GlobalX Airlines defies cargo trend with fleet strategy

Emerging carrier intends to quintuple freighter fleet by 2025 despite cooldown in airfreight demand

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Global Crossing Airlines operates three used Airbus A321 aircraft that have been retrofitted to carry cargo and has ambitious plans to expand the fleet. (Photo: GlobalX)

MIAMI — Startup Global Crossing Airlines is scheduled to take delivery of two additional narrowbody freighters in December, on its way to a planned fleet of 15 cargo jets by 2026 — a notable contrast to other cargo operators that are putting the brakes on expansion amid a prolonged shipping downturn.

The Miami-based carrier, which also provides passenger charter service, received its cargo operating license earlier this year from the Federal Aviation Administration and now operates three Airbus A321 converted freighters in the U.S. and Caribbean region. Two more used aircraft, now in the final stages of the conversion process, are expected to arrive at headquarters next month, management said on last week's third-quarter earnings call.

Global Crossing Airlines (OTCQB: JETMF) has leases ranging from seven to 10 years from multiple lessors, including Air Transport Services Group (ATSG), for six A321 converted freighters, according to the latest filing, and has tentative agreements for four more aircraft. The company expects to receive five additional converted aircraft next year, with a stretch goal of 15 freighters by the end of 2025.

The continued fleet expansion is occurring in a freight market that has seen global volumes tumble about 12% since the pandemic peak at the end of 2021, with rates about 30% lower than in 2022. Volumes are also down 8% to 9% year to date versus 2019, according to market intelligence firms Xeneta and WorldACD. More carriers are now shelving plans for extra capacity to preserve cash as revenues shrink.

ATSG last week said it wouldn't proceed with conversions for six Boeing 767-300 aircraft already in its possession. Canada's Cargojet said it is trying to sell four Boeing 757-200 aircraft it recently had converted and has scrapped plans to convert four large 777 aircraft. Other airlines are backing out of handshake lease agreements, or postponing them. Air Canada canceled an order for two factory-built freighters from Boeing. FedEx and UPS are parking some aircraft and accelerating retirement for older models.

GlobalX, as the company is also known, entered revenue service two years ago with A320-family passenger jets and now has 10 aircraft providing charter flights for cruise lines, casinos, college sports teams, government agencies, tour operators and resort destinations, as well as supplemental capacity for other airlines, including Wizz Air and TUI in Europe. Its planes have flown stagehands and entourages for Bad Bunny, Foo Fighters, Lady Gaga and Harry Styles concert tours. During its first week of operation, GlobalX in 2021 sent two planes to Afghanistan on behalf of the Department of Defense to evacuate U.S. personnel and other designated refugees.

Global Crossing got its start by signing a merger agreement with Canada Jetlines, which tried unsuccessfully to launch an ultra-low-cost carrier in Canada. The deal essentially was a reverse takeover by founder and CEO Ed Wegel, a veteran aviation executive and serial entrepreneur who previously relaunched Eastern Air Lines, and other investors who took 60% of the shares, changed the name to Global Crossing and moved the legal jurisdiction to Delaware at the end of 2020. GlobalX shareholders own a quarter of Canada Jetlines, which was spun off in 2021 and now is in operation with three passenger jets.

Its vice chairman is T. Allen McArtor, a former senior vice president at FedEx and administrator of the Federal Aviation Administration under President Ronald Reagan.

The emerging company took advantage of the airline sector’s crash during COVID to structure very advantageous leases for mid-life aircraft at about half the going rate under normal market conditions.

GlobalX reported negative earnings, excluding non-core items, of $1.7 million in the third quarter, a $4.4 million improvement from the second quarter. For the nine months ended Sept. 30, the hybrid carrier lost $13.2 million, $3 million more than the same period in 2022, before stripping out accounting measures. With aircraft rent removed from the equation, earnings were $7.6 million.

The rapidly expanding fleet enabled the company to achieve record revenue of $42.6 million, up 38% from the year-prior period.

In its first full year of operation, Global Crossing generated $100 million in revenue and lost $15.8 million.

Building scalable platform

Starting an airline is expensive. But executives stress they have laid the foundation for sustained profitability by scaling up the fleet and supporting infrastructure, including obtaining operating licenses and aircraft certifications in various jurisdictions. They pointed to revenue growth outpacing costs for every expense line except maintenance as evidence of financial discipline and how continuing investments are making the airline more efficient. And the growth in flight hours is faster than growth in maintenance costs, an indicator of improved efficiency.

During the quarter, the airline issued $35 million in bonds to repay current debt and provide capital for ongoing fleet expansion. It previously raised $28 million. Shareholders have been critical of the new financing terms of 15% interest, with a board seat and warrants for Axar Capital Management, but analysts viewed the deal as necessary to maintain the company’s growth strategy and more favorable than equity financing.

GlobalX also reached an agreement with an airport developer for the financing and construction of a $25 million maintenance facility at Fort Lauderdale-Hollywood International Airport. The facility, which is expected to open for occupancy in the second quarter of 2025, can hold three A320 variants or one A330-size aircraft.

Management said having its own maintenance capability will save money and drive efficiency because the airline will be able to control its schedule. Buying hangar time to change an engine or do an overnight inspection at Miami International Airport (MIA) costs about $30,000 for an eight-hour period. By the time the facility in Fort Lauderdale is ready, GlobalX will have 30 aircraft and many will be due for intensive maintenance checks.

The company has also invested in its own ground handling and fuel trucks to avoid having to rely on third parties that prioritized large customers and weren't reliable. GlobalX was experiencing two-to-three-hour delays because other fuelers at MIA prioritize serving American Airlines.

The leadership team says it is managing for long-term growth over quick earnings.

"If we wanted to create a $150 million revenue company, we would be profitable today," said Chief Financial Officer Ryan Goepel during the earnings briefing. But we're building a $400- to $500 million-revenue company. And the only way you can do that is investing in people, processes and systems."

Goepel, in other presentations, has said the company's goal is to have a $2 billion market cap in the next three to five years.

Airlines that don't grow, go bankrupt, added Wegel. "So we have no interest in operating a small airline because we will not survive." Airlines with a larger base of aircraft and customers can better withstand external shocks.

GlobalX, for example, has doubled its pilot head count to 125 in the past year and fully expensed nearly $6 million to hire and train pilots during the quarter. New pilots are on the payroll for 90 days before they start revenue flights. Other building-block investments include flight dispatch technology and document management software to allow paperless functions.

The company offers three types of cargo service: on-demand, when a company urgently needs a shipment transported; all-in contracts, in which a single customer charters the entire plane for multiple flights; and long-term transportation service, in which the customer is charged a minimum number of flight hours and is responsible for finding cargo and paying fuel, ground handling and other fees.

The 2023 projected revenue ($150 million) share is 83% passenger business and 17% cargo, with cargo taking a larger slice in the future.

Management stresses that its cost-plus business model is much less risky than that of a fixed-cost scheduled carrier, which must operate whether the plane is full or not. Every flight makes money, the company is paid in advance, fuel costs are passed through to customers, and unit economics continue to improve as block hours (flight and taxi time) increase.

Mid-2025 guidance is for cargo aircraft to generate $300,000 to $500,000 per month in earnings before non-operating expenses such as interest and taxes are counted.

Busy freighter business

Wegel scoffed at the notion that the air cargo market was currently too challenging for a new entrant to attract business, saying demand has simply reverted to the mean from the overheated days of the pandemic when anyone with a plane could make money.

“We’re not seeing any lack of demand on the narrowbody freighter side. We are extremely busy flying for a whole host of different customers in the automotive markets, in the retail,” he said.

In February, GlobalX began twice-weekly dedicated cargo flights to Havana for CubaMax, a travel and shipping agency based in South Florida. Other customers include the U.S. Postal Service, the West Indies Cricket team and Ascent Global Logistics, a GlobalX investor that owns USA Jets and specializes in moving auto parts from Mexico and Texas to U.S. assembly plants.

An HBO film studio earlier this year chartered GlobalX to move props and cameras for a shoot in Barbados and then back to New York two weeks later, Wegel said during a June interview at the company's Miami airport headquarters.

A Global Crossing Airlines freighter delivering emergency supplies to Ben Gurion airport in Tel Aviv. (Photo: GlobalX)

GlobalX freighters have made four circuitous trips to Israel, including two on Saturday, with more than 100 tons of medical and first-responder gear in the aftermath of the Hamas terrorist attack on Oct. 7. It is one of the few U.S. carriers flying to Tel Aviv under war conditions.

On the earnings call, Wegel said staffing and supply chain issues at overhaul organizations that do the conversion work have delayed freighter deliveries, which are taking 10 to 11 months to complete instead of six to seven. Modifications include adding a large cargo door in the forward fuselage area and a reinforced barrier wall in the upper deck to protect the crew cabin from shifting cargo. Seats and other features designed specifically for passengers must also be removed.

Part of the problem, he said, is that the two conversion specialists for the freighter — 321 Precision Conversions and Airbus affiliate Elbe

Flugzeugwerke GmbH — are still figuring out how to streamline the production process and which parts to preorder. Production time is eventually expected to get faster.

A source at one of the rebuild specialists said A321 aircraft for multiple customers have been held up by overhauls of landing gear because vendors have had trouble getting parts.

Global Crossing is the only operator of the A321 converted freighter in North America, and executives are very confident the aircraft, which hit the market less than three years ago, is a rising star. They insist it outperforms the Boeing 737-800, which entered the market about six years ago and has about 13% less volume.

“Whenever we sit down with a potential client who is flying with a 737 or a 757 and we show them the operating performance of our airplane versus their airplane, we win that discussion every time,” said Wegel. He pointed to Lufthansa Cargo, Japan Airlines and Qantas as examples of large airlines that have also settled on the A321 for regional express routes.

The A321 beats the 757 with 18 more cubic feet of containerized payload capacity and burns about 19% less fuel, which translates to 300 fewer gallons on a long trip, according to the company. It has room for 14 upper-deck containers, one fewer than on the 757, and 10 smaller containers in the lower hold. But the 757 and 737-800 fuselages are too narrow for the LD3 containers and can only take loose cargo in the lower deck.

A321 proponents view the aircraft as the natural replacement for the aging Boeing 757 converted freighter, in large measure because containerized storage of high-volume, small packages is more efficient than manual exchanges of individual parcels to and from the lower hold.

For reasons having to do with schedule frequency, infrastructure, cost and ground handling, not all airlines utilize containers in the A321 belly.

Mike White, a consultant who for decades held cargo leadership positions at trade associations and airlines, said in an interview that the A321 is a good fit for North America, Central America and the northern tier of South America because of its range and cargo capacity.

Global X is waiting for final approval from authorities in Colombia for an air operator's certificate that would enable it to establish a cargo airline in that country and serve the intra-Latin America market. It would be one of the first A321 freighter operators in Latin America. Planes assigned to Colombia will be interchangeable for use under U.S. authority. Having an airline subsidiary in Colombia will also help with recruiting pilots, who would also apply for green cards so they can work in the U.S. and reduce the need for U.S.-based pilots, Wegel has previously said.

The airline is already hiring to get ready for test flights in the coming weeks to prove the airline's capability to safely operate, the CEO recently said on LinkedIn.

He has even talked about setting up a subsidiary in Europe.

The startup carrier plans to up-gauge toAirbus A330 cargo jets, but it will be early 2026, at the soonest, before the larger aircraft can be added to the fleet because production slots at conversion centers are filled up, Wegel told FreightWaves. In the meantime, the company is working towards flying its first A330 passenger aircraft by next summer. Learning how to operate the aircraft will help when it's time to bring on freighters, he added.

Wegel acknowledged the company is undercapitalized but not unusually so for the airline sector, and said strategic support from key shareholders, fundraising and cash from operations make it possible to meet its target growth strategy.

The over-the-counter stock sits at 65 cents per share. The company plans to uplist to a major exchange in the future. More than 30% of outstanding shares are owned by insiders.