

# LETTER TO SHAREHOLDERS

## Q4 2022



My name is Kent Jacobs, and late in 2022 I was appointed to the expanded position of President and Interim CEO of FLYHT. Bill Tempany, our CEO, passed away unexpectedly on December 20<sup>th</sup> of last year. It is with both a heavy heart and an unwavering commitment to his vision and legacy that I write this year-end 2022 shareholder letter. He is deeply missed by everyone at FLYHT and by me as my colleague, mentor, and friend. When Bill returned to FLYHT as our CEO in 2020, he set the tone for our software focused vision and formed the team that successfully continues his work today. I am proud to lead that team.

**2022 was a year of exciting accomplishments and opportunities.** As I consider my 20+ years at FLYHT I have never been more optimistic about our current state and future opportunities. With the strong execution of our strategy, we delivered record revenue of nearly \$24 million, representing a doubling of our 2021 revenues, while also generating positive EBITDA in the second half of 2022. The continued recovery of the airline industry coupled with FLYHT's approach has placed us in a strong position to benefit from the ongoing robust demand for our legacy products and surging interest for our new and innovative solutions.

**FLYHT's vision to become a global force in providing innovative aviation and environmental solutions for our customers is coming to fruition.** We are on the verge of obtaining the initial Supplemental Type Certificates ("STCs") of our newest innovation, the AFIRS Edge™. The 5G enabled AFIRS Edge utilizes cellular, Iridium Certus®, and Wi-Fi capabilities to provide powerful situation awareness by delivering data in real-time. Its light-weight form and versatility bridge the end-to end digital divide and makes narrow body connectivity a reality. Our STC rollout strategy is to first address the Airbus A320 and Boeing 737 fleets around the world. By focusing on these narrow body fleets, we are targeting roughly 70% of the commercial aircraft worldwide. FLYHT envisions an addressable market of ~25,000 aircraft with the Edge poised to become the dominant avionics of choice for Wireless Quick Access Recorders ("WQARs") and Aircraft Interface Device ("AID") functions, enabling operations in finite airspace and in a progressively carbon free environment.

**Building upon the AFIRS Edge infrastructure, weather and environmental services are becoming an increasingly important component of FLYHT's SaaS operating model.** As presented in FLYHT's recent testimony to the Subcommittee on Environment of the United States House of Representatives' Committee on Science, Space, and Technology,<sup>1</sup> FLYHT's WVSS-II water vapour sensor system installed on an aircraft with an AFIRS Edge is a critical component of weather Aircraft Based Observations ("ABOs") for meteorologists and airlines. Weather constantly changes, making real-time ABOs a prime source of recurring revenue as ongoing support to weather forecasting models and aviation operations. As part of the global focus on environmental impacts of aviation, researchers have projected that clouds formed from contrails (contrail cirrus) are responsible for approximately half of aviation's climate effect, making contrail detection and avoidance programs a priority.<sup>2</sup> The FLYHT-WVSS-II sensor provides accurate water vapour detection thus providing valuable data and services regarding aircraft induced cloudiness and contrail avoidance. Initially, these services are expected to support the research community and governments, with airline and military operational applications to follow. Validation of FLYHT's environmental strategy was received last year, as the United Kingdom's Meteorological Office (UKMet) announced their intent to purchase FLYHT's WVSS-II water vapour sensor system.

**While the AFIRS Edge is our new flagship offering, demand for the complementary AFIRS 228™ Satcom remains at an all time high.** In 2022 FLYHT landed and fulfilled our single largest licencing order, totaling more than \$7 million. The success of the Airbus A220/A320/A330 aircraft means we fully expect additional orders to continue from our licencing agreement with L3 Harris. Additionally, with its proven track record, the AFIRS 228 has allowed us to maintain our base of loyal customers. Over the years we have developed a library of more than 100 STCs which we continue to expand in concert with new airliner development including the Airbus NEO and Boeing Max fleets.

**In addition to FLYHT'S AFIRS 228 and the AFIRS Edge both supporting all our products and services, we have also developed standalone SaaS offerings as part of our recurring revenue strategy.** The recent introduction of ClearPort, our aircraft turn management tool, represents FLYHT's latest standalone SaaS product. As we expand into Artificial Intelligence and Machine Learning models, and further develop our Data Warehouse capabilities, we look forward to reaching our full SaaS revenue potential.

**As in any year, 2022 is all about the people who make it happen.** As we moved forward from development to market introduction, we brought on board four new members with a combined 75+ years of skill and experience in the aviation industry. These team members bring with them a sterling track record of success and an elite professional network thereby enhancing FLYHT's reputation and improving our time to market. Our innovative technologies and vision were paramount in attracting such talent to our organization. Their impact has been immediately felt and will reflect in future results.

As we accelerate out of COVID-19 and honour Bill's legacy, we remain steadfast in our execution of FLYHT's vision. I would like to thank our dedicated staff for their hard work and perseverance, our loyal shareholders for your continued support, and our customers for allowing us to continue to provide service and value.

Yours truly,

Kent Jacobs

<sup>1</sup> Written Statement of Meredith Bell, Atmospheric Program Manager for FLYHT Aerospace Solutions Ltd. *Reauthorizing the Weather Act: Data and Innovation for Predictions* March 28, 2023.

<sup>2</sup> Canada's Aviation Climate Action Plan 2022–2030, pp.32