



# *Flyr*

## Q3 2022

3 November 2022

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# Strong operational performance despite macroeconomic headwinds



## Quarter highlights

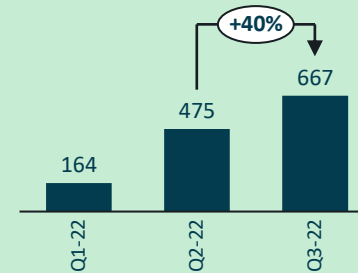
- Revenue of NOK 610 million, 80% increase compared to the previous quarter
- Load factor of 80% in Q3 (81% in October 2022)
- On-time performance of 74% (95% of flights delayed by less than one hour)
- 36 FTEs per aircraft – lower than key competitors
- High customer satisfaction, positive customer feedback
- Continued strong demand for European leisure destinations
- Two brand-new Boeing 737-8 aircraft entered the fleet
- **Operating result (EBIT) of NOK -232 million:** Q3 earnings impacted by macroeconomic uncertainty, a weak NOK, high jet fuel prices and lower-than-expected load factor on Norwegian domestic routes having introduced significant capacity (which takes time to absorb)

## Subsequent events

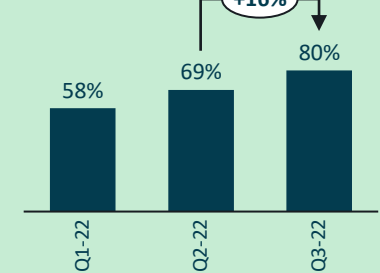
- Winter schedule reduction initiated on 4 October 2022
- Share issue announced this morning

## Key metrics

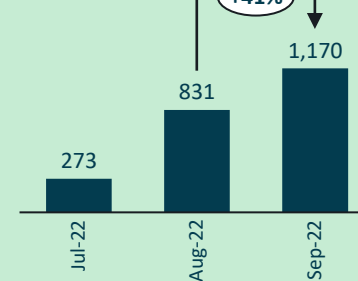
# of guests (000')



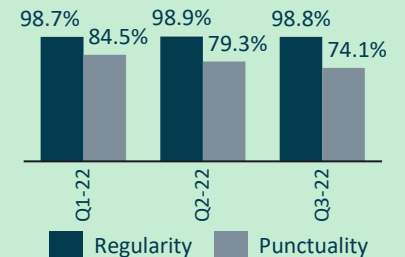
Load factor (%)



ASK (million)



Regularity and punctuality



## Share issue

Volume: NOK 430m

Subscription period: 3-8 November

Price: NOK 0.01

Subsequent offering: Up to NOK 100m



## Table of contents

---

➔ **Financials**

---

Revised business plan

---

Closing remarks

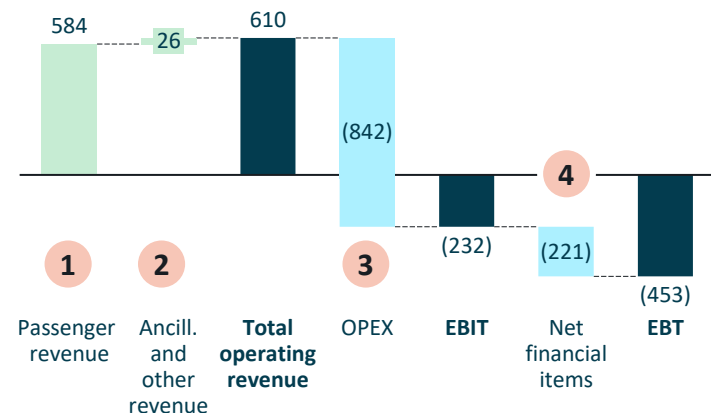
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Appendix



# Revenues up 80% from combination of increased production, increased load factor, increased yield and increased ancillary per passenger

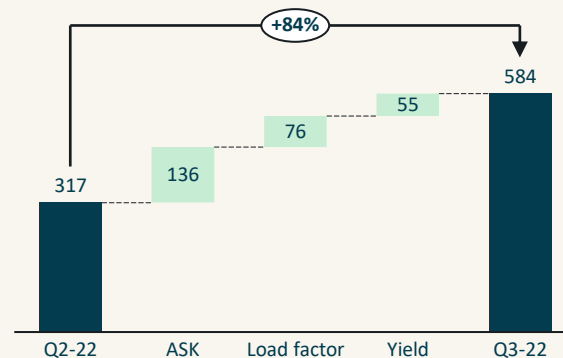
## Quarter earnings



- 2 Ancillary revenue up 66%** from the previous quarter driven by a 41% increase in guest count (from 475k in Q2 to 667k in Q3) and an 18% increase in spend per guest (up from NOK 33 in Q2 to NOK 39 in Q3)
- 4 Net financial items** includes a non-cash USD effect on revaluation of aircraft lease liabilities of NOK -207 million

1

### Passenger revenue

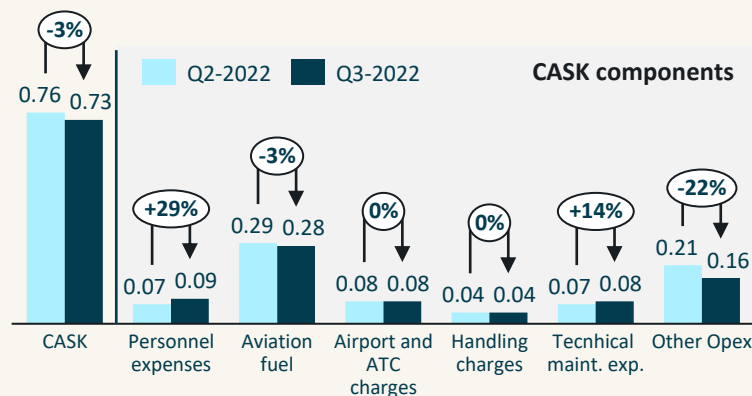


**Ticket revenue up 84% from the previous quarter** driven by:

- Production growth (ASK): Up 41% from Q2 (from 831 million in Q2 to 1,170 million in Q3)
- Improved load factor: Up 11 p.p. from Q2 (from 69% in Q2 to 80% in Q3)
- Improved yield: Up 12% from Q2 (from 0.58 in Q2 to 0.66 in Q3)

3

### Unit cost by component



**Unit cost down 3% in Q3** driven by:

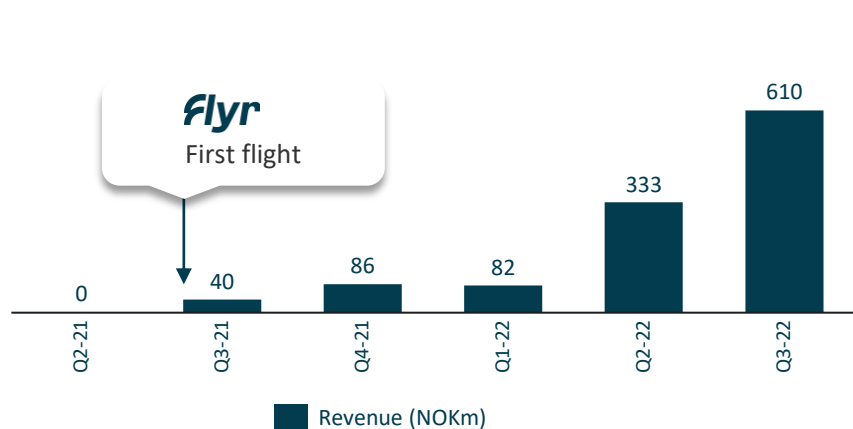
- Unit personnel expenses up from NOK 0.07 to NOK 0.09 primarily due to delayed aircraft delivery from Boeing
- Unit fuel cost down 3% primarily due to lower average cost of jet fuel
- Other operating expenses per unit produced down 22% due to increased scale on fixed cost base



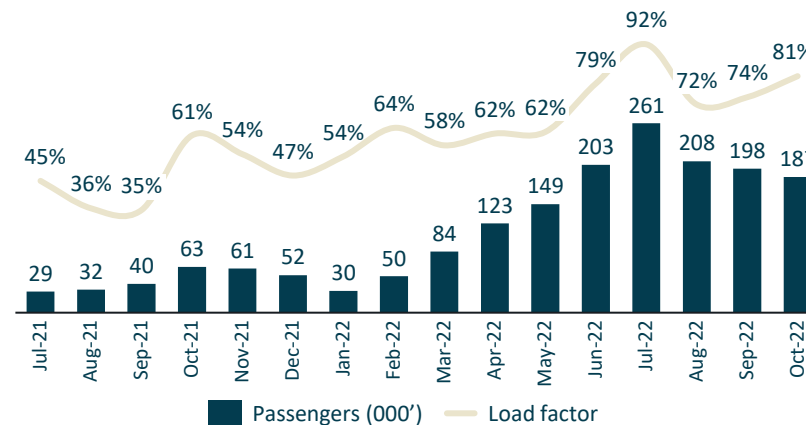
# Positive momentum with lean and highly efficient organization

Proven cost structure at a significantly smaller scale than key competitors

Passenger and ancillary revenues<sup>1</sup>



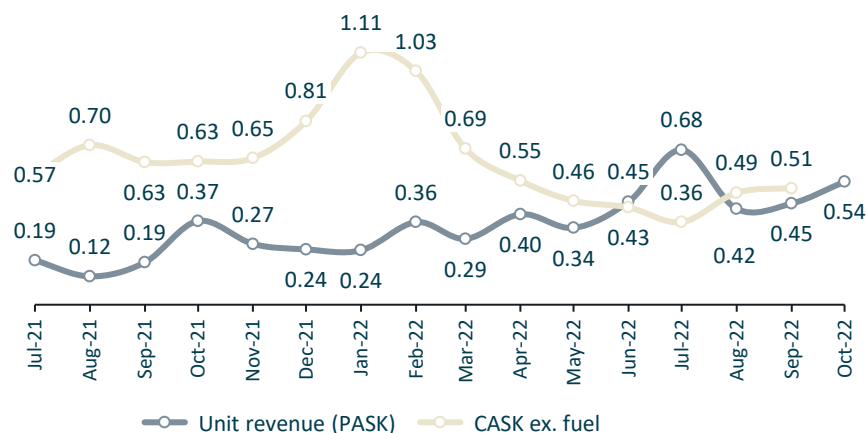
Passengers and load factor



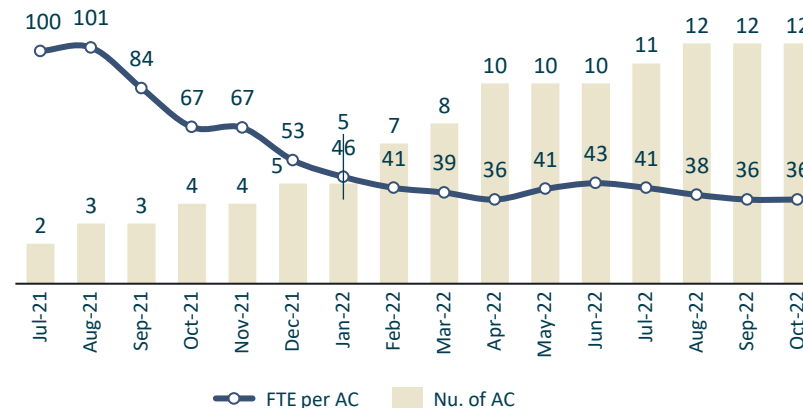
Comments

- **2022 summer route program well received** by the Norwegian market (92.3% load factor in July with strong pick-up in unit revenue)
- Overall benefit from SAS pilot strike was limited as most of our flights were already sold out
- Long-term **target of 36 FTE per AC reached** earlier than target
- **Positive momentum in ad-hoc charter sales** - More than 30 ad-hoc charter flights since June without actively targeting this market
- 12-month rolling **regularity of 98.8%** per October 2022. Punctuality in the same period was 78.8%, with **more than 90% of flights delayed by less than one hour**

Unit revenue and CASK



FTE per aircraft



Source: Annual and quarterly reports, monthly traffic figures

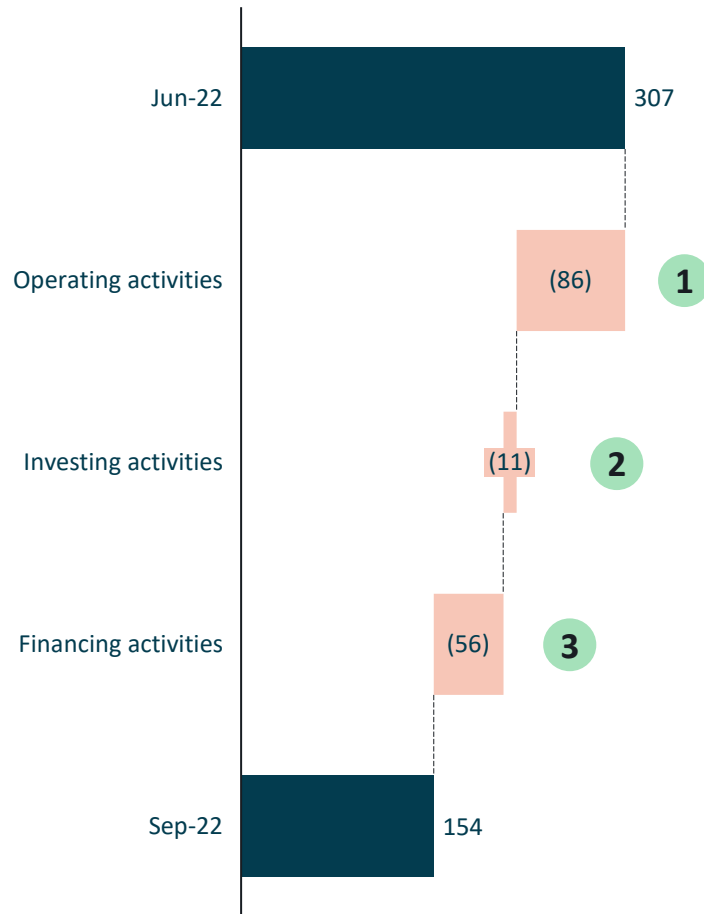
<sup>1</sup> Displayed revenue does not include Other revenues (amounted to NOK 6.1m as per YTD Q2 2022)



# Negative cash flow from operating activities of NOK 86m in the quarter



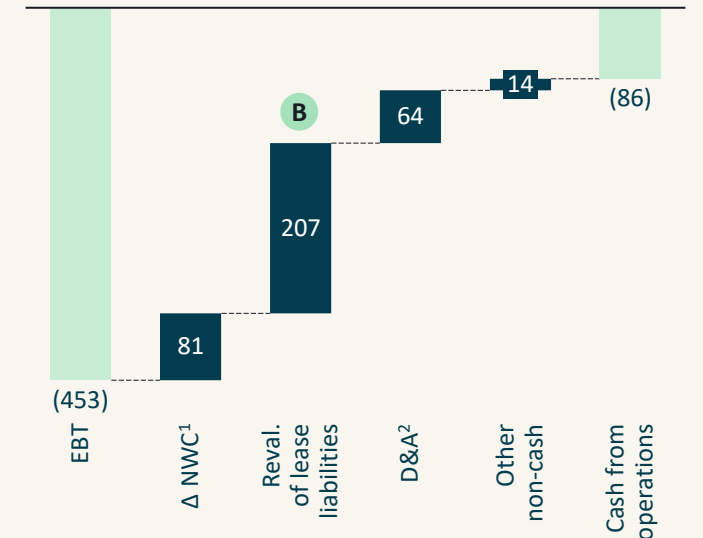
## Cash flow



1

### Cash flow operating activities comprise:

- A Non-cash financial expense from revaluation of USD denominated lease liabilities due to depreciation of the NOK relative to the USD of ~10% during the quarter.



2

### Cash flow investing activities comprise:

- Deposits paid (NOK 6.3m) primarily related to remaining 4 x Boeing 737 MAX 8 on order
- Capitalized IT development costs (NOK 4.2m)

3

### Cash flow financing activities comprise:

- Net interest (NOK 17.7m) and principal on leases (NOK 32.7m)
- Advisor fees related to Q2 22 share issue (NOK 5.2m)

<sup>1</sup> NWC = Net Working Capital, <sup>2</sup> D&A = Depreciation and Amortization

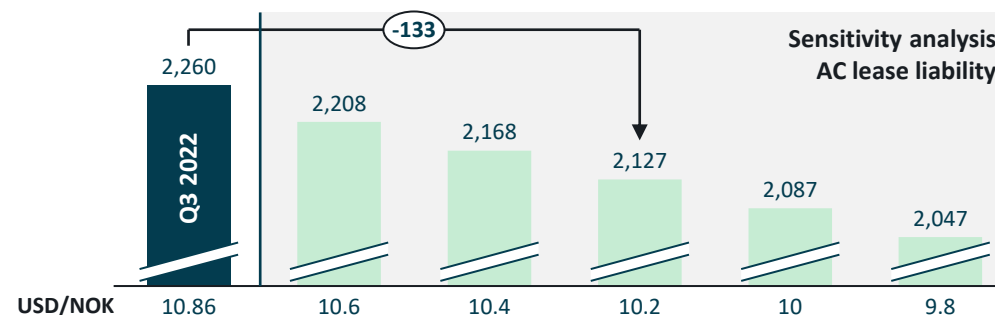
# Legacy free balance sheet with significant off-balance sheet assets

## Balance sheet

(1,000 NOK)	Q3 2022	Q2 2022
Intangible assets	49,252	46,309
<b>1</b> Right of Use assets	1,849,134	1,425,807
Other non-current assets	51,528	43,548
<b>Non-current assets</b>	<b>1,949,913</b>	<b>1,515,665</b>
Trade receivables	277,002	454,787
Other current assets	99,439	80,910
Cash and cash equivalents	153,771	306,519
<b>Current assets</b>	<b>530,211</b>	<b>842,215</b>
<b>Total assets</b>	<b>2,480,125</b>	<b>2,357,880</b>
<b>2</b> <b>Equity</b>	<b>(450,292)</b>	<b>7,834</b>
<b>1</b> Non-current lease liabilities	1,972,456	1,391,531
Provisions	30,054	20,539
<b>Non-current liabilities</b>	<b>2,002,510</b>	<b>1,412,070</b>
Ticket liabilities	287,137	470,612
Current lease liabilities	287,266	213,481
Trade liabilities	115,831	114,766
Other current liabilities	237,672	139,118
<b>Current liabilities</b>	<b>927,906</b>	<b>937,977</b>
<b>Total equity and liabilities</b>	<b>2,480,125</b>	<b>2,357,880</b>

- 2 additional aircraft received in Q3, increasing lease liabilities by NOK 483 million in the quarter
- Equity at NOK -450 million at the end of the quarter
  - Negative non-cash USD effect on aircraft leases<sup>1</sup>: NOK 207 million in quarter – NOK ~330 million in total
  - Significant unquantified off-balance sheet items, including:
    - Favourable aircraft lease contracts
    - Developed IT and brand
    - Deferred tax asset

### Impact on aircraft lease liability from change in USD/NOK



<sup>1</sup> Aircraft lease liabilities are denominated in USD, while the related Right-of-Use assets are denominated in NOK





## Table of contents

---

Financials



---

**Revised business plan**

---

Closing remarks

---

Appendix



# Flexible revised business model and strategy to mitigate seasonal risk

A Own route network	B Other revenue streams	
<p><b>Route focus</b></p> <p><b>International vs. domestic routes</b></p> <ul style="list-style-type: none"> <li>Focus on higher margin European holiday destinations in 2023 with frequency ranging from daily to twice weekly and timetables tailored to leisure travellers</li> <li>Limited domestic offering during winter 2023 with frequencies mainly from Oslo to Bergen and Trondheim on Fridays and Sundays</li> <li>Opportunistic and agile approach to domestic routes beyond 2023</li> </ul> <p><b>Dynamic supply in line with seasonal demand</b></p> <ul style="list-style-type: none"> <li>Ramp-up own route network ahead of European summer to capitalize on strong demand for flights to Southern Europe</li> <li>Reduce own route network during winter low season to preserve cash and free up capacity for wet lease operations in other parts of the world</li> </ul>	<p><b>Tour operators</b></p> <ul style="list-style-type: none"> <li>Able to accommodate tour operator flight schedule due to dynamic approach to own route program</li> <li>Competitive pricing based on highly efficient cost base</li> <li>Able to ensure high regularity and low risk of industrial action</li> <li>Strong relationships with all major Scandinavian tour operators</li> </ul> <p><b>Ad-hoc charters</b></p> <ul style="list-style-type: none"> <li>Operational flexibility, and ability to tailor product to customer expectations</li> <li>Competitive pricing based on highly efficient cost base</li> <li>Partnerships with brokers under development</li> <li>Long-term goal of securing direct contracts with airlines</li> </ul> <p><b>Wet lease<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>Long-term agent and airline partnerships in the Americas under development – Global shortage of crew and aircraft</li> <li>Able to accommodate client needs through operational flexibility</li> <li>Able to price services at competitive levels due to 1) AC lease contracts at pandemic price level, 2) favourable pilot and crew salary levels compared to levels observed North America, 3) few wet lease providers with fuel efficient 737 MAX in fleet</li> </ul>	
<p><b>Our core strategy</b></p> <p>is to serve our guests on our own route network, while simultaneously taking advantage of all reasonable prospects for supporting revenues on an opportunistic basis</p>	<p><b>Meet seasonal demand</b></p> <p>by taking advantage of markets with seasonality patterns that differ from the Nordics</p>	<p><b>Our operational flexibility</b></p> <p>allows us to shift capacity rapidly between revenue streams when required, with an ideal planning horizon of 4 to 6 months</p>

<sup>1</sup> ACMI (Aircraft, Crew, Maintenance, Insurance)

# Clear message from our customer base – “Best I have ever experienced from an airline”

*Our professional and happy crew and customer care specialists provide a customer experience that truly differentiates us from our Nordic and European counterparts – “Happy colleagues, happy guests”*

## Customer experience

Easy and flexible LCC product with complimentary beverages (water, coffee and tea) and world class customer care

**03:15 min**

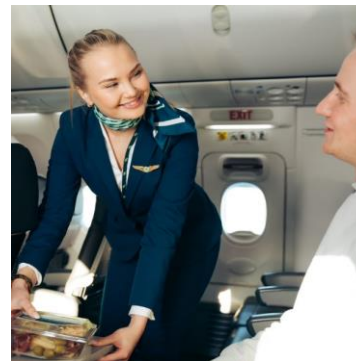
Avg. response time

**~289k**

Cases handled

**86%**

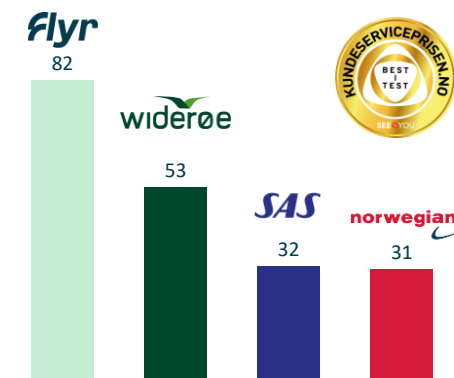
Super or very happy



- Easy and flexible product – easiest booking process in the world?
- Complimentary water, coffee and tea on all flights
- Top management take regular part of day-to-day operations
- Administrative employees hands-on when required (e.g., during peak demand summer 2022 to minimize disruptions and maximize on-time performance)
- Customer care situated at HQ in Oslo, Norway
- Sick leave rates well below industry average despite high pilot and crew utilization
- Strong union relationships with low risk of industrial action

*«Incredible service, wholehearted and happy cabin crew – such a fun flight!»*

## Customer Service



- Top ranked among main competitors in the customer service award held in Norway<sup>1</sup>, with 81.6 points out of 100
- HSMIAI<sup>2</sup> granted Flyr an honours award
- Average guest satisfaction score of 86% so far in 2022

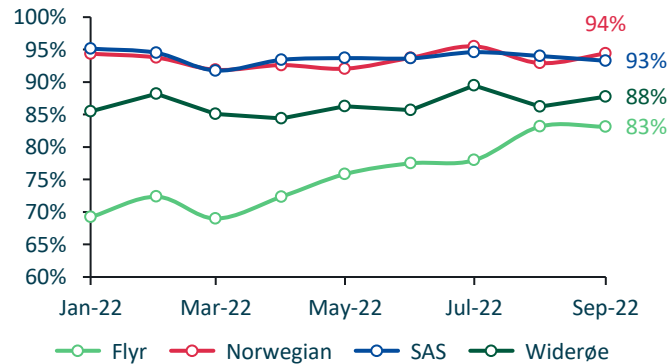
<sup>1</sup> Kundeserviceprisen 2022, <sup>2</sup> Hospitality Service Management Association International

# Proof of concept demonstrated through strong positive momentum in brand awareness and market share



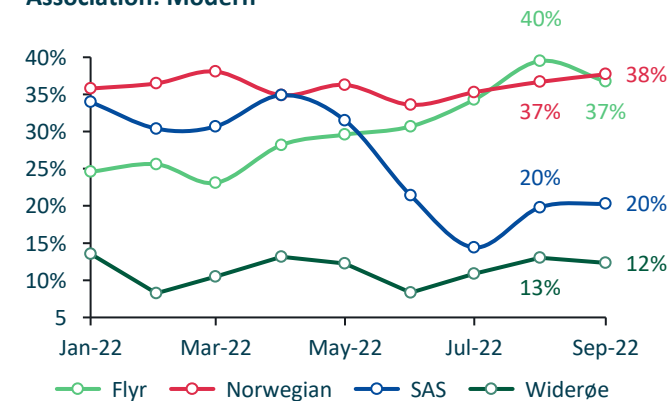
## Flyr well received in the Norwegian air travel market

### Overall brand awareness



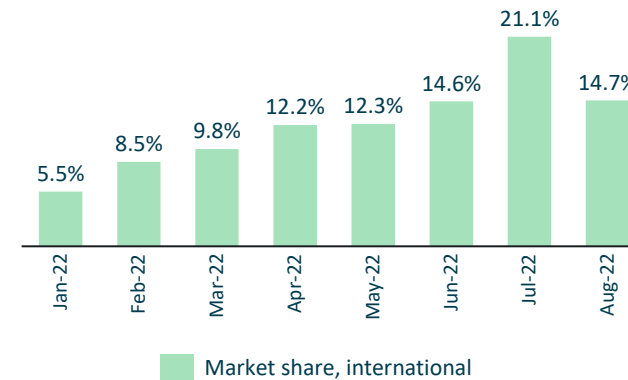
- Total Flyr brand awareness in Norway is estimated at 83.1% in September 2022
- At the same time, unaided brand awareness is estimated at 56.2% (up from 39.9% as per year-end 2021)

### Association: Modern

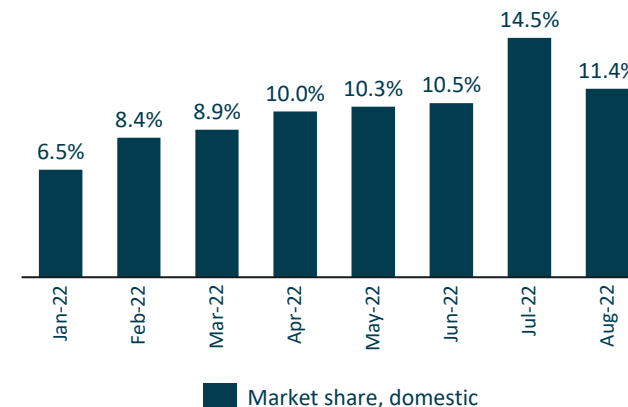


- 37% of surveyed respondents in August associate Flyr with being modern
- Flyr is reported as "Top of Mind" among 17% of respondents, only slightly behind Norwegian at 18%
- Steady, positive trends on brand awareness, preference and associations such as 'Easy', 'Flexible', and 'Value for money' (refer to appendix E for more details)

## Market share increasing steadily on operated routes<sup>1</sup>



- Majority of market share claimed through own distribution (flyr.com).
- Significant untapped potential from distribution via travel agencies (on-line in August/September)
- Spike in market share in July driven by the SAS pilot strike



Source: SSB, Avinor, Flyr

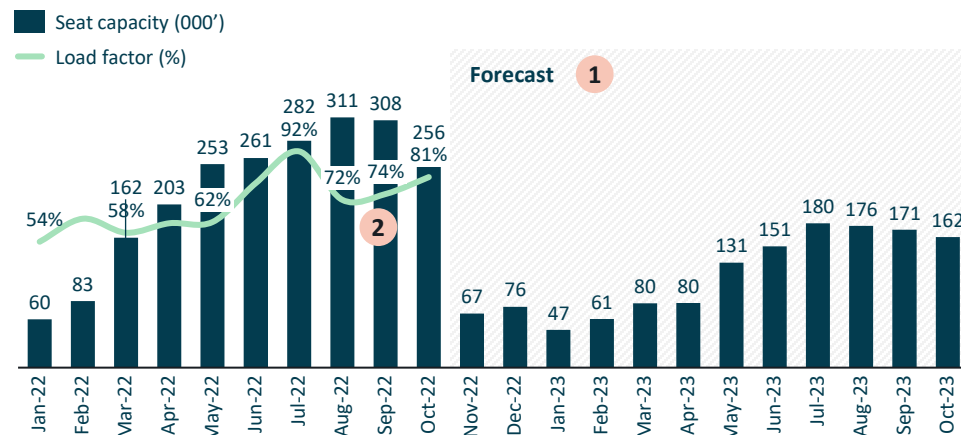
<sup>1</sup> Market shares estimated based on PAX reporting from Avinor on routes operated by Flyr where there are two or more other competing airlines



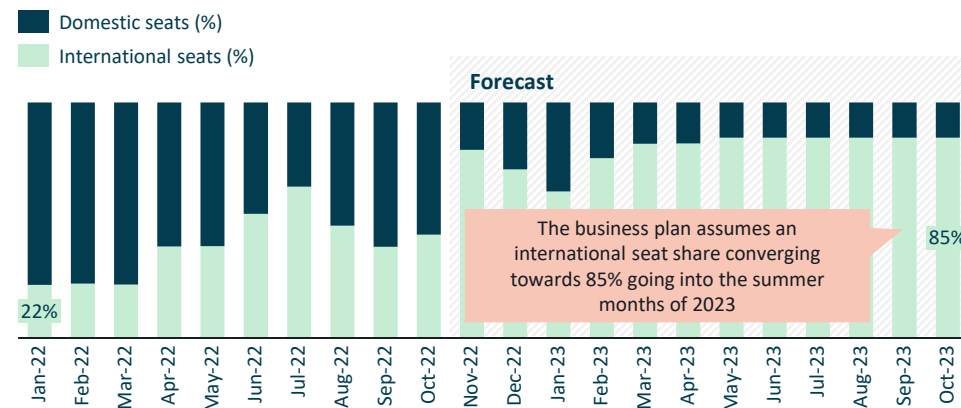
# The business plan assumes an average load factor in line with levels achieved from Jun22 to Oct22 (80-90%)

## Historical and forecast seat capacity and load factor (Flyr total)

### Seat capacity and load factor (%)<sup>1</sup>



### Domestic vs. International seat capacity



## Historical load factors on key routes to be flown going forward

	Aug21	Sep21	Oct21	Nov21	Dec21	Jan22	Feb22	Mar22	Apr22	May22	Jun22	Jul22	Aug22	Sep22	Oct22
South of Spain	37%	54%	86%	73%	45%	60%	75%	75%	67%	72%	84%	94%	76%	85%	91%
City	12%	28%	60%	64%	50%	46%	72%	57%	60%	60%	81%	93%	75%	78%	83%
Domestic	41%	37%	50%	49%	43%	50%	60%	50%	62%	60%	82%	90%	60%	55%	64%

South of Spain: Oslo to Alicante, Malaga and Las Palmas, Trondheim to Alicante, Bergen to Alicante  
 City: Oslo to Barcelona, Nice, Rome, Paris, Brussels, Berlin  
 Domestic: Oslo to Bergen and Trondheim

### Seat capacity and load factor in the revised business plan

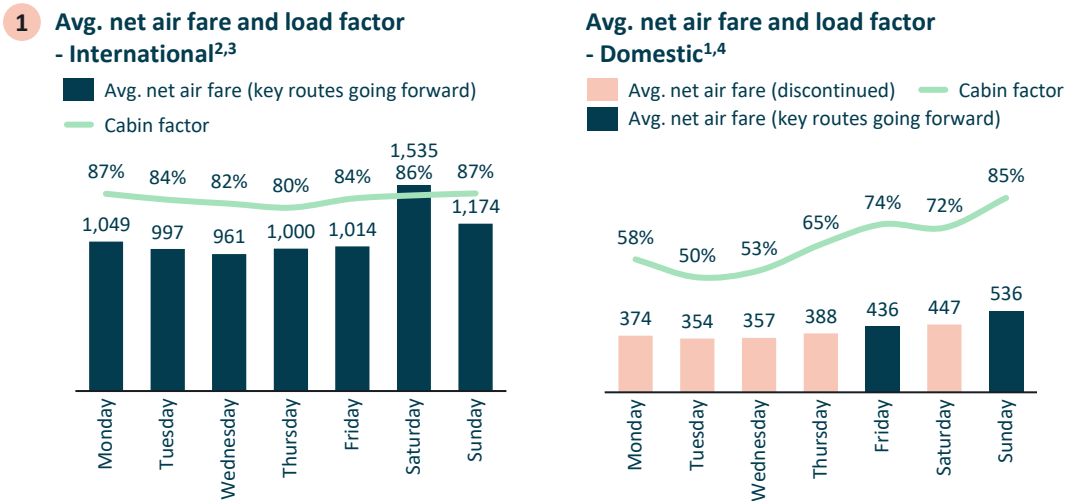
The left-hand charts show Flyr's historical load factor together with historical and forecast seat capacity, while the above table shows historical load factors for the key route areas that are to be flown going forward<sup>1</sup>.

- 1 It is Flyr's expectation that load factors on the portfolio of routes to be flown going forward will stabilize around 80-90% year-over-year. This expectation is in line with the load factors observed by Flyr historically.
- 2 The dip in average load factor observed in August and September 2022 is primarily a result of having introduced significant capacity to the Norwegian domestic market to claim market share. This strategy was reversed in October 2022 with full effect from November 2022.
- 3 Flyr entered the market in Q3 2021 and has from this point up until September 2022 introduced significant capacity to the market. The stable growth in load factors on these routes since market entry is primarily a result of increased brand awareness, establishing Flyr as an attractive alternative to the incumbent market participants.

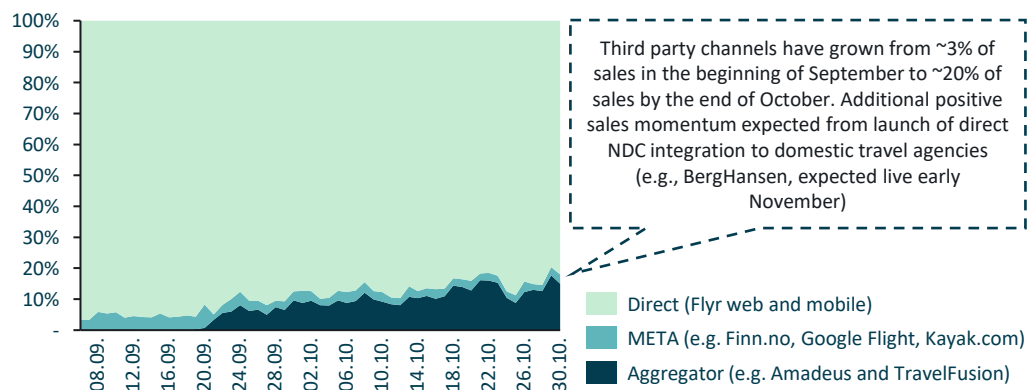
Source: Monthly traffic figures, Flyr Forecast Model, Flyr data warehouse  
<sup>1</sup> Load factor has been calculated as RPK/ASK.

# The business plan assumes an average net air fare level in line with that achieved from Jun22 to Oct22, with increasing travel agency distribution providing up-side potential

## Hist. avg. net air fare<sup>1</sup> and load factor - Key routes going forward



## 2 Sold PAX by distribution channel (Sep-Oct 2022)<sup>5</sup>



## Historical average net air fares - Key routes going forward<sup>1</sup>

	Aug21	Sep21	Oct21	Nov21	Dec21	Jan22	Feb22	Mar22	Apr22	May22	Jun22	Jul22	Aug22	Sep22	Oct22
South of Spain	505	770	1,240	946	838	702	894	811	1,342	903	1,146	1,850	1,222	1,194	1,646
City	495	526	712	560	652	820	573	486	937	757	759	1,194	792	794	903
Domestic	310	418	431	315	262	238	361	354	390	400	413	457	428	417	456

South of Spain: Oslo to Alicante, Malaga and Las Palmas, Trondheim to Alicante, Bergen to Alicante  
 City: Oslo to Barcelona, Nice, Rome, Paris, Brussels, Berlin  
 Domestic: Oslo to Bergen and Trondheim

### Average net air fare

- The upper left charts show intra-week average daily net air fares and load factors on Flyr's key international and domestic routes going forward in the period June to October 2022
  - Flyr's route network in the revised business plan is to a large extent focused on international leisure destinations where average net air fare levels in the period June to October 2022 have been around or well above NOK 1,000
  - The revised business plan also includes certain domestic week-end routes from Oslo to Bergen and Trondheim (Fridays and Sundays), which have shown healthy average net air fare and load factor levels historically

### Sales channels

- The lower left chart shows share of seats sold through own direct and third-party distribution channels
  - Most third-party distributors came online this fall (e.g., TravelFusion, which came online from 20. September, and now makes up ~60% of third-party sales)

Source: Monthly traffic figures, Flyr Forecast Model, Flyr data warehouse

<sup>1</sup> Net air fare excluding taxes, fees, etc. <sup>2</sup> Calculated for the period June to October 2022, <sup>3</sup> Key international routes going forward (South of Spain + City), <sup>4</sup> Oslo to Bergen and Trondheim, <sup>5</sup> Data available from 6 September 2022



## Table of contents

---

Financials

---

Revised business plan



---

**Closing remarks**

---

Appendix



## Priorities going forward

- ƒ Deliver on the revised business plan: Continue to build on our strong position within leisure – we are here to stay!
- ƒ Take care of our colleagues through the winter and prepare for the spring 2023 ramp-up
- ƒ Maintain current efficiency levels to ensure competitiveness on core operations. Unit cost going forward will depend on number of aircraft in production.



# Appendices



# Appendix A: Senior management team



**Tonje Wikstrøm Frislid – Chief Executive Officer**

Tonje Wikstrøm Frislid became Flyr's CEO in April 2021. She came from her job as unit director in Coor. Wikstrøm Frislid has previously worked for Unibuss and the airline Norwegian. Tonje has a study background in economics, political science and international communication



**Brede Huser – Chief Financial Officer**

Brede Huser started as Flyr's CFO when Flyr was established. Brede has more than 19 years of experience from the airline Norwegian, where in the period 2006 - 2015 he held leading positions in the finance department before he in 2015 became CEO of Norwegian Reward AS. Before joining Norwegian, Brede worked in finance at Orkla, Arthur Andersen and Ernst & Young.



**Thomas Ramdahl – Chief Commercial Officer**

Thomas Ramdahl started as Flyr's CCO when Flyr was established. He came from his job as sales director at Høegh Autoliners. Ramdahl previously had more than 20 years of experience from the aviation industry in Norway, and most recently as Chief Commercial Officer of the airline Norwegian from 2014 until he joined Høegh.



**Alf Sagen – Chief Information Officer**

Alf Sagen started as Flyr's CIO when Flyr was established. He has worked as a consultant with various airlines, airports and suppliers in the aviation industry for 24 years and managed the Nordic division of IT services company Nagarro. Sagen participated in setting up airline Norwegian in 2002 and held different roles in the company, including development of the "ticketless" solution.



**Asgeir Nyseth – Chief Operating Officer**

Asgeir Nyseth has worked as COO in Flyr since 2020, he has more than 40 years aviation industry experience. Before joining Flyr, he was director and accountable manager of Babcock Scandinavian Air Ambulance Norway and Sweden. He also has extensive experience from the airline Norwegian, including as COO for the Norwegian group and as CEO for Norwegian Long Haul AS, Norwegian Air UK Ltd. and Norwegian Air International Ltd. Asgeir also has a background from Lufttransport where he was CEO before joining Norwegian.



**Frode Berg – Chief Legal & Strategy Officer**

Frode Berg has been part of Flyr since 2020. Before joining Flyr he held the position as Chief Legal Officer of the airline Norwegian in addition to directorships in several subsidiaries in the Norwegian group. Berg has also been a partner in the law firm Simonsen Vogt Wiig in Oslo. Frode studied law and economics at the University of Tromsø and has a Master of Laws (LLM) from the University of Cambridge.



**Bjørn Erik Barman-Jenssen – Chief Ground Operations Officer**

Bjørn Erik Barman-Jenssen has been with Flyr since its establishment. He came from the job as EVP Operational Development in the airline Norwegian. Bjørn Erik has solid aviation professional experience, with over 33 years in the industry. In addition to Norwegian, he has worked in both Braathens and SAS. Bjørn Erik established Norwegian Cargo AS and Red Handling and has, in addition to other positions, held the role of CEO of Norwegian Air Resources AS.



**Lasse Sandaker-Nielsen – Chief Corporate Affairs Officer**

Lasse Sandaker-Nielsen has extensive experience from international aviation, including as SVP Communications at Norwegian Air Shuttle and Chief Communications and Public Affairs Officer at Norse Atlantic Airways. Lasse has also worked as senior advisor at communications and public affairs agency First House, managing editor at TV2.no as well as project manager and desk journalist at online newspaper Nettavisen. Lasse holds a bachelors's degree in mass communication and English, and a master's degree in writing/journalism from Towson University in Maryland, USA



## Appendix B: Board of Directors

### Erik G. Braathen – Chairman of the board

Erik G. Braathen is the founder and chairman of Flyr. He has extensive experience from the airline business, including being the CEO and part owner of Braathens as well as the chairman of the board of Norwegian Air Shuttle until 2009.

Mr. Braathen is educated from the University of Washington and American Graduate School of International Management. Mr. Braathen has been a member of the board since 2021 and holds 23,051,250 shares in the company.

### Paal Cronblad Wollan – Board member (employee elected)

Paal Wollan is a Manager Crew. He has been with Flyr since the start of operations and has more than 30 years of aviation experience from several airlines both in Europe and in the U.S.

### Tord Meling – Board member

Tord Meling is a board member of Flyr and currently holds the position as investment director of Ojada AS. He brings over ten years of experience from Norwegian Air Shuttle, including close to six years as the head of aircraft financing. Mr. Meling has Master of Science in Business and Economics from the Norwegian School of Economics. Mr. Meling has been a member of the board since 2020 and holds 750,000 shares in the company.

### Per Erik Åkerman – Board member (employee elected)

Per Erik Åkerman is a pilot and captain. He joined Flyr at the beginning of 2022 and has more than 30 years of aviation experience as a pilot for several airlines both in Europe and in the U.S.



## Appendix C: Glossary

Term	Description
AC	Aircraft
ASK	Available seat-kilometre
AOC	Air operator certificate
API	Application programming interface
ATC	Air traffic control
CASK	Costs per available seat-kilometre
CX platform	Customer experience platform
EBIT	Earnings before interest and taxes
EBITDAR	Earnings before interest, taxes, depreciation, amortization, and rental costs
EBT	Earnings before tax
FTE	Full time equivalent
HQ	Headquarter
LCC	Low-cost carrier
LF	Load factor
NDC	New distribution capability
PASK	Price per available seat kilometre
ULCC	Ultra low-cost carrier