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<< Helane Becker, Analyst, Cowen >>

Okay, good morning, everybody. And welcome to the 14th -- Cowen's 14th Annual Global Transportation & Sustainable Mobility Conference. For those of you who might not know me, I'm Helane Becker. I cover the airline, aircraft leasing and some logistics companies for Cowen. And this morning, we have with us, Ed Wegel and Ryan Goepel, I probably totally mispronounced their names but it is what it is, from Global Crossing Airlines, GlobalX, you see the sign in the background in their conference room. So I've been involved with this company for about a year now, I think. And I've known Ed forever. Ed and I worked together back in the day at another company and another iteration. And I just want to say thank you very much for being here this morning because I think what you guys are doing is pretty exciting. And, frankly, I'm in awe of what you've been able to do in the last, I guess, six or nine months, because we had a fireside chat back in January. And then you guys have managed to get your operating certificate, you're up and running, you did some work for US military recently and you've been very transparent, also. Every month, almost every month, you do an Investor Call. And so I've been following your progress. So why don't you take a few minutes to -- and I mentioned -- probably I mentioned that Ed is CEO, and Ryan is CFO. So why don't you take a few minutes and talk about all of the things that you've been able to accomplish over the last year. All right, and just do that.

<<Ed Wegel, Chairman & CEO/Founder>>

Now, thank you very much, Helane. Thank you for allowing us to be part of your conference, which is rapidly becoming the conference to attend for people who want to know about airlines and aviation. So we appreciate the ability to speak to you and to all of your clients and investors and other interested parties today. It's an honor for us to be associated this way with Cowen, so very much, very much thank you. So, yes, we have -- we've accomplished a tremendous amount since we last spoke to your client-base back in January of this year, where we outlined all the things that we wanted to do over the next two to three quarters and the path that we were on. And as you said, we were able to accomplish all of those plus some additional goals and objectives that we have. We got some of those accomplished earlier than we thought so much to the credit of the team that we have built here and as well some of the other things that we have put in place here at the airline.

So since January, we have, as you said completed our certification as a US 121 flag carrier, which means that we are allowed to operate scheduled service. We're also a supplemental carrier, which means that we can operate charter services throughout the US. And we also got our foreign operating authority from DOT, which allows us to operate international charters and international scheduled service. So we accomplished our goal of getting the highest levels of certification possible from both the FAA and the DOT. 121 flag carrier, DOT economic convenience certificate as well as foreign operating authority. Now we bought two airplanes on

back in January, I think we have the first airplane already here. The second airplane came in March. Both of those airplanes are now on the certificate. One is an A320 had the other is an A321. We actually had to do an additional certification on the 321 because it's slightly different than the 320. And we had to do some additional tests such as the evacuation demo for the FAA, which we accomplished successfully.

We've also established our base in Atlantic City, have a strong partnership with Atlantic County and the State of New Jersey, who as you know Helene, I think you're a resident of New Jersey, they're looking to attract businesses to come there and they have provided us with some incentives to locate a base at Atlantic City. We're stationing an airplane there as of next month, we've trained our first flight attendant class that will be based at Atlantic City and we're already starting to operate charters out of Atlantic City and I'll explain why we're doing the additional bases, in a moment. We're also starting to establish a base in Las Vegas, which allows us to compete for charters out in the western part of the US without having to ferry the airplane from Miami or Atlantic City, which makes us uncompetitive with other charter airlines that have airplanes out in the West.

Sweep up, we've established our initial base of contracts, we have filed with DOT for as many as 27 flights a week now to Cuba. When Cuba opens up, we intend and expect to operate most of those from both Miami and Tampa. We've got track charter programs that have been established to the Dominican Republic for a number of tour operators as well as to Mexico, with some tour operators. And we're starting this season, we do a lot of football flying, and flying for universities and colleges. We're flying the bands from a couple of different universities and so forth. So we've established a foundation with the two airplanes, the two bases and our revenue contracts are already in place.

And as you said, we were called very soon after we receive our certificate on August 6, we were called by the US government to see if we could assist with the evacuation program from Afghanistan. And of course, we said right away but we were called on a Thursday afternoon, by Saturday the airplanes were on their way to Tajikistan and from there -- from that staging point, we operated a number of flights into Kabul and brought out over 1000 evacuees, US citizens and others and then moved them onwards to Ramstein Air Force Base in Germany. So we were the only US airline actually in Kabul during that operation, very proud of that. We had some brave crews who went and did that. And as a young airline, we had only received our certificate about a week before that, everyone in the company came together, flight ops, maintenance, and so forth and we pulled off a near flawless operation to put two airplanes into Kabul. So I think that gives you a sense of the operating team that we built here. That is a great foundation for us, moving forward.

We've also put in place our cargo plan. We identified early on, as we talked in January, that we wanted to diversify our revenue streams. And we saw that the airlines that were surviving the pandemic had both passenger and cargo capability so they could rely on cargo to help them get through the crisis. Airlines like Sun Country and at Atlas and others, who were able to survive and in some cases thrive through the pandemic because of that. We identified early on, we want to be in cargo. And we knew the A321 freighter would be the next shiny thing in aviation, once everyone understood the economics of that airplane. And so we tied up a number of those

airplanes under LOI during the course of the last six months, and I think our decision was ratified by Lufthansa the other day, they ordered two A321 freighters from BBAM. So that's sort of the stamp of approval in our business when someone like Lufthansa says, yes, it's gone through our analysis and it's the airplane, the narrow body airplane of the future in cargo. And we now have six airplanes that are now under lease, and another four or five under LOI. So we intend to be a major player in that sector of the business.

So that really is where we're at. We've made a tremendous amount of progress, including spinning off Canada Jetlines to our shareholders. And we'll talk, I know we'll talk about that in a few minutes and Ryan will go through that. But we're sort of proud of the fact that we took the sort of defunct airline in Canada, Canada Jetlines, used its listings on both the Toronto Exchange and the OTC, and their shareholder base to float GlobalX in the US. And now that we've gotten that done and we have the assets from Canada Jetlines, we've actually spun that off, raised some money, and they'll be listed on the NEO Exchange in Canada in about 30 days. So we created two airlines in the pandemic out of one defunct airline and I think in the very best possible way, to say this, it was a masterful stroke of financial engineering to get all of that done. So?

Q&A

<Q – Helene Becker>: Yeah, that's great. I mean, it's amazing what you've been able to accomplish. And I think the model is different. And when you talked about starting as a charter airline and a cargo airline, why did you decide to go down that route and what's your defensible mode? Why can't another company do the same thing you're doing?

<A – Ed Wegel>: Well, one of the main reasons to start in charter, a number of reasons, right? We saw the opportunity in that charter space in the US. There's been a lot of consolidation in the charter space. XTRA Airways became Avelo which is now a scheduled airline. They're really the dominant player and really the only player in the charter market in the narrow body charter market in the US is another operator called iAero. And so we saw that there was an opportunity to create another airline that was focused on charter. The financial requirements or the amount of money that you've got to raise in order to start a charter airline is obviously much less than the scheduled airlines. Scheduled airlines have to raise, as we've seen with Breeze and Avelo, well in excess of \$100 million, because they're going to bring on a lot of airplanes very quickly, take the risk on their flights and so we have to have a lot of dry powder to ramp up to profitability. We can start as a charter airline for a fraction of what it costs to start as a scheduled airline. It allows us to put our infrastructure in place, our pilots, our airplanes, all of our operating systems, get certified and be ready in case we ever wanted to go into scheduled service. But it allows us to operate as a charter airline in the US with some ability to do scheduled charter and maybe even some very selective scheduled service with our flag carrier status, so that we can operate seasonally certain times of the year in certain markets where we know we can fill the airplane. We don't have to fill the airplane 12 months out of the year, we can fill it when we know that seasonally we can we can do that.

So the defensible mode is essentially the ability to get certified, the biggest barrier to entry, whether you've got \$10 million, or \$200 million is getting certified. And that's a very, very strict process, as you know, through the DOT and the FAA. Most airlines fail going through that

process. The ones that make it usually take two to three years and burn a lot of capital to do that. Most of them just stop somewhere along the way and say this is too hard. We powered through that fairly quickly. We were certified in less than a year, with the FAA and DOT even with their new, more -- even more stringent certification process.

So we feel very good about that. That's a real barrier to entry, is to take on the task of getting certified. The other barrier to entry is getting airplanes, getting pilots, establishing a base of operations, having the credibility in the market to be able to operate. So yes, you could raise \$10 million, \$15 million, \$20 million in aircrafts, start this process. I think most people after they read the regulations and understand what the process entails, pretty much throw up their hands and say no this is too difficult and they move on to something else. So that's our defensible mode. We have a very, very good competitor, a strong competitor in iAero. I think we'll both make each other better airlines. But there's really no one that we see and come along now. I mean there is certainly few who get certified. But we are moving so fast to tie up clients and track charter programs and other things that we're doing that it becomes more and more difficult for a third or fourth charter carrier to come into the market.

<Q – Helane Becker>: Got it. I mean, it's all been amazing as I've watched you grow from, these two aircrafts that you were going to have to five by January, and for or I guess six you just mentioned. Before we talk about the bases, and I want to talk about Miami, Atlantic City and Las Vegas, because I think each one is in a good geographic location and is very important. I just want to go back to the listing. You mentioned that you're going to move from the over-the-counter exchange to the NASDAQ. And I think that's really important for investors to understand why that's important, why moving is going to be important for the company. And so before we talk about the revenue or the bases and so on, can we just go back and talk about the listing.

<A – Ryan Goepel>: Yeah, so as we were formed by joining with Canada Jetlines and they had a pretty heavy retail base in Canada, OTC is also kind of geared towards more of a retail customer base which makes sense when you're in pre-revenue mode and going through certification is really where we were. I think we believe with our growth story, we're probably the only small cap or micro-cap, depending on your definition, growth story in transportation that exists. And in order to, I think make it easier and attract a broader investor base, we need to be on a different Exchange. And so I think in so much as we meet the requirements to move to either NASDAQ or NYSE, we're looking at doing that as soon as possible. So I think it's only I think it's to make it easier for people to invest with us is the answer. And I think we're going to be as a revenue story, as a growth story, as a US company, it only makes sense to have the broadest platform to allow for the broadest participation amongst the investor community.

<Q – Helane Becker>: Yeah, I wouldn't disagree with that at all. Okay, so let's go back to the three bases Miami, Atlantic City and Las Vegas. So as I see it, Miami kind of covers the southern tier of the United States, and maybe in Latin and South America. I don't know how deep you can get to in South America, or if even that would make sense but from a cargo perspective, I know Miami is an important market with flowers, coffee, leather goods. I get my coffee -- my husband gets his coffee, or I get my coffee for him from Ecuador, which actually makes a really nice coffee. Most people don't know that. And then Atlantic City, I feel like covers the Northeast and maybe the Midwest. And then you mentioned Las Vegas for the West

Coast. So I mean, does that cover it? Does that cover the United States and where you want to be? What's the opportunity for growth in other parts of (a) the country and then (b) I don't know, if other parts of Latin and South America or Caribbean make sense?

<A – Ed Wegel>: So our base strategy is predicated on the fact that we compete for charters with other airlines, obviously. So we compete with Sun Country, we compete with Allegiant.

<Q – Helane Becker>: Okay.

<A – Ed Wegel>: That puts a certain amount of the airplanes or capacity into charters, as you know, because you cover them. So when we bid on a charter that's presented to us, a big component of the cost is carrying the airplane to wherever the client needs it to start the charter. So if we're always quoting from Miami, right, for a charter that originates in Phoenix, right? We have to add four and a half hours of ferry time to the quote. If we have the airplane based in Las Vegas, or somewhere close, then we're only adding a one hour ferry to the cost. So it is a move so that we can be competitive in our pricing and more responsive to potential clients by having airplanes based, as you say, up in the up in the Northeast, Atlantic City and also out in the West, Las Vegas. Atlantic City is very attractive to us, because it's so far east that it basically stays out of the extreme weather now and it goes through the Northeast, where it gets very little snow and very little of the extreme weather that you can get in the Northeast in the winter. And it's a very cheap airport to operate from in terms of landing fees and parking fees and so forth. And we have a strong relationship with the state and the county who are providing resources to us to help build that base. And we're looking to build a hangar there to supplement our operation.

Spirit operates into Atlantic City from eight different cities in the US, it's that very well known. It's a great market for them and it's a great charter market too because of, obviously the casinos that the resorts that are there in Atlantic City. But it's a great location for us, we can move an airplane quickly from Atlantic City to JFK or to Boston, to Cleveland, wherever an ad hoc charter may pop-up, where we need to move the airplane quickly, and we can get it from Atlantic City. So for flying from JFK, it's only a 45 minute ferry flight as opposed to three hours from Miami. Same thing with Las Vegas, we need to be out west so we can compete for charters that originate there, both into Las Vegas as well as charter flights in California, which is a very heavy area for charters. So that's our diversified strategy for our bases. And as we grow, we'll add more bases where we might put one or two airplanes, say in the Midwest or up in the upper Northwest. And as we grow, and we understand our business better and where our customers come from, we'll be able to adjust our strategy to do that. So?

<Q – Helane Becker>: Yeah, as you think about it, I mean, one of the things that you were talking about, your own charters are like sports teams, so does that -- as you grow in that market, so it makes -- does it make sense to have more aircraft base closer to where some of these teams are or where these, I guess some of them are universities?

<A – Ed Wegel>: Yeah, so we, we fly a number of universities. You'll be happy to know we fly Monmouth college.

<Q – Helane Becker>: Yeah.

<A – Ed Wegel>: So, we flew them the other day. And yeah, so putting those airplanes out there in different parts of the US allows us to be much more competitive in our bids. An airline like Allegiant, perhaps for instance, a great operator, a great charter operator, they can take airplanes from any one of their bases and they have a number of bases, as you know, across the country. They can bid on charters and move an airplane out of out of any of their Florida cities or out of the Midwest where they operate or even Las Vegas, and turn a charter -- and turn it into a charter aircraft for the day and fly a sports team or university or whatever. So, and they can do that and be competitive because they have airplanes located closer to the clients.

<Q – Helane Becker>: Right, right. So okay, so that's a growth area that we'll look for. So by January or February, I think in the last presentation that you guys did a week or so ago, you talked about having I think six aircraft or six aircraft in revenue service. And then what's the goal for adding aircraft? How many do you think you can successfully induct into the network on an, I don't know, if you do it annually if that makes sense or if it gets smaller at the beginning or more at the end? Finding aircraft is a big issue, unless source may think their aircraft are worth more than they're actually worth right now, given the state of the world and the fact that people aren't necessarily flying internationally. So there's a lot of things to unpack and how are you thinking about owned aircraft versus leased aircraft? So how and revenues, should we think about it as the revenue model, Ryan and I were talking about just before we went to the meeting. How should we think about the revenue model and how are you pricing the product? Is it cost plus? Is it just, X dollars per hour? I mean, so there's like a zillion questions in there, which I'm famous for doing. So just pick a few and answer them.

<A – Ed Wegel>: Let's start with a fleet growth strategy, right, because there's a couple of dynamics that are moving around in there. And you're right, we're dealing with all the less [worth's]. And depending upon the day of the week, and what they read in the headlines, either they think their aircraft are worth more or they think they're worth less than they were the day before. A couple of basic things that we are focused on. And then we'll talk about the dynamics currently. So when you start out, an airline like us, the general rule of thumb is we need to get to six or seven airplanes so that we pass our breakeven point, and we're into profitability.

<Q – Helane Becker>: Okay.

<A – Ed Wegel>: Our profitability point has actually moved down a bit from six or seven, to some lesser number of aircraft just because of the cost of aircraft, which I'll talk about in a moment. But on day one, because of FAA regulations and so forth, we basically have the infrastructure in place to operate five or six airplanes, which is what they require. So we want to move through the initial stages and add airplanes as quickly as we can because we want to get as many airplanes operating as we can early on and that allows us optionality in scheduling. But it also helps the revenue picture, to cover the fixed costs of the infrastructure, which is there, whether we have one airplane or six airplanes. So we want to cover, we're not unlike a scheduled airline. We want to spread the cost of the fixed overhead over as many airplanes as we can, right? And just worry about the variable costs to fly.

The other dynamic that we have now is that we know that the -- I call it the pandemic pricing for airplanes, which we are in right now and which allowed us to bring the first couple of airplanes on at very, very attractive rates through certification, that situation won't last forever. It will, they will continue for perhaps the next year to year and a half, until everything settles out, in our view.

So what we -- our objective is to tie up as many airplanes as we can, for our growth needs over the next three years. To do that over the next year while we've got this lessee favorable pricing environment and we really are in that -- still in that protected environment where we basically can set the terms for the leases that we want to take on the airplanes to fly. The pricing has firmed up a little bit, the deals are not as good as we got six months ago, but they're still incredibly attractive deals compared to what we would have paid pre-pandemic. So our objective is to tie up as many airplanes as we can as quickly as we can before the Black Swan event ends and we get into more stable pricing, and while less worth's are looking upon us favorably at this point and they are. So we need to grow at a steady pace within our infrastructure and within DOT and FAA regulations. But at the same time, we want to tie up airplanes that will take delivery out in 2022 and 2023, to tie those up now, so that we've got that pricing in place.

So at the end of this year, we will have the first two airplanes that are already here. We're taking delivery of an airplane in about two weeks and then another airplane, the aircraft number four, in mid-October. So that brings us to four. We've got a fifth one that we'll take delivery of at the end of December, it's an ex-Alaska A320. That's a great airplane because it's got the Wi-Fi already onboard the airplane, and maintained by Virgin America and then Alaska. So it's a good pedigree, and registered airplane, and all of those favorables. And we think we're going to take two more ex-Alaska 320s in the first as early as this year as well, for a very specific client that has asked us to put those into a VIP configuration for them. And they gave us about as much as 400 hours a month between the two airplanes. So it's a very, very specific requirement on a long term contract, which is very favorable to us, so we will move mountains to get that deal done.

And then in 2022, we expect to take delivery, at least one a quarter of an A320 passenger aircraft and we've also got scheduled four A321 freighters in 2022. So again in 2022, we are projecting now a minimum of 10 A320 passenger aircraft and a minimum of four A321 freighter aircraft will be in the fleet. And then going forward we want to build to, right now our goal is 50 aircraft, 25 passenger and 25 freighter aircraft. And so we'll build that between the end of 2022 to the end of 2025. But we hope to have fleets of A320s that we have tied up from the less worth's so that we'll take a staggered delivery between now and 2025 but at today's pricing

<Q – Helane Becker>: Right, of course, we only have a few minutes left, just very speedily. So I think, you can -- you didn't talk so much about the operating cost model. So are all the costs covered in the charter rates that you're getting? How should we think about that?

<A – Ryan Goepel>: Yeah, so I think the way you think about this versus a scheduled, a traditional Delta or United is, we're more of a cost plus model, or as you know, on a scheduled carrier, once they set the schedule, about 90% of their costs are fixed and they have to sell enough tickets to make the money. Whereas if we, if the cost doesn't make sense for us to fly, we don't fly. So we don't take fuel risk, we don't take ticket sale risk. All costs are basically built into

the price on a markup basis. So it's a lower risk, risk way to enter into the space, which is why we're doing it. But also again, it allows us to kind of de-risk a lot of elements that people find risky in airlines. So it's a different approach. It's and from a benefit from the company's perspective, is that allows us to really focus on cost, everything we look at is cost. We know exactly what every minute and every hour of every day costs. And we look to make sure that's covered with profit. And so that's how we operate.

<A – Ed Wegel>: So to give you a thumbnail of how we price, just to give you a sense. For us to operate a A320 on a block hour for the aircraft, the crew, the maintenance and insurance, which is the way we look at costs is about \$2600 an hour. We were selling those hours today in this market for about \$5,000 an hour, so almost a doubling from the cost. Now some clients, we charge less because they give us more hours, if we fly 200 hours for them in a month, we'll give them a break off of that because our costs are \$2600 an hour number will come down.

But in general right now, we're we are doubling our cost of flying that airplane. So we think that's a pretty good model. It's sort of sort of like a Mesa or the Sky West. The only difference is that they have their contracts already set and built-in with one or two airlines. What we have to do is have a diverse, we end up with a diverse number of clients flying our airplanes. So we can't tell you with specificity in any quarter, hey, we're -- based on our contracts with a big airline we're projecting 10,000 block hours, right, which Mesa and Sky West can do.

<Q – Helane Becker>: Right

<A – Ed Wegel>: We can tell you what our projection is based on our booking trends and what's going on in the market but we can't give you any real specificity, we can give you the contracts that have been signed long term as our foundation, and then what our projections are for ad hoc or for additional charters that come in. So that's really there between us and say, a regional airline, but we very much operate like Atlas Air does. So we are a narrow body version of Atlas Air, is one way to look at it.

<Q – Helane Becker>: Yeah, yeah. Well, unfortunately, we're at a time, I could spend all day talking to you about this. Because I think what you've been able to accomplish in a short period of time is nothing short of amazing on an audit. And I think you guys have done a remarkable job, the fact that, you're hitting the ground, literally, I don't want to say hit the ground and running, but you're like, you're taking off. And you're going, I mean, it just is amazing to me. So I'm very excited for your future, actually. And I'm looking forward to continuing to watch the company develop and grow. Because I think this, you have the opportunity to be one of the few successful post deregulation, post-recession, post pandemic airlines that's out there, right? Now I think if you think about it, I think there's no, I think the only airline that that was created sort of post deregulated days were, is JetBlue, and that's still with us because America West was absorbed by American Airlines, or US Airways American. So there aren't too many who do what you do and the jury is still out on Breeze and Avelo since they've started, but they keep adjusting their schedules. You're starting with such a with a business plan that seems to be generating returns quicker. So, well?

<A – Ed Wegel>: Well our goal Helane is to become big enough so that you will eventually cover us in your research. But we know that when that happens, the questions will get a lot tougher.

<Q – Helane Becker>: So well, you also -

<A – Ed Wegel>: We need to have that but not right away. How's that?

<<<Helane Becker, Analyst, Cowen>>

I don't ask hard questions. Okay, well, thank you so much for your time, gentlemen. Have a really great rest of your day.

<<Ed Wegel, Chairman & CEO/Founder>>

Thanks so much, Helane, to nice part of this. We appreciate it.

<<Helane Becker, Analyst, Cowen>>

I look forward to it. Bye.