

LETTER TO SHAREHOLDERS

Q1 2021



What a difference a year makes. Looking in the rear-view mirror, FLYHT posted record SaaS revenue along with very strong license fees in Q1 of 2020. In Q1 2021 SaaS revenue of \$1,539,825 (-43.8%), and \$182,181 of licensing revenue due to the contraction of deliveries of new aircraft as customers froze their fleets changed the revenue picture for FLYHT. With international borders closed, travel to sun destinations restricted by government regulations, and Zoom business meetings the norm, the ongoing effects of the pandemic are plainly evident in FLYHT's financials this quarter. The golden lining in this storm cloud is that the industry is seeing recovery in major markets, China is back to pre-pandemic activity levels and, providing that the third wave of the pandemic does not worsen, we have every expectation that a recovery of commercial aviation – and FLYHT – is under way.

Even with these headwinds we held the line on cash compared to last year. This quarter, while we have used some of our cash due to seasonal needs, we feel much more secure that expected revenue recoveries in the second half of 2021 will lead to cash generation and a stronger balance sheet. We are making solid progress in our strategic refocus on software “first” (versus being hardware dependent). FLYHT's development teams have product being tested by customers.

It has been a difficult year since the pandemic gripped us in its teeth, but we have been very prudent and methodical in our use of resources. We have rationalized spending on non-essential products, and maintained high service levels and customers happiness, having worked with them to help them manage through the tribulations of the past year. These efforts position FLYHT to take full advantage of the recovery.

Looking ahead, there are three factors that fuel my excitement and optimism for FLYHT in the coming months. First, we have the addition of new products and services within our Actionable Intelligence suite and the AFIRS family of products which cover a wide spectrum of aircraft, communication methods, and geographies. Second, we have the expected recovery of the airline sector, particularly in the travel and leisure markets and the eventual reopening of borders around the world as vaccines are rolled out. We are already seeing traffic numbers in the U.S. climb as vaccine percentages increase. And third, we have strong cargo and specialty carrier customers in our fleet, and it is the short haul mid-sized companies that will recover first and fastest.

From our vantage point, we're seeing new orders coming in from existing customers, new airlines buying our solutions, and existing customers adopting our new technologies to help them take advantage of technology as part of their recovery strategy.

I was told many years ago that a car has a big windshield and a small rear-view mirror for a reason. You always want to keep an eye on what is behind you, but it is much more important to be able to see what is coming up in front of you. At FLYHT, we have good perspective on where we've been and a clear view of what's ahead. What we see coming is a strong, flexible, adaptable company that will be part of supporting the essential commercial aviation in its recovery from COVID-19 and well beyond. This should reward our customers, employees and partners – and shareholders.

Yours Truly,

A handwritten signature in blue ink, appearing to read "W. Tempany".

William T. Tempany
Interim Chief Executive Officer