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flyExclusive, Inc. (0WGDKX-E)

Analyst Day

CORPORATE PARTICIPANTS

Cason Maddison

*Senior Vice President-Strategic Business Planning and Analysis,
flyExclusive, Inc.*

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Brent Smith

Chief Financial Officer, flyExclusive, Inc.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Tommy Sowers

President, flyExclusive, Inc.

OTHER PARTICIPANTS

Tom White

Analyst, D. A. Davidson & Co.

Marvin Fong

Analyst, BTIG LLC

MANAGEMENT DISCUSSION SECTION

Cason Maddison

Senior Vice President-Strategic Business Planning and Analysis, flyExclusive, Inc.

Good afternoon and welcome to the 2023 flyExclusive Analyst Day. My name is Cason Maddison. I'm SVP of Strategic Business Planning. And on behalf of our CEO and Founder, Jim Segrave, our colleagues who are here with you today on the USS Intrepid and our team of professionals in Kinston, we are honored to present our story and this opportunity to you.

Now, before we get started, I'd like to remind everyone that today's presentation may include forward-looking statements within the meaning of Private Securities Litigation Reform Act of 1995. For the full forward-looking statement disclosure, please refer to pages 2 and 3.

At the conclusion of today's presentation, we invite you to join us for cocktails on the fantail. In the meantime, let's turn our attention to the agenda. Today, you'll hear from Jim; you'll hear from our President, Tommy Sowers; our CFO, Brent Smith. And we'll provide breaks in between, with plenty of time for Q&A.

At this time, I'd like to turn your attention to a brief video.

[Video Presentation] (00:01:26-00:02:03)

Ladies and gentlemen, Jim Segrave.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Thank you so much for being here. I think I got my voice back long enough to do this. I'm feeling pretty good. I want to start with who we are and our partnership who the team put together that's running this operation for us, but I'll start with me. I'm the CEO, Founder of the company. We started this in 2015, but going a little farther back than that for me, I started flying when I was 19 years old. I've got a little over 10,000 hours of flying at this point. This is my second private jet company. The first one, we built and sold to Delta Airlines. It actually became Delta Private Jets in 2010.

I had a five-year non-compete and started this one in 2015 and have had a terrific time growing and have got a terrific team together. I'm excited about you getting to hear from some of those a little bit farther down into the presentation as we go. But here's a picture of some of us on there. Sometime about 20 years ago, I used to have hair when I started this business but I seem to have lost all of it. The rest of my guys down here still have it, it looks like.

The partnership that we're doing here and we're super excited about is with EG – EnTrust Global and then EG Acquisition Corporation is the company they set up. We couldn't be more excited about this group we've done this with. These are seasoned investors. They've deployed \$19 billion worth of capital, the – lots of experience doing. And they were looking for a company that was not a speculative company. They were looking for someone that blocks and tackles and is – and runs a disciplined operation, that was a profitable operation, that was poised to grow with additional capital that could be provided from a merger of this deal. So it's a little, what I like to call a uniform – a unicorn SPAC that we were able to find and put together with it.

And then, it got even farther than that and that we found partners in this that weren't your typical SPAC guys, extremely successful business people. They put their own money into this. They didn't syndicate it out. This was two guys. It was Gary Fegel and Gregg Hymowitz. They put 100% of the money behind this. And on top of that, they've agreed to leave that money in place for three years. And why that's important to us is most of these people that just do a SPAC, it's a SPAC transaction. And six months later, they dump their shares as soon as the lockup period is over, which puts downward pressure on the stock. And of course, that puts and takes the price down. And they're really not in it for – with you for the long term. These guys are in it for the long term and they're terrific business people. They're – they've become very good friends. I'm super proud to be doing this with them. They've agreed to not only leave their money in place. They've agreed to serve on the board. And these are, again, super successful guys, and having their expertise and their experience on our board is a major benefit.

But again, we are – we've been doing this since 2015. We've been profitable and – EBITDA profitable since our second year of operation. That was kind of what they were looking for. It made sense for us to merge up with these guys. This transaction is fully-funded. There is no minimum condition for us to close the transaction at this point. It's done. And that was also important to us because putting these things together, as you can imagine, is a lot of work. And so, we didn't want to do all this work and then not know we weren't going to get it done. So this is a fully-funded, ready-to-close transaction. Of course, we'd like to raise more through the – from now till the end of it, but it's – this one's not speculative at this point it's going to happen.

This is a slide that I never liked very much when – it's growing on me slowly. The bankers always make me stick this thing in here about the total addressable market. The reason I don't like it is it's not what we built our business off of. We've built our business on taking market share. I think it's terrific and icing on the cake that all the experts from McKinsey and everywhere else thinks the market's going to grow by 40% over the next five years. But that's not how we built our business. The market is growing. The landscape has changed. Any of you that flown on the airlines know how challenging that is these days, Jump on the airlines and have canceled flights or lack of flights,

the overcrowding, the – just the pain through going – it's painful to go through that process, and that has driven more people to the market. And so, we're super happy about it. But again, this is the one I really like because it's not who, I think, we are and how we built this business. And our success in the future is not based on the market growing. It's based on us taking market share.

Along those lines, this is kind of our company timeline. We started this business in 2015. In 2015, there were 1,926 operators. We were ranked number 1,926. In the end of 2022, we were ranked number five. So, we didn't accomplish that because the market grew. We accomplished it because we took market share constantly. The chart on the right kind of shows you the number of hours that's just flown in 2023 and how close we are already to be a number four, where we're just a couple of thousand hours away from being the number four operator in the country. And even to take that a little step farther, number one and number two are primarily fractional operators. We don't have, and you can see on the left there, our first fractional airplanes start delivering late third quarter this year. So, we've got \$600 million of airplanes on order that start delivering October timeframe, assuming the OEM and manages to deliver these on time or on the latest commitment of October.

So, super excited about where we're going. We've got the opportunity to grow. And of course, with those airplanes coming on order, ready to be delivered and starting late in the third quarter or early fourth quarter, where we've got a great trajectory and where we could go with this business in the near future, and I can't imagine us not being at number four probably by the end of this year anyway.

This slide kind of speaks to our size and scope of the company. The right side up there is just a snapshot. That's a live data feed that happens to be sitting up all over the company in my office of every airplane. I don't know exactly what day that was, but I assume it was sometime recently. But every black box you see on there is one of our airplanes somewhere scattered across the country. What that really means is kind of what I want – would love you to get from that is that there isn't anywhere in this country we can't touch within about an hour and a half. They're scattered everywhere. It's a floating fleet. In this particular picture, the ones that are blue or green, depending on what color you think that is down there, are the ones that are flying, and the ones that are brown are the ones that are sitting on the ground in different places scattered across the country.

The left side of that map was just a snapshot of fourth quarter 2022 light jet activity. We couldn't put all of them on there because it was just one blob of blue. But the way we put it up there like this kind of gives you an indication. The star is where our company is located. The density of lines is where the trips were. And what that mean – what that meant – why that matters to us is that about 70% or more of our trips originate within a two-hour flight of our location. So, we're geographically located very nicely center of the East Coast, and again, within 70% of our departures. Works out perfect for us from a maintenance standpoint. We don't bring airplanes home after every flight, but if there is a mechanical or a plane breaks at the end of that, we can get that plane to us in an economical way. And it's been a strategic part of how we've grown the business so profitably, which takes us right into the financial snapshot.

We've had a combined annual growth rate of nearly 40% since we started the business or in since 2019. We are projecting a 10.3% EBITDA margin in 2024 and a \$53.8 million EBITDA. The company has delivered very consistent numbers since we started it. So, it's been built in a very disciplined way. We're consolidated into one location. We haven't built our company by acquisitions. We've built it one plane at a time, one customer at a time. So in a very disciplined way, we've grown the business.

This slide kind of speaks to that. And what I'd love you to get from this is that the business is consistently grown and is forecasted to continue to consistently grow. We're not suggesting that we're going to put this deal together, and all of a sudden, it's going to just explode. We've got fairly consistent growth planned. It does grow nicely over

the next year or two because we have all of those fractional airplanes on order and they start delivering, which gives us great visibility into what's coming in the future for us and the available aircraft that we have to sell. Again, we've had a fleet – a compound annual growth rate of nearly 40% and our fleet has only grown 23%. So, we're utilizing the fleet more as we continue to grow and get more efficient and apply technology and expertise to the execution of the business.

This slide speaks to our evolution of the business. And this is one that I like a lot, and I don't know why the bankers aren't as excited about it as I am. But this kind of talks about where we were in 2019. And you can see that that dark blue is all wholesale. That means we didn't have any committed demand. Maybe it shows 5%. There was no contractual committed demand in the business.

In 2020, we launched our Jet Club and we started having a little more committed demand. As you can see, that big blue continues to close down and it's allowed us to sell more Jet Clubs. It's allowed us to evolve into now that we have the critical mass and size and scope of the business, just to evolve into the fractional business as well and kind of shows you where we intend for the business to go, but it means that we can grow now with the size of the business has given us the ability to launch into these new products that we have, primarily the fractional business.

But this evolution has changed from where we had virtually 0% committed demand to somewhere around 70% today. Probably somewhere around 60% next year is where we think we'll be as GRP business continues to be diminished, which GRP is Guaranteed Revenue Plane (sic) [Program] (00:12:17) business, and we'll get into that in just a minute a little bit more.

But from an investment highlight standpoint, we're a proven operator. This is the second time I've done this. I sold the first business to Delta Airlines. It became Delta Private Jets, had a five-year non-compete, started this one in 2015. I like to tell everybody I've screwed it up every way. You could screw it up the first time. And I'm just trying to make new mistakes this time. But we've done this a long time. We've got a terrific team of people assembled together to help us do it. We've got a fairly unique business model, a clear growth trajectory with airplanes on order, with our club members continuing to grow at a rapid pace. We've grown that business over 200% the last couple of years, and we launched it in 2020. The market backdrop in that total addressable market, of course, is I consider icing on the cake, also ought to be great for us as well. And we've got terrific competitive advantages in the way we operate, and we'll go into more details about that in the future slides.

We're capturing market share, as we talked about, and that's what we built the business off of because I never really believe that this market is going to grow by 40% over the next five years. It just seems astronomical. I sure hope it does. But we're taking it with market share. And you can – this gives an indication of how we've taken that business from start to today and how little pieces of it is for us to be able to grow the business rapidly. We don't have to take 20%. We need to take a couple of percent to execute our business plan. So it's not bridge too far, if you will, to figure out how to execute.

Kind of the keys to how we deliver and how we execute for our customers at a higher level than others, we're more vertically integrated than just about any other operator I know of. We have control of our fleet. We operate nearly 100% of our flights on our airplanes with our pilots that were maintained by our technicians, painted by our paint staff, interior staff, refurbishments. That's critical to us because that allows us to control the economics of the execution. And so, we're able to deliver profitably, and that's why we've done so well historically with the business. It also allows us to deliver higher service quality. We control the experience, all of our airplanes, or 82% of them at this point and getting better every [ph] 3% (00:14:45) every month are painted the same, the same

interior. So, there's a standardization for the customers. And again, experience-wise, this is the second time I've done it with. Segrave Aviation was the last business that we sold to Delta Airlines.

The right side of this is kind of talking about our customer to aircraft ratio and how we execute the business and where we plan to take this in the future. We currently have eight retail customers per airplane. The wholesale piece makes up a bunch of the other ones, but that's non-committed, so we can kind of flex up and flex down as we need to. So as we grow the fractional business, as we grow the club business, we'll add more customers per airplane. But because it's very important to us to maintain that 99.6% or nearly 100% execution on our airplanes, we want to make sure we maintain that balance and have enough airplanes to grow the business and continue to keep them on our fleet because of the economics that come along with that and the profitability that we're able to achieve by doing that, rather than having to buy out on the market where you're just susceptible to whatever some other operator decides they want to charge for their flights that day.

This is speaking to the investments we've made in the business and kind of what those investments have yielded us. So, we've invested in people. To get to this point has been incredibly capital intensive. That's maybe the bad news. The good news is that it's not going to take a whole lot more capital for us to continue to run the business the way we are today. We've got over 800 professionals on this team today. We've got over 90 airplanes in our fleet. We've got over 100,000 square feet of infrastructure. We got a 20-person development IT team that is delivering at a world-class level. What this has done for us is it's allowed us to have consistent brand for our pilots. Our Jet Club member retention is above 90%. 99%-plus of our customers fly on our airplanes. We have full control of our fleet. We're not asking a third-party operator to fly our customers. We're flying our customers. It allows us to control costs. It allows us to have economy of scale, buying power, massive benefits to being able to control your destiny by owning and operating your own fleet.

The infrastructure is also super important to us. We have the capacity to do nearly 100% of our maintenance in-house, if it all happened to be required at home base. So we end up doing about 70% to 80% of our maintenance in-house, but we have the capacity to do that. We're also consolidated into one location where all of our team, our leadership, our people are all in one location. And that lack of fragmentation is a major part of how we execute it at the levels we do. We've got superior fleet time uptime because of that. We have less empty legs because of that. And our optimization works better, which delivers a higher yield and higher rate.

This is a busy slide but it's also one of my favorite slides that I love to just hit this one because it just burns through everything that I think makes us different and the differentiators that give us a competitive advantage against everyone else. Each one of these is kind of the different parts, but how have we grown our business? We have grown it by asset of our aircraft acquisition. A bunch of the competition grows their business by operator acquisition or third-party reliance on the next line. We fly almost 100% of our flights on our airplanes. We have 100% of control of our airplanes. None of them are managed deals or revenue split deals. We have control. When I walk out onto the fleet and [ph] I went to the (00:18:36) ramp and I see a bunch of the airplanes, they're all ours. I don't have – I don't think about the – do – can I take this one today, can I put new paint material. They're all our airplanes. We are a supplier for some of those operators that do that. And so, they rely on us to fly. They're relying on other operators. It's great for them. But because we have control of our airplanes, they're subject to whatever price we want or need to charge to deliver our business goals.

From a customer experience standpoint, again, our planes, our pilots, our technicians maintain them, our paint, our interior. When you've got a – when you're relying on third party, you're again either flying on my airplane or however someone else decided to set up their airplane. And so, your experience is inconsistent.

Our customer to jet ratio is eight. We do expect that to continue to grow, but it's a lot less than what some of the competition would have. And when you get that, when some of the competition gets up into the 60 customers per airplane, there's no way they can operate their customer base and fly it on their own fleet. No chance of doing that. It means they can't execute as effectively.

Maintenance and refurbishment, of course, 100% in-house; everyone else, third party. We hope to be a supplier for a lot of those people as we grow this business as well. Our branding is uniform and standardized, again, inconsistent with others. We have consolidated operations. All of – everything is in Kinston. I can have an impromptu lunch with my executive team and walk out and spend an hour or two with them. Anytime that we happen to want to do that, I don't have to fly somewhere. I don't have to set up a Zoom call or Teams call or anything else. We have a much better cohesive environment and a working environment in support of each other as we do it.

This one's really exciting for me, is on the spend. We have spent our money investing in our fleet, investing in our customer and investing in our technology. The competition often has invested in brand and sizzle, and they've built a big business, but they don't have all the infrastructure in place to execute it. Our referrals represent about 50% of our new sales. So we invested in our fleet, in our customer and our IT, and it's driven the sales by doing that. I'm super proud of how that's worked out for us.

And then, the lead time that we show as an advantage, I think our competition at times would sell against us and say that's a disadvantage, is we have a four to five-day lead time before you can book a flight with us without additional charge. What that allows us to do is execute, put a schedule together that's efficient and profitable, where if you have to give a customer an airplane, find a customer an airplane with 12 hours of notice, you're executing under duress, which means you're going to call us up and you're going to say whatever you can give me. Please get me a plane, I've got a customer that needs to fly today, what's it going to cost me to do that. And so, the price, as you get inside that three-day window, escalates rapidly. We take advantage of that in our structure where others are paying more money because of it.

Pilot training is also a big initiative for a strategic objective for us in integrating the business and making us fully vertically integrated. The business is to bring pilot training in house. It's one of the bigger bottlenecks in the industry right now. We can hire pilots, but getting them trained is the problem at the moment. Getting the slot for those guys to come out and – or be trained. So, we'll bring them – and do basic indoctrination at our location and then they'll go wait for 30 days, 45 days to get trained. We're eliminating that by building a new training center and bringing the simulators in-house. So, a massive advantage that'll be in place. That's going to take us a year and a half to get those things built. But early 2025, I'm expecting that we're actually doing all pilot training in-house as well.

From our product offerings standpoint, we'll start off with what the Jet Club is, and it's basically the block time membership program. We launched this, as I said, in 2020. Our second year of running this business, we won the Robb Report's Best of the Best. We won that for structure, even though we had a four to five-day notice period to execute. We want it because of our – how we build for the trips where we have a flat daily and an hourly rate in there, so that when a customer flew a long trip, it didn't get exorbitantly expensive. When you try to price something just on an hourly, it only made sense for the sweet spot trip, the New York to Florida trip, for instance.

So, we've been really happy with how that's worked out for us. Of course, we're super proud that we won the Best of the Best Award in 2020. That is how, without – with a fairly small marketing budget, that product has got a 91%, of the four-year period, but 200% growth since we launched it, growth rate for our club members. Really proud of how that's done. We've got an in-house tech. The technology is there to support it that anybody would expect.

Terrific tech. We've got a really lean, mean and aggressive, terrific tech team that is driving world-class results and products for our customers and how they book trips. Tommy will speak to that in a little while. I think we have somewhere around 40% to 50% of our customers are booking their flights now through our technology through their apps. So, really excited about how that's working for us as well.

The evolution of the business is going into fractional, of course. We've got those \$600 million worth of airplanes on order. They start delivering late third or early fourth quarter this year. This gives us the ability to effectively what a lot of people, maybe if you guys have heard before, people say I want to be asset light. Airbnb uses someone else's house or Uber uses someone else's car. This is the same basic concept we're using someone else's airplane. The difference, though, is that we have control. That airplane is in our fleet under our operational control, we're operating it. We make money on selling the airplane. Then we make money operating the airplane. So, it's an asset light model that also allows the customer to depreciate the asset so they can write it off. They can get the tax benefit for writing this off. It's the natural evolution for us in the business where we want to take it to. It also requires massive scale, massive – you have to have a lot of airplanes. Because if you're going to sell 1 airplane to 16 different owners [ph] in more than 1 cause (00:25:28) at once, you've got to have this fleet behind it to be able to deliver. And so, that's where that 8 customers an airplane and eventually getting it up to somewhere around 11 or 12 customers an airplane becomes so important to us, is that we have the fleet now. We have the critical mass to be able to deliver this fractional program at a very high level. So that evolution of the business, we're starting it in wholesale, moving into the club membership, going into the fractional – the partner model as well that we'll talk about next, is kind of how we've gotten to where we're able to be a fractional provider and compete with really the top two operators in the space.

The partnership program is more of a full ownership program. Someone buys an airplane. These customers typically are flying 150 hours a year. They get – the benefit for the customer is they get a more economical use of the airplane. They – of course, they also get [ph] to write (00:26:28) that aircraft off. They get access to our entire fleet. So if they buy a XL or mid-sized aircraft, and today, they need to go from New York to LA, they can book a super-mid aircraft. And so, they get access to our fleet.

This is a smaller part of our business. It's typically historically represented less than 10% of our business. But it's been an incredibly important part in how we've grown the business without massive capital and that we, again, have full control of the fleet. But we've sold the airplane to an owner and leased it back on a triple net basis so we have that total control. And they use whatever airplane in the fleet that's available when they fly. If – even if they own that XL and they call and book a trip today and say, hey, I need an XL, they don't get their XL, they get the one that's closest, and that's how we modeled our program because that's the only way you can make it efficient. And so, you use the best positioned airplane in your fleet to do it.

The last kind of leg of the stool, if you will, is our wholesale and guaranteed revenue program. All of the other ones are committed contractual demand. When the customer calls, we have an obligation to fly them when and where they asked to go. That doesn't necessarily generate the most efficient schedule. So, you need to be able to fill in those gaps with customers that effectively can say no to if you need to, and that's what the wholesale business does for us. We develop a schedule. Our customers book trips four to five days in advance. We developed the most of the tech guys. And the team comes up with – the revenue management team comes up with what they hope is an efficient schedule that generates lots of availability and [ph] holes (00:28:08) and empty legs, we sell those empty legs to the wholesale market. That increases our yield, it increases our utilization. We have a more profitable business. That four to five-day window that we ask our customers to book becomes critical to the success of the business. And it's a massive differentiator that we probably don't speak enough about, to be honest, but how the business operates profitably is a big part of this.

So to summarize those offerings, we have a Jet Club, a fractional, a partnership, and then wholesale/GRP. GRP is the Guaranteed Revenue Plan – Plane (sic) [Program] (00:28:44). So someone – a broker that needed or an operator that doesn't have enough lift will guarantee hours and rate for access to aircraft. That represents the decent amount of the business, but those – that's what's filling in the holes. It also gives us the capacity to grow the rest of the business and shrink that, as we need to, to continue to keep the customers on fleet, flying on our airplanes, executing the economics internally. That healthy place for us probably is not much less than 20%. It's running at 40%. It will stay there, we think, for the next year or so, probably slightly contract as we go forward from there and always be a very important part of our business.

So from a competitive environment, our differentiator is how do we execute. We've talked about some of these things already. [indiscernible] (00:29:38) go here. The maintenance part of it is a huge part of how we differentiate ourselves. The maintenance division is doing over 70% of our maintenance in-house today. But what that means for us is that we can decide, hey, we work 24/7. So, most of the maintenance we get in the world is happening between 9:00 and 5:00 from Monday to Friday. So if you can work 24/7, you're increasing your productivity time by over 300%. That's what doing maintenance in-house is about. It allows our airplanes to be available more. It allows us to put more hours on them to utilize them more. It gives us lower – that lower downtime. It also means we've brought it in-house. We're not paying someone retail to do it. So, we've got a cost savings with it. And now that we've built out all this expertise, we're able to sell it to the outside market as we have additional capacity. And so, we're starting to do that as well. We're doing paint and interior, a very small part of the overall revenue, but still a pretty big, exciting part of the business is that we're taking our MRO, which would be maintenance repair, operation, paint, interior, avionics work, bringing that work in-house. The avionics is now also a big part of it. We're converting our airplanes from the older technology to the latest and greatest Garmin G5000 upgraded avionics in there. We're doing all of this in-house. We've vertically integrated 100% of it, even down to wiring harnesses that we used to have to buy all over the place. They've got walls all over with wires going all over the place. The technical expertise we have there is unbelievable and our team that we've got there, and I'm super proud of them.

From a pilot training standpoint, we talked about that, where we plan to go with that, bringing that in-house, why that matters so much to us. It's not just the cost standpoint. We're one of the top five operators today. There are almost 2,000 of them smaller than us. We can recruit pilots. That's not really been terribly difficult. And we've got an incredible group of pilots that work in flyExclusive and execute and deliver for our customers. It's probably on our surveys that go out every day. They get the highest marks of anything we do is our pilots.

And so, we've done a terrific job with them and we're able to recruit at a high level. But the problem, again, is that bottleneck of getting them trained after you've recruited them. So, we're bringing that in-house. This is the facility we've designed to launch our own simulators that will do that training right in – at our base of operations in North Carolina. That allows us when a customer – when a pilot comes in and does basic in-dock, they do their in-dock and they go do training at the same time, in all likelihood, which means when they leave our operation, they can fly an airplane on a revenue trip. Today, they do in-dock. They go home on the airline, they wait 30 days until one of the training providers can give us a slot to train our pilot. Then they do their check ride or do their training and check ride. Then they have to come back and do a line check on top of that. We eliminate all of that by bringing training in-house. And so, this is well underway. We expect it to be operating by sometime around early 2025.

The next part of it is kind of the Best of the Best. How did we win that? What does that mean for us? We, of course, have to have – it goes without saying we have to be an incredibly safe operator. We're one of only 5% of operators in the country that have attained the ARGUS Platinum, which is Aviation Research Group, sends in an auditing team to audit your safety programs, your execution, your books, your people, your dispatch, your operational control, your maintenance.

Same thing with Wyvern where there's only 5% of the operators in the space that have attained both. We've obtained, of course, that 23%, five-year combined annual fleet growth rate; 70% of our maintenance in-house, we've already said. 100% of our fleet are painted in-house now. 100% of our fleet is refurbished in-house at this point. 80% of them are finished, which means we do 100% of the work. We've still got 18% of the fleet that we're finishing, but we do about three airplanes a month in our interior shop and about two to three airplanes a month in our paint shop. So we're well on our way to having that done in the next couple of months, 100%.

And then when the fractional planes start delivering later in the year, they come with brand-new paint interior. So we're really positioned nicely to have a standardized fleet completed with brand-new paint interior, which the planes are getting incredibly high marks from our customers as well. And it speaks to why we're able to retain that 90-plus percent retention rate in customers.

Why do we win? How do we win the business all the time? It's about vertical integration. It's about maintenance. It's about technology and our asset growth. We've executed at a higher level. We've done it in a disciplined way. We've got consolidated operations. We have all of our maintenance in-house. We have control of the execution, the economics that come along with it and it's allowed us to win and win profitably and take market share along the way.

Guys, that was quick as I can go through it. If you guys want to take about a 15-minute break and then we'll get back together, we're going to do a...

Brent Smith

Chief Financial Officer, flyExclusive, Inc.

We'll do the finance section.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Okay. That's right. We're doing the finance section next. But thanks so much for listening. I'll let you ask one question, but I think we're going to have a question-and-answer section for you, [ph] Mike. (00:35:22).

QUESTION AND ANSWER SECTION

Q

[indiscernible] (00:35:23).

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Go ahead. Go ahead.

A

Q

Are you still maintaining [indiscernible] (00:35:27-00:35:41).

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Absolutely. So I appreciate you bringing it up because I left it out. So, yes, all of our airplanes and I say all of them, I think we have 95 of them or so now. I think 88 of them are Citations, Textron airplanes. That makes us the second largest operator of Citations in the world. Our other seven airplanes are Gulfstream. Both of those airplanes are made in the United States. Both of them have service centers around the country, especially in the technology – I mean, on the Textron side of things, those service centers are all over the place. There are pilots all over the place. There are parts all over the place. All of us in the space have had supply chain issues, parts issues, getting planes fixed. But our relationship with Textron has been world-class. They have supported us in a massive way, and they wouldn't probably have been able to do that as well if we weren't such a big operator with them. So greatly appreciate the question. It's a critical part of how we've built the business. Thank you.

A

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

All right, guys. We'll take a quick break and then we'll let Brent come up here and talk about the finances a little bit. Thank you.

Cason Maddison

Senior Vice President-Strategic Business Planning and Analysis, flyExclusive, Inc.

Hope everyone was able to get some refreshments and check some messages. And now, we are pleased to present our financial overview section of the presentation and I want to introduce our CFO who is Brent Smith. Brent brings decades of experience within the private aviation industry to our company, and we are delighted to have him.

So with that said, ladies and gentlemen, Brent Smith.

Brent Smith

Chief Financial Officer, flyExclusive, Inc.

Good afternoon, everybody. As Cason said, I'm Brent Smith. I come to this fine company, flyExclusive, with about 20 years of experience in private aviation. I was previously the CFO at NetJets and of a company called Air Methods. So I'm pleased to be here.

Before I get into the specific slide here, I'd like to talk a little bit about how to think about the unit economics of our business or what the primary drivers of our business are. We talked about what we do is we fly from here to there and the three components that are most important and how we think about that are the rate we charge per hour and day, the number of planes in our fleet, and the hours those jets are in operation, which I think pretty straightforward.

In addition to that, as we've alluded to, we're starting a fractional business or in the midst of a fractional business. We will sell aircraft, make profit on those aircraft sales and then recognize those gains over the life of the agreement. In our case, that would be five years. Of course, the cash comes upfront. As we talked, the jets and ours are a function of our customer base which, as Jim noted, is predominantly known because of the contractual pre-commitments through our Jet Club, Fractional, Partner, and GRP channels.

There are several major drivers that influence the variables we've talked about. I'd like to take you through those. First, is naturally supply and demand for the industry helps drive the variables we've discussed. And as Jim outlined, the industry remains in a strong position. Demand is still inconsistently served with reliable supply. As for rates, we believe our best-in-class service will command premium pricing, though we have not forecast that in our projection. Our 90% retention rate, high referral rate and the 30 party accolades Jim mentioned give us confidence that flyExclusive will drive pricing power relative to our competitors. For the revenue we recognize on aircraft sales, aircraft pricing is a critical variable. It also impacts how we pace the onboarding of our new aircraft based our discipline to underwriting returns.

As Jim noted, we are also disciplined about maintaining service through an optimal customer to jet ratio. And lastly, the strong growth in our club and fractional program shown earlier dictates our hours and our fleet growth.

On the slide that we have up, we provide our revenue and EBITDA projections over the next approximately year and one half. We'd be happy to follow up with the analysts and investors on the underlying assumptions that drive these forecasts but here, I'd mainly like to point out two major concepts. The growth we have forecast in 2024 is over 60% pre-committed and visible through our Jet Club, Fractional, Partner, and GRP programs.

Second and more important, is that the growth simply assumes a similar game planner approach and similar fleet growth to what we have executed against over the past six years. We don't expect significant increase in rates. We don't have a stair step improvement in margins, and we do not need to buy the growth through M&A or international expansion. Put simply, we have a lot of confidence in these projections and better yet, we have a line of sight for the majority of it.

I have in front of you the revenue forecast breakdown for the business. These are the key drivers that we have for our business going forward. As you can see, we're broken this down into fleet growth hours per jet and rate per hour. Thing I'd like to point out is we see – as we talked about, this is a primarily a conservative set of assumptions. We're essentially taking fleet growth somewhat consistently year-over-year. So if you look at 2022 into 2023, the fleet growth drives most of how we get from the \$320 million in revenue to the \$367 million in revenue and a little bit related to hours per jet.

In 2024, what you see is once again reasonable assumption around the fleet growth which we talked about previously and the hours per jet go up in part because we are transitioning away from the intense focus we've had

on painting and refurbishing our aircraft. And then just a very modest impact related to the rate, if you will. We certainly think we have opportunity to deliver beyond this but given the total addressable market that we talked about earlier as well as our – what I think we're estimating about a 2.6% market share, we feel like we have a lot of opportunity going forward.

We touched on this or Jim touched on this a little bit earlier but what we have here is you can see the various components of our business driven by Jet Club, Fractional, Partner, and GRP. What the focus we'd like to make on this is the combination of the far left four bars, if you will, is 60%-plus committed contractual demand.

We rely, as Jim referenced before, on wholesale to sort of fill in the blanks, but that should give comfort to people that we have wrapped up or we can rely on a lot of our existing demand via the Jet Club, Fractional, Partner, and GRP channels.

Wanted to emphasize to you that we, as Jim referenced, were focused on increasing the mix of fractional over time given the capital-light benefit to our fleet growth. And it's also important to note that the margin across each of these channels is relatively similar. So I wouldn't say we're totally agnostic, but we're somewhat indifferent about the different channels because they do deliver somewhat consistent margins.

This is our transaction summary. flyExclusive coming out of the last discussion, I think we're positioned very well to generate the fundraising that we are representing in this slide. It's important to note that the infrastructure investments that Jim described earlier have largely been made already. We've done a lot of investment in our maintenance. We've done a lot of investment in hangars, et cetera, and so we look forward. Really the focus will be on investing in our fleet, trying to expedite our growth in the fractional space and achieve even greater growth than we have thus far.

So a summary P&L, so I'll conclude with that. The takeaway here is to highlight the margin impact we realized over 2021 and to a lesser degree, 2022 and 2023. Over this period, we've had a substantial number of aircraft that have undergone refurbishment and paint which we've talked about previously, which has had some effect on our margins over the period most recently. As those come more onboard and we have less focus in that arena, we expect improved margins as a result.

There has also been – as you can see, we're assuming – I spoke earlier about a slight increase in market share. So those things, I think we really feel like given our emphasis on fractional going forward as well as what we're assuming as far as taking additional market share that we have very reasonable assumptions going out through 2024.

With that, let's take a 5-minute break and we'll be back for a panel conversation. So for the break, we just need to throw some chairs up here so be pretty quick, but bear with us.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Good. Okay. All right. Thank you, guys. My name's Sloan Bohlen. I work with a company called Solebury Strategic Communications. My team and I have been working with flyExclusive for the better part of a year and so we're a communications advisory firm. The more important part and why I'm here right now is my team and I have been down to Kinston about a half a dozen times and I think it's really obvious it's difficult to get everyone down there. The point of this panel is to try and bring as much of Kinston up to you all.

And so through the questions and a video that we're going to introduce here in a second, that's our intention. But it really is the clear, defining differentiator for the company and you kind of have to see it to believe it. So with that, why don't we play the video and then we'll get into our panel.

[Video Presentation] (00:47:41-00:50:00)

Tommy Sowers

President, flyExclusive, Inc.

All right, folks. I'm Tommy Sowers. I'm President of flyExclusive and I've got a varied background in special operations, management, consulting, academia, and leading some large organizations. And I've had to tap in all that stuff in my two years with this company.

Now, Jim and Brent have walked us through what we do in this company and we fly people from point A to B, we refurbish planes, and we're world-class at that. But the critical thing is how we do it and how we do it differently. The vertical integration matters, the diversified products on our owned and operated fleet, this centralized location in Eastern North Carolina, and doing this profitably and really doing this with a generational company. We talk about that a lot with our team and it's run by a hell of an experienced both operator and pilot in Jim. He's got 11,000 flight hours. Our COO has 5,000 flight hours. I'm bringing up the rear with about 200 flight hours right now.

So that's what we do. That's how we do it but the why really matters here. One of our five values is part of a larger cause and I've been part of many different companies but I've never been part of a leading community company. And let me tell you how that feels is Jim is a celebrity in this town. I mean, he can't go anywhere. I can't – I'm a minor celebrity. I can't go to Piggly Wiggly and go shopping without somebody stopping me and saying thank you for what you're doing for this community.

And I want you all to come to Kinston. I will even fly here not in a jet, but in a single prop engine and pick you up at Teterboro and bring you back down there. And you'll see really quickly that Kinston is not the bug. It is the feature of all of this success.

Our location is strategic. We are exactly midway between Teterboro and Palm Beach. We are in a really flat part of the country that has an incredibly long airstrip. It is 11,000 feet. We are part of a state-owned airport called the Global TransPark that the state is incented to see economic development grow in this tier 1 economically depressed county. And the quality of life there is great and the cost of living is incredible. You all should go on Zillow right now and look for a four-bed, three-bath house in Kinston and realize you all should come work for us. All right?

But it's not just you. It is our technicians who are performing a similar job and they could be doing that in Palm Beach or Cincinnati or Raleigh-Durham. But in Kinston, they can buy a home. they can plant roots, and they can be with us for a very long time.

When you come to Kinston, you will see an aviation company. You will not see a bunch of people sitting on Zoom or Teams trying to coordinate this really complicated operation. Within 100 yards of my office, I've got dispatchers and pilots and seamstresses and painters and mechanics. It's all right there and when I give these tours, when I give you your tour, you're going to see a lot of really fancy jets. You're going to see some incredible technology. You're going to see some modern infrastructure but what always happens when I do a tour and we come back to my office and we sit down and I say, what surprised you, everyone says, what the hell is going on with these people around here. They seem nice. They seem really friendly. They all seem to be working really hard and that is this part of a larger cause, this sustainable generational company that builds culture and retains our talent. It

provides meaning beyond the day-to-day challenges that this industry absolutely has and we combine this profitable company with purpose.

There's a few things on the slide here. So we offer our customers a way to offset their flights and their carbon emissions if they choose to do that. And we're exploring the new EV toll space and are interested in partnering a world-class operator with some of these new platforms that are coming online.

We're really proud of our AeroAngel partnership. So AeroAngel flies immune-compromised kids, kids just like your own kids but they have or usually a rare genetic disease to Boston Children's and Duke and Stanford to receive lifesaving care. And we're the largest provider of lift on that. And I didn't have enough room on the slide to put all of the different community partnerships that we're involved in from the local soup kitchen to the animal shelter, providing volunteers, blood drives. We are part of this community and we get extreme benefit because we are up this community.

So that's our part of the larger cause. It's not really secret sauce, but it's something that Jim, Brent and I, the leadership team, thinks a lot about is how we build a world-class company. It starts with building world-class people that believe in it.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. I think that's great and I think hopefully the video gave you a glimpse. But I would take Tommy up even with this 200 hours on a prop fly it down but let's start with Kinston, Jim. Aside from being from the area, I'm curious. What informed why it's so important to be a vertically integrated operator? There's a number of competitors in the space that do bits and pieces of the things you do but why want to do all of it? Why is that so important?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Controls the economics of the execution more than anything. We can control the customer experience. It eliminates bottlenecks. It allows us to be more efficient. It puts our airplanes – are more available because we can – we do the maintenance in-house. We work 24 hours a day, 7 days a week. We have 300% more productivity than what we might get otherwise on the road and so those are major competitive advantages and differentiators that make the business run the way it does.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And I guess to take the flip side of that question where you think, again, maybe not without naming names, but the stresses that you see in the industry, why is the industry as a whole so attractive from a supply-demand perspective to the point about reliable supply.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Yeah. I mean, the last couple of years has been incredible demand and overwhelming demand in many cases. And so it's having that supply, having the parts, the technicians, the people to work on your airplanes is a critical part of executing for the customers in the first place, but doing it efficiently. A big part of us, our geographic location, is also about how efficiently we're able to run the business and not being fragmented all over the place allows us to do it and execute with less people.

So we run our SG&A with 2.5 people per airplane. I think some of our competition out there is well over double that, but that's about eliminating that fragmentation that's allowed, that we're all consolidated. And as Tommy said is 100 yards from his office we've got painters and technicians and dispatchers and salespeople, flight control, accounting, you name it. It's all right there and so those are major advantages and differentiators for us.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And kind of like I alluded to at the beginning, I think my team and I, we were very impressed by exactly a number of the bullets that you just listed, right? And so while logistics and organizing the demand against your supply is very difficult, we've heard others talk about technology. I'm curious. Like the role of technology and what it plays within your company, it sounds like it's more of an enhancement to the model that you just described more than it is a solution. And just sort of curious to hear you talk a little bit about that.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Well, I think Tommy and I both love to speak on that. We're both pretty passionate about the tech side of the business and super proud of the team we have that leads it. But it's making this more efficient and how we operate, how we execute the business, how customers access our products from apps to how we manage the business every day from management information systems and things that come into the business. But we approach it and I love how we can put the tech together and how we can make this more efficient and how we can eliminate people. And you had a stat earlier...

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Yeah.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

...that was about how many man hours we have eliminated from tech...

Tommy Sowers

President, flyExclusive, Inc.

Man-years.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Man-years, sorry, years and going from where there's -Tommy will be able to tell you better how many hundreds of spreadsheets and things that we ran the business with prior to having this incredible tech team to consolidate everything down to one system and have it communicate between departments immediately rather than the inefficiencies of doing it. But I'll let you.

Tommy Sowers

President, flyExclusive, Inc.

Yeah. So I actually came into the business on the technology side and Tommy and I were – another Tommy here and I were talking about this. And you'd be shocked when you really look into this industry. It's still really driven off of some very uncustomizable, clunky-looking software. It's very email-based. It's very spreadsheet-based. And this team that we have is a very lean, mean team, and they have completely changed our flight management system software, eliminating hundreds of disparate spreadsheets.

We now do very sophisticated quoting in the marketplace using AI, ML, and we stood up an AI task force where we want to re-imagine how we would build this in an era of generative AI. So – and you've got a founder here who is all about how can we solve this using tech. And just in the last six months alone, we've eliminated 50 man-years of duplicative effort through better, more sophisticated software.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And aside from just technology, I mean, you had the minutes matter in the video. You guys – it's plastered against your walls all over Kinston. I'm just curious to define that for everyone and what that means to the end customer. Where do you make up the most minutes? This vertical integration, it seems like that's all core to that and maybe just talk a little bit about that as an ethos.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Yeah. I think probably all of us will talk about it but I'll give an example of how it matters to me so much and every minute -all of us in the space provide transportation. It's expected it's safe. We want to operate at the absolute cutting edge of that, which is why we've maintained the certifications that we do in ARGUS and Wyvern.

But from the minutes matter standpoint, how we are applying tech to get to the different level from that is when a customer gets to the – we're trying to implement geofencing or geographic fencing into our app so that we know where our customers are provided they'll allow us and some seem to be very excited about it.

But where we can see them coming up to the airport, the blue dot going across your screen that you guys see when you run around on Google Maps or what have you, but we can see them coming up to the airport. And when it gets within some proximity of the airport, it tells the pilots that they're there or coming up so that they can meet them at the curve, so that they don't have to go to the counter and say I need to page my pilot.

At the same time, the co-pilot can go start the APU of the airplane. So we didn't have to start it 30 minutes earlier. He starts it when he's five minutes out. So now, we don't burn more fuel. So we've saved the minutes and time and the cost of running our airplane APU by doing that.

We also give the customer the save – save that customer time because we met him at the curve. We also are taking that same tech and we're saying, okay, we want it to be as close to an owner experience as humanly possible. So when the customer's coming to the airport, we want to shoot that customer a picture of the pilot. We want to shoot that pilot a picture of the customer so that when they come up there, we know who's coming up and we can say, how are you doing, Tommy? It's good to see you today and they feel like it's an owner experience.

And so we're very focused on how we use tech to execute that and then to take it even a step farther, what we want to do with it is say, okay, we've got customer and we've got pilot. And now they're within proximity of each other, now we want to start a timer. How long does it take them to leave the airport so that we can hold people

accountable to eliminating minutes because people are paying a very high cost for our services and it's all about time. Every minute matters to them.

And so it's a philosophy of how we use tech to do that and how we can make ourselves better and how you can eliminate. Someone says, I want to pull up to the airport and I want my pilot to know me. And I want him to know what my dog's name is and what my daughters' names are and what drinks they like. Well, we can use tech to enhance our experience from doing that, and that's kind of how we're trying to approach it and with some very neat tech tools.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And we talked a little bit about the industry and Tommy, I'd be interested from your perspective in terms of selling club memberships or fractional or partners. What are the reasons? Obviously, the referral is a really strong stat, but what are the main reasons, A, why people are leaving others; or B, why people are coming to you?

Tommy Sowers

President, flyExclusive, Inc.

Yeah. So I talk with customers almost every day and we send out post-flight surveys and I actually read them and reply to them. So our customers, a lot of them are experienced flyers and they are looking for reliability. Back to the gym, we're fundamentally in the time business and there's other operators that leave them hanging out to dry or leave them in an FBO. They are looking for reliability. They're looking for safety and so the fact that we've got the top safety ratings, we're in the top 5%, it's pretty [ph] rare to find in (01:04:33) air in terms of they want safety.

They want to know that you own and operate your fleet. I love Lyft and Uber. I don't care if it's a Cadillac or a Camry that picks me up to move me across town. But when I'm putting my family in an aluminum tube at 500 miles an hour at 43,000 feet, I kind of want to know who is behind this. And the entire company here is behind every flight, our pilots, our maintenance, our paint, our interior, our dispatch. So they're increasingly looking for knowing that there is a whole company standing behind this flight and it's not just being chartered and brokered out. So that's what they're looking for.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And Jim, I'm going to ask you a very difficult one but when we've come down, first thing that you guys – you almost sort of jumped out of your seats to give us the tour because it's clear that you're proud of it and you should be. But in terms of just like the competitive moat that's been built by what you've invested in the company, paint facility, refurbishment, you talk about seamstresses, hangar space, et cetera, maybe if there's a way to sort of describe it, how long it's taken, the advantages of being in Kinston, I think that would be helpful for the audience.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Yeah. So from Eastern North Carolina and the North Carolina Global TransParks, the airport that we're based at. As I think you said earlier, it's a state-owned airport, state-supported airport. And they very much want that airport to grow. And so we're the biggest tenant by a wide margin at this point of the airport. There's incredible space for us to expand the operation, but we can do it in a really economical way.

So it's been a terrific partnership. We've got tons of support in the past from the state. Our paint facility, for instance was a \$12 million investment that I think through the job development and investment grants over 10 years, we get 100% of that investment back. We had substantial money put into it upfront from the Department of Transportation, from the Department of Commerce. And so we've got incredible support for the business through grants and expect that to continue well into the future as we continue to grow the business.

So it gives us an advantage and that we have that over 100,000 square feet of space there that we were able to build. Not only can we lease it at a lower level just because of geographically where we are located compared to New York or South Florida or what have you, we got it. We got grants to build most of it. And so we are able to operate the business more economically than just about anywhere in the country is why that's been so important to us.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. I don't want to hog all the time. So to the degree there's questions from the crowd, we want to make sure that we take those too. And while we are thinking of them, I will ask another one. So, in terms of some of the competitors, whether you want to name names or not, but what makes you so much different than a NetJets and what makes you different than other providers. And you came up with the other reference of Ubers and Lyfts the world. How different really is either your vertical integration and control of the entire value chain within the industry?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Using NetJets and Flexjet, first of all, I think they're both very good operators. And in many ways I'd say we aspire to be more like them than different, to be honest. But I still want us to be more vertically integrated. And I think we have the opportunity to be more economically – execute more economically based on our geographic location, the support from the state, our structure in general, and our consolidated operations. But they're both – there's some good competition in the space and there's good things about all of them out there. Our vertical integration, our commitment to building the generational business, I'm not taking this company public thinking that I'm going to liquidate and get out of it despite not having any hair. I like what I do. And I've got four children. The youngest is six years old. And I still take him to school every morning and drop him off and come to work, and I think I'm going to have to do that for a long time to come. So I need something to do because I'm 100% convinced my wife would leave me if I went right back home every single day. But it's been a great company, a great ride for us and a great journey for us to do this.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. And I guess you kind of alluded to it, but why now? You mentioned why the SPAC. And it's a SPAC in name only. But why now? And maybe relative to what you're seeing in the industry, is there such a great opportunity?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

So the best operations, again, when we talk about Uber, we talk about Airbnb, the fractional business is where it seems to make the most sense for us economically. We're operating the same kind of business but with the advantage of full control of those airplanes. To do this – to buy \$600 million worth of airport, the order of those

airplanes, takes massive capital and there's a massive opportunity for us to continue capturing market share as we grow the business. Again, maintaining that discipline that we have all along the way. But there's a massive opportunity for us to continue capturing market share and doing so.

Why SPAC rather than doing a private equity type deal or some other type of structure that we had multiple opportunities to consider is that I wanted that generational business. I'm not trying to retire. I'm not trying to liquidate. I am much more interested. And when I say generational, I don't mean my kids. I mean, the 800 and some people that work there. I want all of those people to come back and be proud to work – their kids to be proud to come back and work at the same company when they grow up.

And so if you do a private equity deal in five to seven years, they're all looking for an exit. I'm not looking for an exit. And I don't want to be forced into saying, hey, you need to sell this business. But if you're public and they decide they want to sell their stock, we've got to perform. We've got to do a great job running the business and develop and generate value for our investors. And then when they're ready to sell the stock, they can sell it, but it doesn't change our business plan or who we want to be.

And so that's a really short answer. That's a lot about that point.

QUESTION AND ANSWER SECTION

Sloan Bohlen

Managing Director, Solebury Strategic Communications

And I think we've got a question in the back here.

Tom White

Analyst, D. A. Davidson & Co.

Great. Thanks for taking my question. Tom White from Davidson. Just to I guess, one, can you talk a little bit about how demand trends are holding up kind of in the environment we're in right now and then just as far as the forecasts in the deck, maybe just talk a little bit about the extent to which they require you to net certain amount of proceeds from the transaction or is that kind of like a fully funded already set of projections out there?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Yeah. So demand first to your question is it's somewhat softer this year. The first two quarters have been somewhat softer compared to last year and the year before that. It's still higher than it was in 2019, so it's still grown. And also one of the stats that I think I maybe failed to give you in my presentation that I mean, I always like to bring up that I'm proud of, is that that we were one of only two companies in the entire space that flew more hours in 2020 than we flew in 2019. So in the middle of COVID, we still grew the business. And that's a pretty big challenge for any company in that environment to basically have been shut down for 45 days, losing nearly 95% of your business and still grow.

And in this business, I've been doing this a long time. We've survived. At one point, my office was seven feet deep in a flood, survived the impacts of 911 of the global financial crisis in 2008. So we've kind of – and now COVID. I don't get overconfident, but I'm starting to feel like we can figure out – we figured out how to get through these challenging times.

But it's definitely somewhat softer than what it's been in the last couple of years. That's not been necessarily totally a bad thing. The supply chain has been really difficult. We've had some airplanes down waiting for parts at times for months. And so giving the world a chance to catch up could – could have a positive impact on that and our execution delivery for customers could – could improve even further. And so I think that's not necessarily a bad thing. And we continue to take market share with how we approach the business.

The second part of it was the funding within there. So part of why we did it the way we did by taking a convertible debt and investment in the business was so that we could go ahead and make that order of new airplanes. And so the numbers you see today don't require any additional funding. So we are those planes are ordered. They start delivering. We're already starting to market the fractional interest and sell in and expect to sell all of those or a good portion, if not all of those by the time they start delivery. So the numbers don't change if we don't raise any more money.

I think they could be better if we raised more money because we could then add more airplanes. But the challenge today is as much as anything is the manufacturers OEMs are maxed out. You can't get an airplane for multiple years now.

So what we need to do is have the capital to place those orders to ensure our trajectory multiple years down the road at this point. So you have the visibility of earnings right now. We've got really good visibility of earnings because of these airplanes that are on order, \$600 million of them. And we made very nice margins on those airplanes when we sell them, as Brent said earlier, even operating them – they're not exactly the same. There's other benefits to some customers than others. And from our standpoint, whether or not it's a wholesale customer or from Brent's standpoint, maybe from a wholesale customer or a retail customer, profitability might be the same, but one of them is a little stickier than the other necessarily. And you might just say, hey, do you want to build? Which one do you want to build a business around and who do you want to be?

So but to answer your question, the financials don't change. We will be able to order more airplanes and continue to invest in the business. Continue to invest in people in the technology that's got us here. But you're not going to see us regardless of what we raise in there. Losing our discipline and changing who we are, growing the business through some massive M&A transactions or we're going to stick to what got us here.

Tom White

Analyst, D. A. Davidson & Co.

Q

Maybe just a follow-up on the first part of the question about sort of like the health of the overall industry and demand. In terms of like the opportunity for flyExclusive, are you more concerned with the softer economic environment or are you more encouraged by what you know the rest of the industry is facing meaning to the market share point, right, that...

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

There's potential massive opportunity out there at the moment for us to capture lots of market share. And so I'd say that opportunity far outweighs the any concern you have about the softer market at the moment. I think we – and forecast was in the fractional market is expected to grow this year. So it's not forecast to be any smaller as I understand it. I'm no expert on the forecast side of things. But all the experts, McKinsey or whoever is doing those forecasts, are expecting that market to grow. We didn't know about that when we ordered all these airplanes a couple of years ago, but we're certainly in a terrific position today to take advantage of that growing market.

And where we want to be as a company is when a customer goes out to the side to procure private aviation services, we want to be in the decision set of one of the primary three operators that they go to buy from. And I think we've positioned ourselves to do exactly that.

Sloan Bohlen*Managing Director, Solebury Strategic Communications*

A

Okay. Any else from the audience? Another one on the back.

Marvin Fong*Analyst, BTIG LLC*

Q

Thanks for taking the questions. Marvin Fong from BTIG. First, congratulations on all the success. A couple of questions. Maybe to start with on the fractional program, we can see the projections out there and I came a little late, so I apologize that you said this in your earlier remarks, but could just kind of talk about how many jets you need in your operating fleet to kind of support a single jet on the fractional side, I think you have like 127 jets projected for FY 2024, for example, against 19 fractional jets. Is that about the right ratio or could your fleet support more in the future? And as you think about growing the fractional fleet, would you do that kind of concurrent to growing the operating fleet or would you want to get some jets in place and service first and then add on the fractional demand later?

Thomas James Segrave*Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.*

A

One of the biggest advantages of how we've grown the business and evolved is that we have this big fleet today and a decent portion of the fleet is not committed to any other business. So we can grow into that. But to answer your question, we model this on the fractional customers flying about 800 hours on an airplane in total, all of the ones that buy the fractions. So it could be 14, 10 total fractions, but we're going to model that on them flying about 800 hours. The business today is flying nearly 5,000 hours a month, so 60,000 hours a year.

And as we add airplanes, of course, that will fly. So we have lots of capacity to grow the fractional business. And in the present, you may not have made that part of the presentation, but one of the important parts for us is that we maintain flying those customers in-house on our airplanes. We don't want to ever outsource if we can help it, and certainly we want to keep that below 1%. Because we think delivering on our airplanes and controlling that customer experience is such an important part of maintaining that customer and that customer retention staying high. So to answer your question, we've got a lot of capacity to continue growing the business and not have to outsource the customers.

There was about – 40% of the business was in wholesale. We think that probably never needs to go much below, excuse me, 20%. But the reason for that isn't because it's more profitable or less profitable is because it fills the gaps. And it's because I can say no to wholesale. They can call up and say, hey, this one doesn't fit but this one does. This one fits the exact nifty leg that I have. The fractional customer calls, it's committed, you have a contractual obligation to fly that customer whatever itinerary they decided they wanted. They create that itinerary. The tech guys put together what's the most optimized schedule they possibly can based on that itinerary. And then we go use wholesale and we sell the gaps. I makes us more efficient and more profitable.

We're sort of hitting on a little bit kind of the secret sauce of what makes us work. And if you're only fractional or if you are only a membership program and you don't fly on the outsider, use wholesale or give yourself the time to execute with a four- to five-day notice window, your efficiency drops because you don't have time to build an optimized schedule when someone calls you with 12 hours of notice or 24 hours of notice.

So we started ours off as a four- to five-day notice program. In fact, our most important customer when we did this was the guy that flew the most, owned the entire airplane. So in our partnership program, that customer gives us the most notice. We do that because we say, hey, we want to hold our airplane for our most important customer first. And then it was, okay, so we're going to do that, and then you've got fractional. And they're now our most important. And then you've got your club members when we want to hold all of our capacity for them first, then we want to sell to wholesale afterwards and fill those gaps and make us efficient. That at some level is the secret sauce.

Marvin Fong

Analyst, BTIG LLC

Q

That actually leads into my other question, which is that four- to five-day lead time is not lot of your competitors are operating on much quicker, shorter notice period. So why is it – the benefits to you guys is obvious. Why do you think other operators are not gravitating towards that model? It certainly would help there.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

I have seen over the last couple of years more and more of them start to expand their notice period, giving themselves a better opportunity to execute. What we're selling – and, of course, our competition is selling against us, too, because you've got to give them four- to five-day notice. What I'm telling them is that if you give me four- to five-day notice, I'm going to execute it better for you. I'm going to have less mechanical or schedule disruptions. I'm going to show up on time or we're going to depart on time more often. And you're going to fly on our fleet with my pilots, with my planes, paint, interior, what have you, on all of our stuff.

What we've also found is that the customers most often know well in advance. I think what was the percentage of customers are booking weeks in advance anyway? They only have to book four and five days where they're telling us weeks in advance. There's very few customers that are telling us for even four and five days in advance, and our products are allowing them to tell us and book a trip in that window in the emergency time that they have that need.

But there is a premium to booking that. So it's like we're not trying to say, hey, you can't do it, but if you're going to make me less efficient, I need to charge you more money for it because I'm likely to reposition more. My loaded efficiency is going to go down. And so I'm going to charge you a little bit more to make up for that same concept on maybe a peak day. It's not that we're trying to make more money because there's more demand. We're trying to set a schedule up that keeps all of the customers on our airplanes.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

A

[ph] Kyle (01:23:36), do we have any from the webcast?

Q

So you talked a lot about your members per jet and how it's, compared to industry competitors, is lower. As you think about margin progression, how do you think about that as the members per jet kind of expands from the eight that you're at now to the forecast that's kind of closer to the teens.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

Yeah. So, somewhat related questions, and that as Brent spoke about earlier, our margin on each particular line of business is fairly close, not a lot different between customers. So it doesn't necessarily change. The one thing we really like about our fractional customers is they're about a five-year contract. That's pretty sticky. They're not going anywhere. They're not going to leave us when we have a mechanical tomorrow one day. They're sticky. And so we – but they also don't buy from you unless you're doing a really, really good job.

So but from a margin perspective, the concern would be, and maybe this is what the question's leading to, is that at what point do you get so high in contractual committed demand you get so high in contractual committed demand that your efficiency starts to suffer. That's why we've modeled it the way we have of keeping that 20% wholesale. We think that's the sweet spot. We think 15 customers per airplane is the sweet spot. And we intend to keep it in that area to maintain the profitability that we've modeled out.

To the extent we got there and said, oh, it should have been a 25%, we'll just go back 25%. Or if it looks like this, we're doing terrific and we could shave another point or two and we might take it down to 15%. But right now the modeling seems to suggest that 20% is about the sweet spot for us.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

A

Okay. So one other from online, I mean, we talked a little bit about this earlier, but how do you manage risk across? We talked about how you manage risk across demand pullbacks. But in terms of asset yields coming down or borrowing costs going up, expense increases, whether fuel or, et cetera, labor, can you just talk about how you manage those risks?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

All of our programs have the ability to increase price based – the most volatile one is everybody knows is fuel. So as fuel goes up and down, we have the ability to increase price accordingly to offset those increased expenses. Same thing goes for maintenance, technicians, pilots' salaries. We've been able to pass those on. From my seat as I sit here and these guys up here as well, we've had incredible success over the last 12 months of passing on all of those increased costs, which have been significant. Pilot salaries have gone up. Maintenance technicians costs have gone up. Parts have gone up. Fuel has gone up. And I said, oh my Lord, how much can these customers afford? At what point?

But we've been very, very successful in passing those cost on. It's been kind of nice the last few months that fuel has started to subside a little bit. And so we're able to kind of maintain some pricing where it is. But our programs allow us to pass that on. The bigger concern is not whether or not we can pass it on. It's as pricing at what point does the cost gets so high that your customer decides I can't afford to fly that. And that impacts your demand.

The one good thing is that once you start flying private, it's very difficult to go back to those airlines. And they may be some of our best salespeople. But – so it's been – our customers are fairly insulated from it, have been able to absorb the additional cost fairly well. We work very hard to run an efficient operation and I think such that we can maintain very competitive pricing. And I think our consolidation, our business plan, our geographical location and the economics that come along with that are giving us a pretty substantial advantage. And the vertical integration of all the business lines that we can do give us a pretty big advantage over any competition. So I think that we'll be better positioned than anyone else in a downturn.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. Question up front here.

A

Q

So even after raising pilot salaries, are you still having issues retaining those pilots in the wake of these larger network carriers offering very attractive offers, luring people away and the backdrop of this pilot shortage. So has retention been an issue? Do you see it as an issue moving forward? How is this impacting your strategies? And kind of what do you think the outlook is for the pilot shortage for the industry as a whole?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

So it's a 100% been an issue. Retention is always on our mind. We watch it. We do a meeting every single month on our staffing levels. And turnover has been a problem. And it is in part while we are vertically integrating the pilot training part of the business because as we said earlier, we don't have any trouble recruiting pilots. There's lots of pilots out there that are flying PC-12s or King Airs or other turboprop airplanes that are looking to fly jets. We're one of the larger operators. We have a very good reputation. We're a natural place for them to go.

And at the same time, the airlines are recruiting from us every single day. And so it's running it through it. It means our pilot training cost gets higher as we have to buy that on the outside. So it's part of why we are vertically integrating that part of the business. Salaries have gone up substantially to offset that and to slow that down. And it has had – we've had very good success over the last few months of not having near as much turnover but it's always on our mind. And it has historically always been an issue. Sir.

Q

Can you address the business mix of the business traveler versus the leisure traveler and the flexibility that you have to transition to one market segment versus this?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

So we don't ask our customers where they're going or what their purpose of their trip is. Most of them don't necessarily want to take that. Tell us that. So I'm going to give you more of a guess of an answer based on their destination. If they're going to Aspen or if they're going to Disneyworld, Orlando, or their second home in Florida, what they're doing is leisure. My guess is that the business is 80-plus percent, 90% leisure travel, 10% business travel.

It is starting to come back more and more. And I see that as an opportunity for us to focus on to build the business in the future as it starts to come back, even me. And I'm sure many of you that don't live in New York or that came here, I went two years without coming to New York when I was coming twice a month prior to COVID. And so and, of course, as you can imagine now, I'm about back to that twice a month or more. It's coming back and the business travel is starting to come back. And I see that as an opportunity for us. But I don't know the exact numbers because we don't ask. We try to respect their privacy to the extent possible.

A

Q

Okay. Maybe one last one for me. Jim, just because I think your experience in the industry is so unique. Anything about Segrave Aviation and how you built that business that either you learned or in the sale of that business that you found interesting as you build flyExclusive?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

So we learned a ton from it. So I've got a little over 10,000 hours, maybe 10,500 hours of flight time. I'm tight than almost every airplane we operate. I'm taking some airplanes. We don't operate. And so that's a learning in itself why we don't operate some of those other ones. But when we sold Segrave Aviation, there were 17 different types of airplanes.

We were one of those fragmented operators that I talked about. We were, your team, your dispatch team, your travel team, your sales team, they don't all – they can't all remember what runways work for every single airplane. And so when we did this and said, look, I really just want to operate, what covers the most? I actually thought and doing it candidly when I said I'm only going to operate citations, I thought when I did that that our sales would be much more difficult. We would be growing much slower. That I said I'd rather I can't and I'm not going to sell beach jets and I'm not going to sell hawkers or leaders or anything else. I'm just going to be a citation guy. That means my universe of opportunity of airplanes to go sell customers to is going to be a lot smaller.

What quickly happened was just the opposite. We were known as the expert in citations, and everybody came to us. And so we've made it where we grew. And we were. We are the experts with it. We're the second largest operator of citations in the world now.

So every person in the company knows what those airplanes do, how fast they go, what their range is, what runways does it take to land it on? There are more pilots available for citations than there are any other fleet out there in the country. They're largely made the same so they're very similar. So in my mind that's a safety improvement for the customers that get in there. The Learjet might look slicker sitting on the ramp. It might even be very slightly faster. But the ones we're flying cover a bigger baggage, they're more comfortable, they're more economical.

So when fuel costs skyrockets, if you're operating in a hawker that runs 275 gallons an hour compared to Maxell, that burns 225 gallons an hour. I'm going to beat you every day. And so now a couple of fuel costs. The fuel is \$1 a gallon. It's \$50 an hour difference. It doesn't make a lot of it doesn't matter to you. But when cost of fuel is \$8 a gallon and you're burning \$50 against \$400 an hour more, and all of a sudden it becomes a meaningful number and a competitive edge.

So in a roundabout way, that's kind of what we learned is that while the big hawker might have been a terrific ride, it was awfully expensive to operate. And that was just the fuel part in the maintenance and the other parts of the operation. So we selected the airplanes that had maintenance service centers all over the country, American made parts and availability that were here right at home. And it's made a major, major difference. And as I said, it had just the opposite effect. If you operate a citation, you probably and you want somebody to take it over and want us to triple-net lease it, you're probably calling me.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

A

Great. [ph] Kyle (01:35:16) , I think we've got one more?

A

Yeah. So we got one other from [ph] Doug Gollan (01:35:20). As other operators kind of run into issues in the industry and they have customers that might be coming to the market looking for new solutions or new providers, how would flyExclusive potentially service those customers. And do you think that those customers can be profitable on your model? And what would you guys be doing differently than maybe others in the industry?

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

I think lots of customers might come available in the industry, and we're well-positioned to take those customers and look forward to the opportunity of selling our products to them. But we've designed our products and we've got a new one coming out this week or...

A

Monday.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

A

Monday. So we've got a new product coming out Monday. Tell [ph] Doug (01:36:06) I'm sure you're listening. [ph] Doug (01:36:08), we'll be in touch with you probably tomorrow to tell you what that looks like and give you some – some advance notice on that. But that addresses just that and that we are very interested in leveling that demand where the same number of people fly every single day of the week. And so we've developed some products that are going to address that where there's some lower cost days and some higher cost way of approaching it, but also set up with a lot of what we learned over the couple of years. But we are well-positioned to grow a lot especially with that amount of whole sale space that we've got 20% more than what we are modelling. So we can take that wholesale form the 40%. We currently fly down to that 20% fairly rapidly and have the capacity to sell to a lot more customers.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Great. If there are no other questions I think the team, at least on our behalf, thank you so much. I think this is great and you should definitely take Tommy up on the offer. I don't know if everybody's going be able to fit in that that single prop.

Tommy Sowers

President, flyExclusive, Inc.

It can fit three.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Okay. All right, so maybe we'll bring a couple, but thank you so much for the time. And as Cason mentioned, there will be cocktails, I believe, downstairs and just overlooking the Hudson here. So the sun's coming out. And I think in a couple of minutes we'll be all set but thank you again for your time.

Thomas James Segrave

Founder, Chairman & Chief Executive Officer, flyExclusive, Inc.

Thank you so much for coming. Very much appreciate you being here. It's humbling to be sitting here and have you guys take the time out of your day to be here and listen to what we're doing. And obviously we're passionate about what we've built and where we're headed and excited about the business. But I appreciate you guys coming to listen.

Sloan Bohlen

Managing Director, Solebury Strategic Communications

Thanks so much.

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