

# MESSAGE FROM KENT JACOBS

## February 13, 2024



Dear Fellow Shareholders,

I want to take this opportunity to relate the achievement of significant milestones across our Company and to update you on the progress we are making toward our strategic growth initiatives.

### *Tech Status Update: AFIRS Edge™*

I am excited to announce that we have formally completed our data package and have submitted this to transport Canada delegates for a Supplemental Type Certificate (“STC”) approval for the activation of the flange version of our industry leading 5G wireless data communication device, the AFIRS Edge. This STC is for installation on Airbus A320 aircraft. The submission of the formal STC application for the Edge represents the culmination of our vision, hard work, and perseverance across the FLYHT organization as we built the EDGE over the past three years, and in particular in recent months, as we completed certification testing in collaboration with our partner, Canada Jetlines. In our experience obtaining more than 100 STCs over the past 20 years, from this stage it can take up to 60 days for Transport Canada to process and approve STC applications, and we expect this to be the case as well for the Edge. Upon receipt of the STC, we will be able to ship Edge units to our Canadian A320 customers while at the same time we will familiarize the Canadian STC to other jurisdictions to enable worldwide shipments. While the A320 is expected to be the first STC, we are pushing forward with additional STC applications on two other popular aircraft types, the Embraer 145 and Boeing 737, and we expect to receive STCs for these aircraft in 2024 as well.

Meanwhile, we are on schedule with development of the plug-in compatible version of the Edge called the Edge+, designed to be installed overnight in customer aircraft in the same avionics bay slot as existing legacy products and utilizing existing aircraft wiring. We expect to be conducting STC certification testing on an A320 aircraft and receiving our first approval in Q3 of 2024. The Edge+ is creating exciting discussions within tier one airlines as the ease of installation in their legacy fleets allows them to effortlessly upgrade their capability. Both Edge versions are very much of interest to airlines as they look to move to a 5G compatible product over the older 2G, 3G, and LTE products which are sunseting.

As [announced](#) on January 23, 2024, we have expanded our relationship with One Stop Systems, Inc. (Nasdaq: OSS) to ensure that we are able to scale manufacturing to meet anticipated demand for the Edge and Edge+ over the coming years. OSS, who has been supporting FLYHT on the design of our Edge products, will now also support our manufacturing of both the Edge and the Edge+ product lines. OSS expects to begin their production support and shipments of AFIRS Edge+ in Q2 2024.

### *Leveraging the Edge: Our Weather and Climate Business*

In our weather business, we believe that FLYHT’s technology greatly enhances the accuracy of short- and long-term weather predictions and is a key tool in providing more accurate and earlier extreme weather warnings, and in the detection and avoidance of contrail generation. I’m pleased to report that we are advancing with our two major programs with the UK Met and NOAA.

In the UK, we have completed the initial engineering surveys to install the FLYHT-WVSS-II atmospheric water vapour sensor on Embraer 145 aircraft with our airline partner Loganair. The focus now turns toward building the first sensors at our production line in Calgary, and to obtaining STCs on the Embraer 145 from the UK Civil Aviation Authority for the Edge, the Certus-100 modem, and the sensor itself. We are targeting installations on Loganair’s fleet of Embraer aircraft to commence during Q4 2024.

In the U.S., we are under contract with NOAA to deliver FLYHT-WVSS-II, Edge and satcom sensor packages under NOAA’s FY2023 budget for the collection of atmospheric data on U.S. Pacific routes looking predominantly at atmospheric river

formations. FLYHT and NOAA are in advanced stages of securing the airline partner for this program to position for installations on the Boeing 737 in Q4 2024. Next month we expect to be allocated NOAA FY2024 budget per the contract for further FLYHT-WVSS-II sensor deployment to help fill data gaps that currently exist over key areas of the U.S. and surrounding oceanic areas. As an organisation, we are actively lobbying the U.S. Congress to ensure that the pending U.S. Weather Act re-authorization which is due to become law this year has sufficient funding to continue the expansion of this vital sensor.

Additionally, as the FLYHT-WVSS-II production line gets underway in Calgary, FLYHT is well placed to support, upgrade, calibrate and/or replace the 148 legacy sensors which are now nearing end of life. These sensors provide millions of valuable data points every month to NOAA and meteorological agencies around the world by feeding predictive weather systems and improving weather forecasting and it is vital that this key data stream is maintained for the foreseeable future.

### *Europe Update: CrossConsense*

I am equally enthusiastic about the innovation and opportunities at CrossConsense (wholly owned subsidiary of FLYHT). In December, I spent a week in Germany with the team, helping to architect a more integrated offering with our North American operations as well as to contribute to some of the largest new business initiatives in CrossConsense history. Their work and reputation create their own pipeline of opportunities as well as gratifying industry recognition (see [here](#)).

Looking ahead, CrossConsense plans to roll-out several exciting new extensions to their app offerings this year. Many all-new features will make it into their popular solution Aircraft Fleet View, which is already in use with more than 3000 users. These customer-driven developments focus on communication and collaboration within the aviation space. The goal is to replace the need for unofficial communication channels like WhatsApp. The team already has multiple new customers lined-up, who are actively participating in feature development.

### *Driving Hardware and Software Sales in Both 5G Aviation Solutions and Weather Intelligence*

We are laser focused on deploying our innovative hardware into a growing number of different aircraft types to drive our recurring SaaS revenue strategy. In both our 5G aviation solutions and weather intelligence businesses, it is the integration of our SatCom and Edge hardware that allows data to be gathered throughout the aircraft, and in turn, to power real-time intelligence and data transmission.

We are already seeing this play out in Weather, which is increasingly looking to be an even greater opportunity than we had originally envisioned. Each aircraft installation will include a FLYHT-WVSS-II humidity sensor, and, in order to transmit the data off the aircraft in real-time, will be fully integrated with a Certus-100 SatCom terminal and Edge device. We will then generate recurring SaaS revenue as we capture aircraft-based observations on an ongoing basis. The model is no different in 5G aviation solutions where there is upfront hardware sales and a long tail of recurring SaaS revenue.

Based on conversations we are having, we believe the work we are doing with the UK Met and NOAA may ultimately pave the way for us to also work directly with the OEMs and airlines. We envision a world in the not-too-distant future where there is a line fit sensor, which would become another source of opportunity which leverages our integrated hardware and software solutions.

Already, we have a solid growing base of recurring SaaS revenue which we expect to further expand as we roll out our new offerings. The growth of this high margin revenue stream, which now represents over half of the total compared to a third just six years ago, is the result of our strategic focus on offering cloud-based software applications and services that integrate with and leverage an expanding portfolio of hardware products. Over the past five years our SaaS revenue sources have been diversified, no longer simply tied to the number of flights or number of flight hours. We generate SaaS revenue from across the business including from satcom, weather and maintenance, and soon with the introduction of the Edge, new Actionable Intelligence opportunities. Having software integrated with hardware is so powerful that customers with early access to the Edge are increasingly requesting our whole software suite.

### *Fiscal Responsibility Sets Up for a Stronger 2024*

We continue to reinvest the positive cashflow generated from our previous, still active, generations of hardware, to fund the R&D and commercialization of our emerging opportunities. A contributor to that positive cashflow is our SaaS revenues with an annual run rate of over \$11 million based on the third quarter of 2023. This demonstrates a comparative, annualized

growth of over 30% (see our Q3 2023 report [here](#) and press release [here](#)). As we invest for the near-term future, we are dedicated to living within our means by investing mainly from our internally generated cashflow, and investing in our highest strategic priorities. This strategic prioritization of development efforts has been key to our success in recent years and will remain that way long after we begin to generate revenues from our investments.

*Thank You for Your Ongoing Support*

In my 22-plus years at FLYHT, I have never felt more confident in FLYHT's future. Addressing today's aviation industry and weather community needs, we are building upon our legacy business of aviation safety services, with the right solutions and a clear route to market. We have a significant addressable market waiting for us.

I express my confidence to you while recognizing that our share price has come under pressure as STC timelines and commercialization has taken longer than expected. Both the pace of our progress and the performance of FLY shares are unacceptable to all of us and especially to me. We are working tirelessly to speed our initiatives so that we can deliver to our customers and fulfill our promise to you, our shareholders.

Finally, I would like to extend my sincere gratitude to all our shareholders who continue to support FLYHT as we advance technology that has the potential to become the global standard for the aviation and weather communities. We believe we are on the cusp of generating revenue and cashflow from our 5G aviation and weather solutions which will drive growth for years to come and ultimately shareholder value. We look forward to several exciting developments in the months and years ahead as we execute our 2024 business plan.

Yours truly,

A handwritten signature in blue ink, appearing to read "Kent Jacobs".

Kent Jacobs

President & Interim CEO