we fit in the regional industry



Percent of Regional flying for American, Delta and United



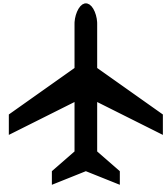
**15%**  
Of large RJs  
operated by Mesa

**BOMBARDIER**

CRJ-700  
CRJ-900

← **EMBRAER**

E-170  
E-175



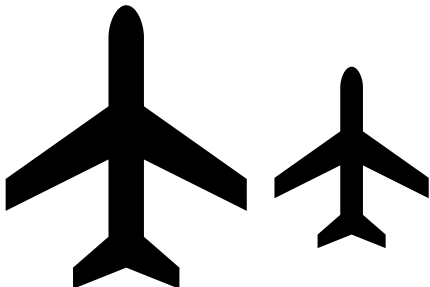
**0%**  
Of Small RJs

**BOMBARDIER**

CRJ-200

← **EMBRAER**

ERJ-145/40



**9%**  
Of All RJs

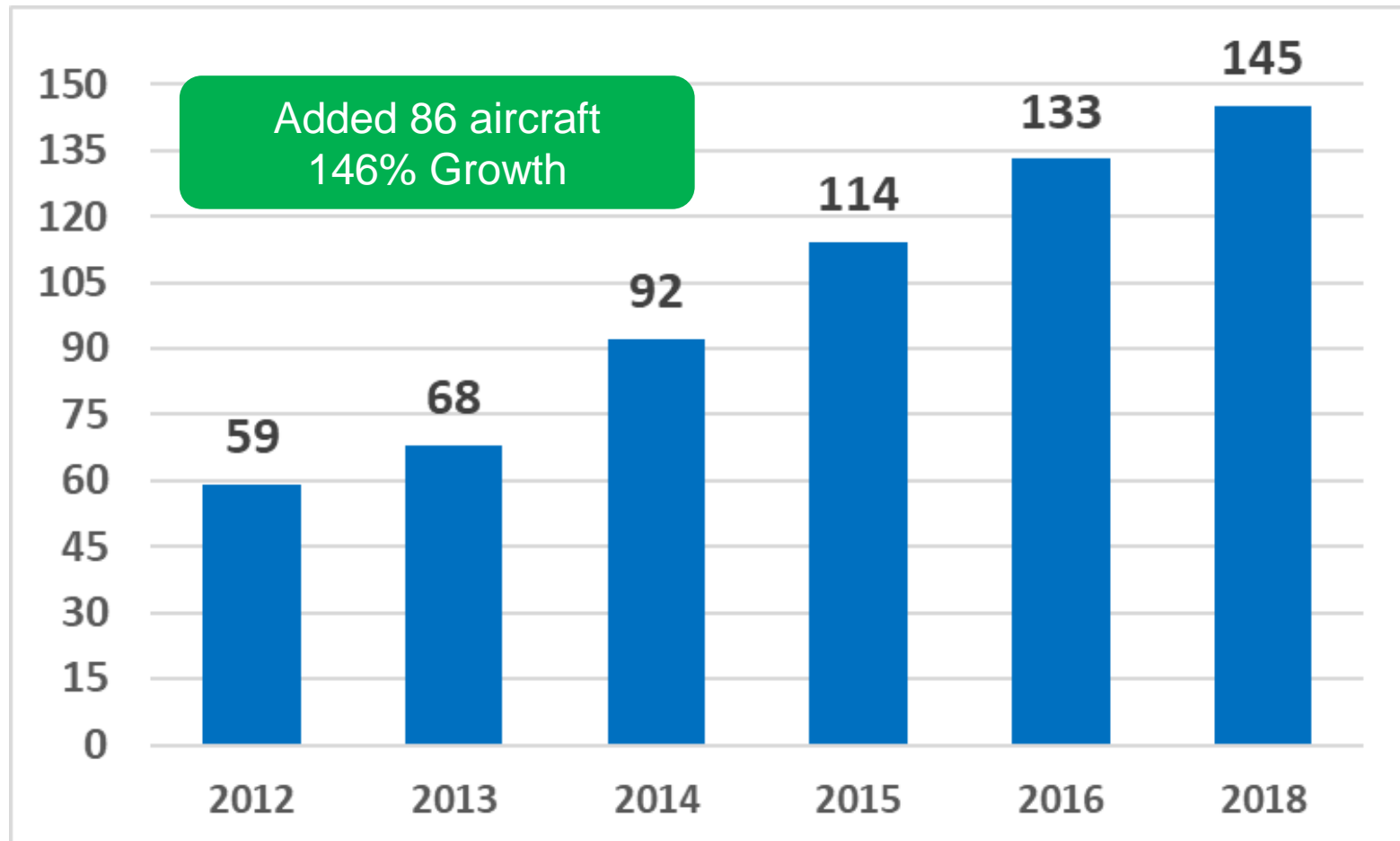
Since 1982 Mesa has been a key player in regional aviation

- ★ **Low Risk Business Model (CPA)**
- ★ **Proven Track Record of Growth**
- ★ **Low Cost Operator**
- ★ **Pilot Recruiting / Labor Relations**
- ★ **Cost Headwinds behind us**

# Growth company



Fastest growing regional airline since 2013





# Our Low Cost Strategy



The main components of our low cost strategy

**LOW OVERHEAD COSTS**

**STRATEGIC OUTSOURCING**

**MOTIVATED COOPERATIVE WORKFORCE**

**LONG-TERM BENEFITS OF “JUNIORITY”**

**NEW COST EFFECTIVE LABOR AGREEMENTS**

# Benefits of “Juniority”

As a result of our growth, we have a junior and cost-effective workforce

**IN THE LAST YEAR, WE HIRED  
APPROXIMATELY 1,000 NEW EMPLOYEES**

**PILOTS, FLIGHT ATTENDANTS AND  
MECHANICS ARE ALL PAID ON THE BASIS  
OF SENIORITY**

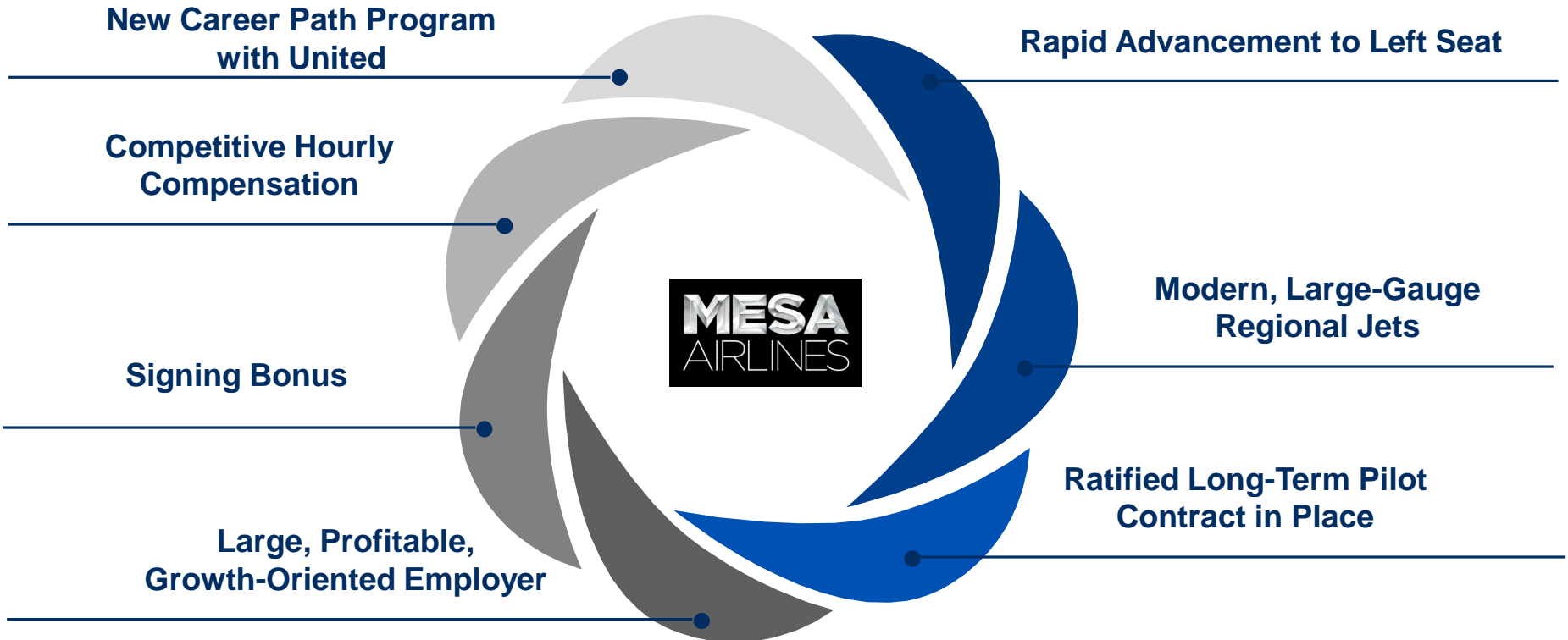
**75% OF OUR WORKFORCE HAS LESS  
THAN 5 YEARS OF SENIORITY**



# Pilot Retention and Recruitment



## Why pilots prefer Mesa



# Mesa Strategy going forward



## Maximize Shareholder Value



**Maintain Significant  
Cost Advantage**



**Superior Ops  
Performance**



**Expand/Extend  
Existing Business**



**Diversify**

# The “Scopes” the limit

New seating configuration may change how we look at scope

## Estimated Scope Limits

American Airlines 

**600**

 **DELTA**

**450**

**UNITED** 

**770**

## Seat Limits

**76  
SEATS**

**61-70  
SEATS**

**50  
SEATS**

**OPPORTUNITIES  
DE-SEAT?**

**CRJ-550  
CRJ-900 / E175  
(70 SEATS)**



# Financial Highlights

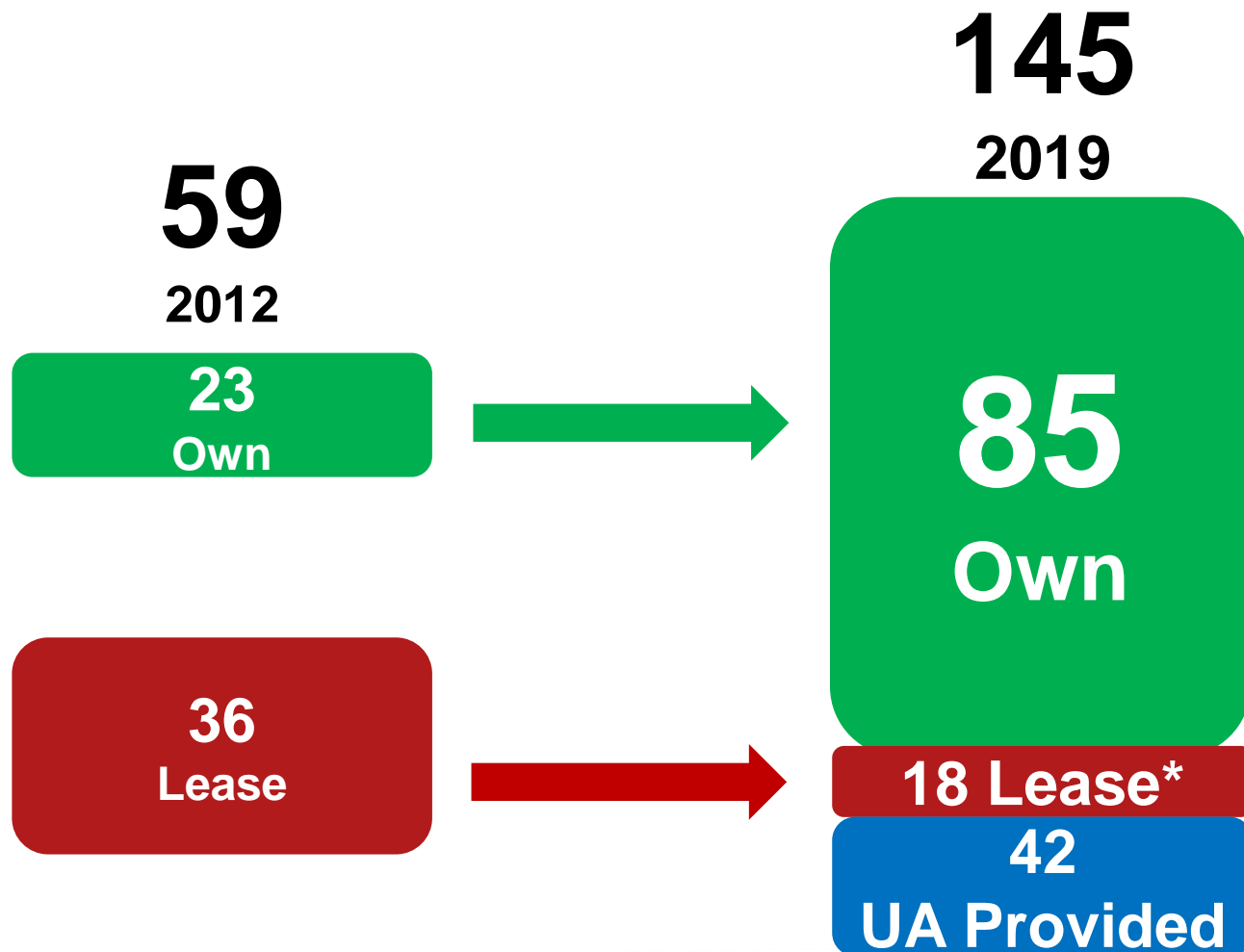
## Behind the numbers

- ★ **Debt details**
- ★ **Block hour production**
- ★ **Engine Expenses**
- ★ **Lease Buyouts**
- ★ **Refinance debt / repay revolver**
- ★ **Earnings history**



# Lease versus Owned Aircraft

We significantly increased our fleet and reduced the # of leased aircraft



# Debt Summary

Majority of Mesa debt is aircraft related and is paid off by partners through the CPA

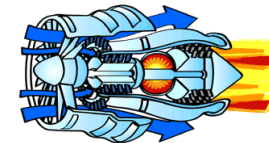
**\$915M**  
Total Debt  
FYE 2018

**\$808M**

Aircraft Debt  
FYE 2018



**\$107M**  
Engine Debt  
FYE 2018



**All Other - \$0**

# Aircraft debt



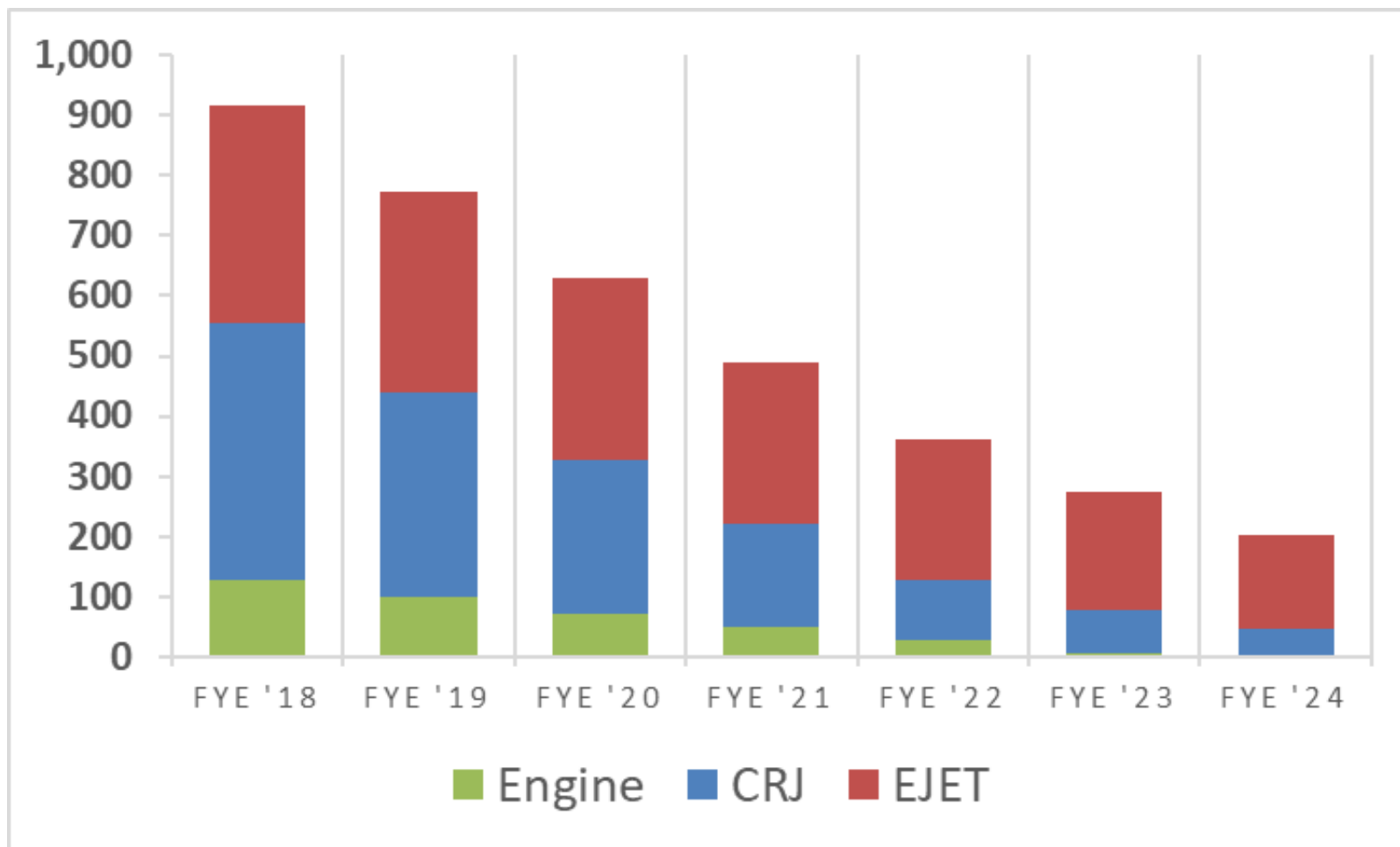
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# Debt Summary

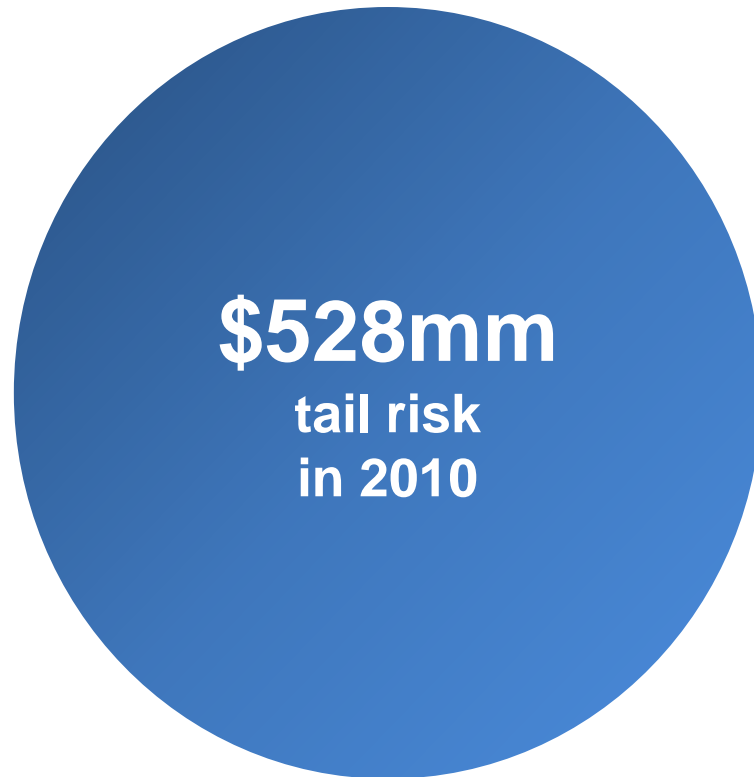


Mesa's will paydown significant portion of debt over next 6 years



# Tail Risk

**Tail Risk = Leased aircraft with term beyond CPA expiry**

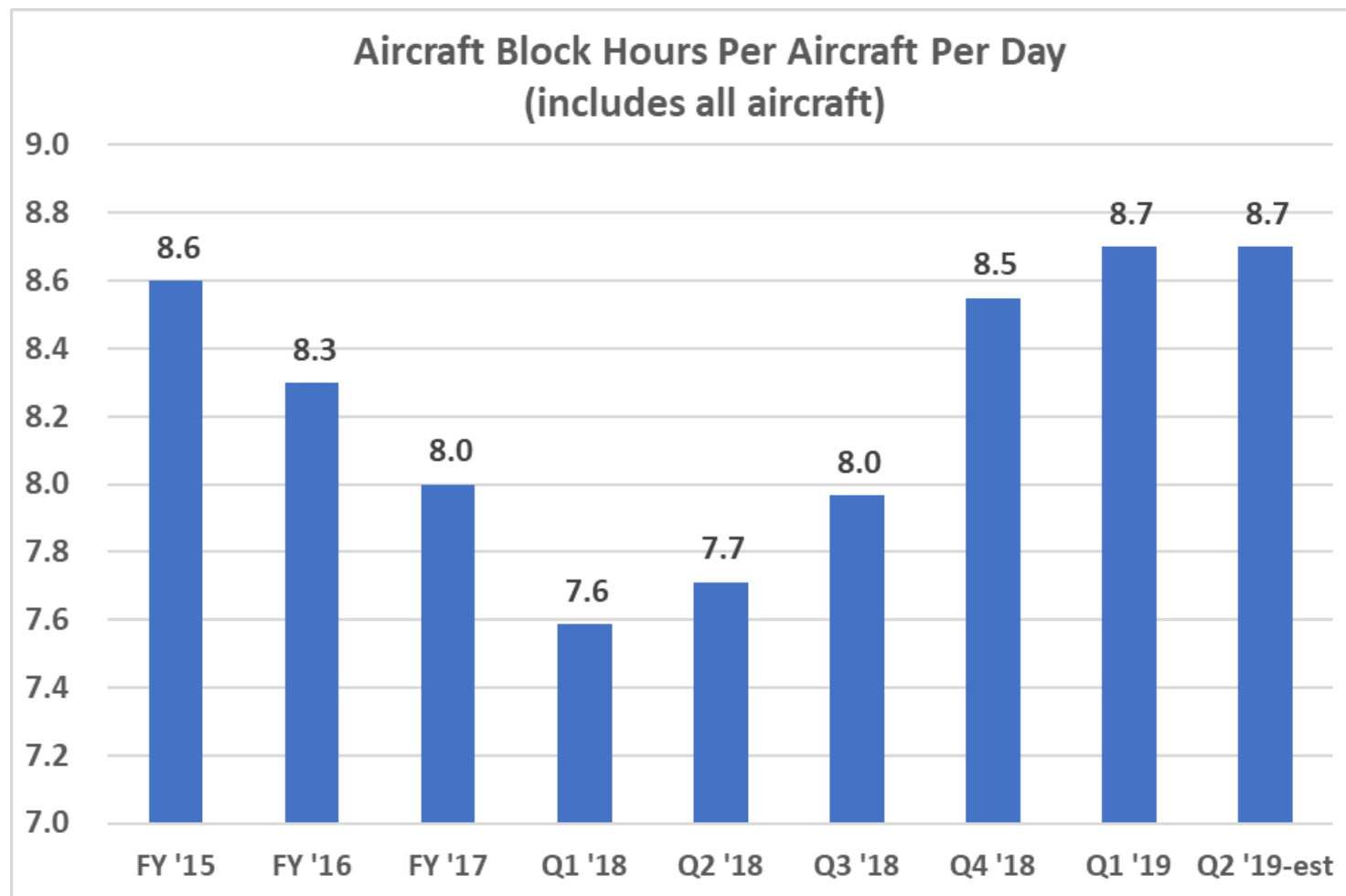


Added 87 aircraft  
No increased tail risk

# Block Hour Utilization Ramp-Up

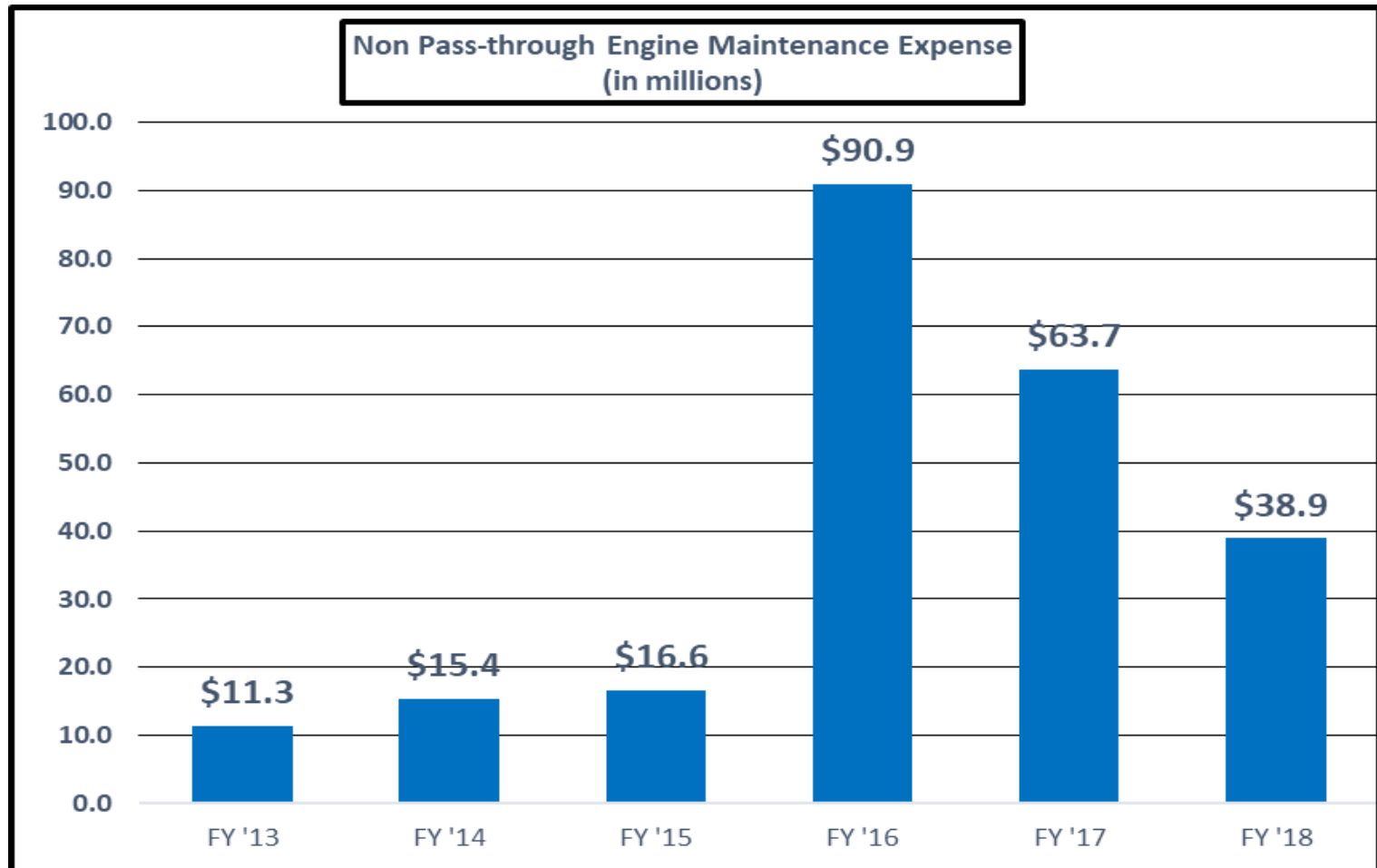


Utilization\* (BHrs/AC/Day)



# Engine Maintenance Cost Cyclical

Peak engine cycle behind us





## Executing on IPO initiatives



**PURCHASED 9 CRJ-900 AIRCRAFT 2018  
PREVIOUSLY LEASED**



**CONTRACT TO PURCHASE 10 CRJ-700 AIRCRAFT 2019  
PREVIOUSLY LEASED**



**REFINANCED \$91M OF DEBT IN Q1 FY'19**



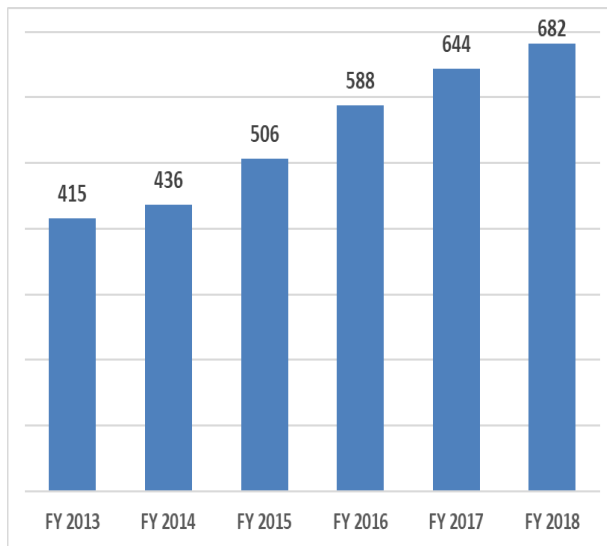
**PAID OFF \$26M REVOLVER Q4 FY'18**

# Financial Performance

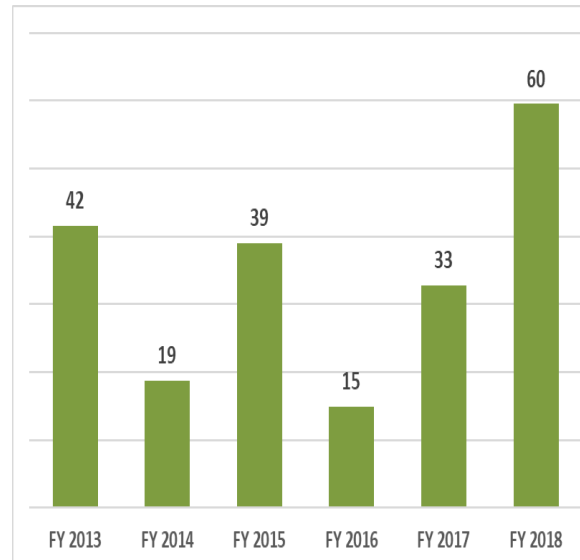


Demonstrating consistent profitable growth

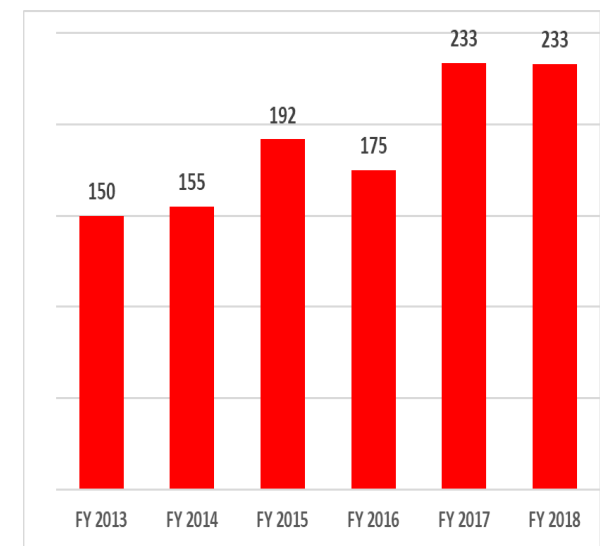
Revenue \*



Adjusted Net Income \*



Adjusted EBITDAR \*





Recap

# Conclusions

**Being a low-cost operator with an attractive junior workforce makes us an effective competitor to drive growth**

**Regionals Are Core to the U.S. Airline Market**



**Low-Cost Operator**



**Predictable Revenues Under CPA Contracts**



**Attractive Growth Opportunities**



**Consistently Strong Pilot Recruitment**



**Track Record of Profitability and Near Term Earnings Catalysts**

