

**Volato and PROOF Acquisition Corp I
Business Combination Announcement Call**

Transcript

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Speakers:

John Backus – CEO of PROOF Acquisition Corp I

Matt Liotta – CEO & Co-Founder of Volato

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Operator

Hello and welcome to the Volato and PROOF Acquisition Corp Business Combination Conference Call. Please note that the press release issued this morning and related SEC documents can be found on PROOF Acquisition Corp’s website at proof-paci.com and on the Volato website at flyvolato.com. An investor presentation has been publicly filed with the SEC and posted on the PROOF Acquisition Corp and Volato websites, where it is available for download.

Please note that this call may contain forward-looking statements including, but not limited to, PROOF Acquisition Corp’s and Volato’s expectations or predictions of financial and business performance and conditions, competitive and industry outlook and the timing and completion of the transaction. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions that could cause actual results to differ from those expressed in, or implied by, the forward-looking statements. Listeners are encouraged to read the press release issued today, the accompanying presentation, and PROOF Acquisition Corp’s filings with the SEC for a discussion of the risks that can affect the business combination, Volato’s business, and the business of the combined company.

This webcast has been prerecorded and there will not be a question-and-answer session as a part of today's presentation.

Hosting today’s call is John Backus, the Chief Executive Officer and a member of the Board of Directors of PROOF Acquisition Corp, and Matt Liotta, Co-Founder and CEO of Volato.

I’d now like to turn the call over to Mr. Backus.

John Backus – CEO of PROOF Acquisition Corp I

Good morning and thank you for joining us today. We’re very excited to announce the business combination between Volato and PROOF Acquisition Corp. Joining me on the call today is Volato’s Co-Founder and CEO, Matt Liotta. Before I turn things over to Matt, let me spend a minute discussing why this transaction appealed to us and why we think Volato is a great long-term investment.

In our PROOF venture capital fund, we invest in expansion-stage companies, which are leaders in their category, are undergoing rapid growth and have a path to profitability. When we set out to identify merger targets for PACI, we were looking for a company with those same characteristics that could benefit from access to the public markets and immediately put the transaction proceeds to work to create value for shareholders from day one. On our PACI team, we have three former public company CEOs and one former public company CFO. Not every good company can be a good public company. We have a good sense for what makes a good public company, and we believe Volato has those characteristics.

The airline business is complicated. We are fortunate to have a board and a SPAC team with specific and relevant aviation experience. Our diligence lead, Katy Arris-Wilson, worked with both Continental Airlines and South African Airways while at Bain & Co. Our Board member Coleman Andrews led the successful turnarounds as CEO at both World Airways and South African Airways. Early in my career at Bain, as I transitioned to Bain Capital, I became the CFO at Key Airlines and also worked with Coleman at World Airways, running their military charter business which accounted for 60% of the company's revenue.

One thing that quickly attracted us to Volato was the management team's discipline in growing the company in a short period of time from its founding in 2021 to \$96 million in revenue in 2022. There's clearly an enormous market opportunity in the private aviation space for a scaled company with access to low-cost capital to build a sizable fleet of aircraft and solve the inefficiencies that have previously plagued jet ownership. Volato has shown that they have the entrepreneurial mindset and nimbleness to make a mark in an industry dominated by a few large successful companies but cluttered with smaller companies with failed or failing business models.

We believe Volato's unique offering has positioned the company for outsized growth within the private aviation segment. They have the right aircraft, the right product offering, the right customer-first mindset and a highly talented team which has already created significant value in just a few short years.

The transaction implies a pre-money equity value of \$190 million for Volato and a pro forma enterprise value of \$261 million, conservatively assuming full redemptions on the de-SPAC. Volato management is rolling over 100% of their equity into the new company and will be fully aligned with shareholders in growing per-share value. As part of this transaction, the PROOF venture capital fund has already led – and closed – a preferred equity financing of \$48 million in Volato, which closed on July 21st. This preferred equity investment includes the conversion of \$38 million of convertible notes and not only highlights PROOF's commitment to Volato's future, enhancing our alignment with the Volato team and all shareholders, but also provides immediate capital for Volato to accelerate its growth plans ahead of its public listing.

Upon closing of the business combination, the preferred shares will convert to common stock, providing a simple, streamlined capital structure for investors.

With that, let me turn the call over to Matt to give an overview of Volato and the transaction structure. Matt?

Matt Liotta – CEO and Co-Founder of Volato

Thank you, John. And thanks to all of you listening for taking the time to get to know Volato. We are incredibly excited to take the next step in our evolution by combining with PACI.

To begin, I'll provide an overview of Volato and the unique product we're bringing to the market.

We designed our business model thoughtfully to maximize fleet utilization and revenue. This drives value for our fractional owners, for Volato, and for our fliers by delivering more flights, with greater flexibility, and at better prices.

The way it works is, we have a core fleet of aircraft which are initially purchased by Volato and sold to our fractional customers for a contracted five-year period, during which the owners can fly as much or as little as they want, while also having the opportunity to earn revenue when they're not using the aircraft. When we started Volato, we identified a key issue within the fractional private jet ownership industry: existing ownership options were restrictive and financially inefficient. Traditionally, fractional jet ownership has operated on a timeshare model. Customers sign up for anywhere from a full share down to a 1/16th share. The issue is, they often don't know exactly how much they're going to fly each year. So they end up in a position where they're either under flying and paying for more than they're using, or they're overflying and having to pay for trips at market rates without getting the benefit of their fractional ownership.

We took a step back and asked ourselves how we can deliver all the benefits of fractional ownership along with all the benefits of flexible usage. The solution we came up with was to decouple the usage from the ownership. We still offer fractional ownership, but you can fly as much or as little as you want, and when you're not flying, you're earning a revenue share each time your plane completes a trip. This is a unique revenue model, which creates an alignment of interest for high utilization.

The second pain point for jet owners is aircraft management, which includes all aspects of operations, from hangars, to pilots, to fuel, to chartering for additional revenue. Volato's fleet management services ensure that our customers don't have to worry about these logistics, and meanwhile it provides us with additional aircraft at the ready for supplemental trips or repositioning.

The third aspect of our business is our Part 135 charter operations, where we offer products like our Volato Insider and Volato Stretch Jet Cards to non-owners to fly with us. The goal here is to increase the profitability and utilization of our core fractional and managed fleet.

So where does Volato stand today? We founded the company in 2021, and in 2022 we reached \$96 million in revenue. Our fleet currently stands at 25 aircraft, with another 23 HondaJets on firm order for delivery. We have an exceptional Net Promoter Score for offering our customers the best cabin experience and the best service and flexibility.

Let me now dive into our key investment highlights, beginning with our TAM. We're operating in a large and fast-growing market with favorable tailwinds. Today, the private aviation market in the United States is a \$29 billion opportunity and growing at a healthy 4.1% CAGR. A few key drivers are fueling this growth. First is a consumer focus on wellness. The experience of Covid-19 and difficulties with commercial travel helped introduce private aviation to a new set of fliers who had the means to fly privately but may not have tried it before. The Covid boost in demand has proven resilient, and as a result, there's been a shortage of aircraft in the market, with only 3.7% of active jets available for sale, well below the historical trend. On top of these factors, growth in the experience economy and rising disposable incomes are continuing to expand the pool of potential fliers.

When we look at the market landscape, it's highly fragmented, with the largest eight players controlling only 1% of the total private aviation market. This means there's a substantial opportunity for Volato to disrupt the status quo by bringing a scaled platform with a more flexible, customer-centric product offering to the market.

In terms of our business model, we're bringing a unique and asset-light model with recurring diversified revenue streams. Through our fractional ownership program, we make money through fractional sales while keeping our capital free to continue growing the fleet. Through our charter operations, we maximize utilization, which benefits both Volato and our fractional owners. We have also created a range of software solutions that we leverage internally to drive greater operational efficiencies and margin expansion.

We have found that existing off-the-shelf aviation software solutions are antiquated and inadequate for our business requirements. In response, our in-house team has leveraged its extensive software development experience to launch Volato Mission Control, a cross-divisional platform to help manage reservations, CRM, pilot management, flight scheduling, and analytics. With this software, we are able to drive improvements in automation and productivity and bring clear efficiencies to our operations.

So when you compare us to our competitors, we believe we have a much more appealing business model, both for customers and investors. With Volato, you can fly as much or as little as you want, whereas with competitors it's "use it or lose it." Our fractional ownership structure is also designed to maximize the value our fractional owners get out of their investment. Whereas in most cases owners are limited on their tax benefits to business use only, with Volato our revenue-sharing structure enables owners to realize more favorable tax treatment from their ownership regardless of usage. And on the revenue sharing side, we offer an unparalleled alignment of interests to drive value for our owners.

Our model for growing and operating our fleet is also more efficient and lower risk. By leveraging our fractional ownership program to build our fleet, we're effectively achieving a lower cost of capital than leasing or acquiring aircraft, and with less risk. Our goal of maximizing utilization by supplementing owner flights with non-owner flights should also contribute to a higher yield, based on higher realized pricing for non-owner flights.

Over the life of the aircraft, we have access to multiple recurring revenue streams, including the initial fractional sales, management fees, and flight operations. On a blended basis, for our HondaJets which make up 100% of our fleet, we're targeting 17% EBITDA margins across these revenue streams.

By leveraging our asset-light model, we're taking advantage of a significant opportunity to grow a premier fleet of HondaJets in a market with very limited HondaJet capacity.

Opting for the HondaJet in our fleet was a decision rooted in comprehensive market analysis and a commitment to passenger comfort. Approximately 70% of the private aviation market comprises flights that are less than three hours. Additionally, 48% of flights utilize either turboprop or light jets.

The HondaJet, since its entry to the market in 2015, has been a remarkably popular aircraft, creating a high demand that sometimes even extends delivery lead times. Its popularity lies in its compelling mix of efficiency, economy, and passenger experience.

In comparison to other aircraft in the light jet segment, the HondaJet stands out with superior fuel efficiency and lower operating costs. This efficiency means that it is well equipped to handle the majority of Phenom 300 missions, doing so with a cost-benefit advantage.

Beyond the pure efficiency, the HondaJet offers a remarkable cabin experience. The aircraft boasts a quieter cabin, allowing for more peaceful travel, and enhanced legroom for superior comfort.

At Volato, we have 23 HondaJets on firm order for delivery, which represents a very substantial percentage of the total HondaJet order book. Since our inception, we've developed a close relationship with the Honda Aircraft Company, not only to secure orders for these high-demand aircraft, but also to further refine

maintenance schedules and ensure availability of spare parts and maintenance hubs to drive greater efficiency and utilization of the fleet for Volato. In other words, it would be very difficult for another operator to try to replicate our fleet and the operational advantages we've built.

Moving next to our operations, our operating footprint is designed to maximize our coverage of key markets while allowing us to run a safe, lean, and efficient operations and maintenance platform. To enhance our operational efficiency, we're leveraging the Volato Mission Control platform that I mentioned previously. As we look to grow our platform from here, we see an opportunity to take advantage of the market fragmentation by rolling up smaller Part 135 operators and leveraging our operational infrastructure to provide scale.

When you compare us to competitors, we believe we can offer superior fleet utilization with a larger fleet, one common aircraft type, and lower cost aircraft and technology. Ultimately, this is a win for our owners, our fliers, and our company.

We have a team of seasoned industry professionals with a strong track record of entrepreneurship and expertise in commercial aviation operations.

We'll also have a strong board of directors bringing a diverse range of experience and relationships, committed to strong corporate governance and sustainability.

As we look to the future, we see a number of opportunities to drive accelerated growth, including expanding our fleet size and product offering, expanding our software offering, adding to our geographic footprint and operational coverage through opportunistic M&A, and ramping up our sales efforts in the corporate travel market. The proceeds from this transaction and our recent financing will enable us to continue building our fleet and unlocking the operating leverage embedded in our model.

Our historical financials will give you a sense of how quickly we've ramped up after founding the company in 2021. In 2022, our first full year of operations, we reached \$96 million of revenue. Today, a substantial part of our revenue is generated by fractional aircraft sales as we continue to build our fleet. The revenue from fractional sales will naturally vary from quarter to quarter given the timing of aircraft deliveries, which is why we believe the best way to look at our performance is on a full-year basis. As we grow, we expect to see an increasing share of recurring revenue from usage and aircraft management.

To conclude, this is a very exciting time for Volato and for the private aviation industry in general. We're at a point in time where the recent experiences of the pandemic and commercial travel have led more and more fliers to try private and to consider fractional ownership. So, we know the demand is there. But as we've also seen, there's a white space in this industry where customers are looking to realize the benefits of fractional ownership while maintaining the flexibility to fly on their own schedules. Volato is filling that niche by offering a full-service platform encompassing fractional ownership, management services, and charter operations. By doing so, we're providing both a cost-effective solution and an unparalleled flying experience.

We look forward to sharing additional updates in the near future as we progress towards our public listing. In the meantime, we welcome you to reach out with any questions. Thank you for your time.