



For Immediate Release: April 8, 2020

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR ‘THE CORPORATION’)
ANNOUNCES FIRST QUARTER 2020 FINANCIAL RESULTS**

TORONTO, ONTARIO – (April 8, 2020) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the first quarter 2020.

- Ended Q1 2020 with over \$51M in total backlog. Of this, over \$30M is due in Q2 2020
- Generated \$3.5M in cash in Q1 and ended the quarter with \$5.2M in net cash on the balance sheet
- Included in the Q1 2020 net loss was a non-cash expense to reduce the intangible asset from an acquisition in 2016 due to increased market uncertainty going forward

First Quarter Results: (three months ended Feb 28, 2020 compared with three months ended Mar 1, 2019)

	<u>Q1 2020</u>	<u>Q1 2019</u>
Sales	\$24,538,000	\$25,390,000
Gross Margin	3,960,000	6,754,000
Gross Margin (%)	16.1%	26.6%
Operating Earnings ⁽¹⁾ :	242,000	3,318,000
• R&D Investment	1,081,000	1,116,000
• R&D Tax Credits	(172,000)	(205,000)
• Foreign Exchange Loss	49,000	156,000
• Amortization of Intangibles	299,000	271,000
• Impairment of Intangibles	1,145,000	-
Net (Loss) Earnings before Tax	(2,160,000)	1,980,000
• Income Tax	469,000	807,000
• Non-controlling Interests	(32,000)	(45,000)
Net (Loss) Earnings After Tax	(\$2,597,000)	\$1,218,000
(Loss) Earnings per share		
- basic	(\$0.11)	\$0.05
- diluted	(\$0.11)	\$0.05

(1) Operating Earnings is not a measure recognized under International Financial Reporting Standards (“IFRS”). Management believes that this measure is important to many of the Corporation’s shareholders, creditors and other stakeholders. The Corporation’s method of calculating Operating Earnings may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Business Highlights

FTG accomplished many goals in Q1 2020 that continue to improve the Corporation and position it for the future, including:

- Continued to receive orders across FTG at consistent historical rates through Q1
- Through ongoing improvements in working capital management and some significant advance payments on future orders, improved FTG's net cash position to \$5.2M
- Went live with FTG standard ERP System in Circuits Fredericksburg site
- Achieved AS9100 certification of FTG Circuits Fredericksburg site
- Maintained a number of other certifications across FTG through regularly planned external audits

For FTG, overall sales decreased by \$0.9M or 3.4% from \$25.4M in Q1 2019 to \$24.5M in Q1 2020. Circuits Fredericksburg contributed \$2.1M in Q1 2020, compared to \$0 last year. Impacting sales in Q1 2020 was a \$2M drop in simulator related sales compared to Q1 last year. Also negatively impacting sales in Q1 2020 was the shutdown of FTG's operations in Tianjin, China for the month of February.

The Circuits Segment sales were up \$1.3M, or 8.2% in Q1 2020 versus Q1 2019. Included in Q1 2020 were sales of \$2.1M from Circuits Fredericksburg, acquired in July last year. The drop in sales at existing sites was at FTG Circuits Toronto. The lower activity was not due to a reduction in orders, and activity recovered towards the end of Q1.

For the Aerospace segment, sales in Q1 2020 were \$8.1M compared to \$10.2M in Q1 last year. Simulator related sales were down \$2M in Q1 2020, which impacted all three sites. Simulator revenues are expected to rebound in the second half of 2020 as the backlog in simulator work at the end of Q1 2020 was over \$8.0M.

Gross margins in Q1 2020 were \$4.0M or 16.1% compared to \$6.8M or 26.6% in Q1 2019. The lower sales hurt margins in Q1 this year, as did the overhead costs of the Circuits Fredericksburg facility.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q1 2020 was \$1.0M compared to \$3.3M in Q1 2019.

The following table reconciles EBITDA⁽²⁾ to the net earnings for the trailing 12 months as at Feb 28, 2020.

	<u>Trailing 12</u> <u>Months</u>
Net earnings to equity holders of FTG	2,243,000
Add:	
Interest, accretion	391,000
Income taxes	3,408,000
Depreciation/Amortization/Stock Comp./Impairment	6,881,000
EBITDA	<u>\$12,923,000</u>

(2) EBITDA are not measures recognized under International Financial Reporting Standards ("IFRS"). Management believes that these measures are important to many of the Corporation's shareholders, creditors and other stakeholders. The Corporation's method of calculating EBITDA may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Net loss after tax at FTG in Q1 2020 was \$2.6M or (\$0.11) per diluted share compared to a net profit of \$1.2M or \$0.05 per diluted share in 2018. Net profit after tax in Q1 2020 was impacted by the lower sales and by the write

down of the intangible asset related to the acquisition of the Teledyne PCT business in 2016, due to increased uncertainty in the aerospace and defense market.

The Circuits segment net earnings before corporate and interest and other costs was \$0.8M in Q1 2020 compared to \$2.3M in Q1 2019.

The Aerospace net earnings before corporate and interest and other costs in the quarter was (\$0.8M) in Q1 2020 (excluding the non-cash intangible asset expense) versus \$0.6M in Q1 2019. The drop is due primarily to reduced sales from the simulator related market and the shutdown of Aerospace Tianjin in February due to the COVID-19 pandemic.

As at February 28, 2020, the Corporation's net working capital was \$25.8M, compared to \$28.6M at year-end in 2019. All debt is classified as current as the bank facility agreement currently in place expires in less than 12 months. Activity is underway to obtain a new bank facility in 2020.

Net cash at the end of Q1 2020 was \$5.2M compared to net cash of \$2.2M at the end of 2019.

The Corporation will host a live conference call on Thursday April 9, 2020 at 8:30am (Eastern) to discuss the results of Q1 2020.

Anyone wishing to participate in the call should dial 647-427-2311 or 1-866-521-4909 and identify that you are calling to participate in the FTG conference call. The Chairperson is Mr. Brad Bourne. A replay of the call will be available until May 9, 2020 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 416-621-4642 or 1-800-585-8367, Conference ID 7695678.

ABOUT FIRAN TECHNOLOGY GROUP CORPORATION

FTG is an aerospace and defense electronics product and subsystem supplier to customers around the globe. FTG has two operating units:

FTG Circuits is a manufacturer of high technology, high reliability printed circuit boards. Our customers are leaders in the aviation, defense, and high technology industries. FTG Circuits has operations in Toronto, Ontario, Chatsworth, California, Fredericksburg, Virginia and a joint venture in Tianjin, China.

FTG Aerospace manufactures illuminated cockpit panels, keyboards and sub-assemblies for original equipment manufacturers of aerospace and defense equipment. FTG Aerospace has operations in Toronto, Ontario, Chatsworth, California, Fort Worth, Texas and Tianjin, China.

The Corporation's shares are traded on the Toronto Stock Exchange under the symbol FTG.

FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements. These forward-looking statements are related to, but not limited to, FTG's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such statements are based on the current expectations of management of the Corporation and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and the Corporation's industry, generally. The preceding list is not exhaustive of all possible factors. Such forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward-looking statements. Other than as may be required by law, FTG disclaims

any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

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Additional information can be found at the Corporation's website www.ftgcorp.com

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)	February 28, 2020	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 10,152	\$ 7,647
Accounts receivable	19,199	21,085
Contract assets	556	432
Income tax receivable	247	-
Inventories	20,489	21,990
Prepaid expenses	1,476	1,770
	52,119	52,924
Non-current assets		
Plant and equipment, net	13,923	13,830
Right-of-use assets	13,434	-
Deferred income tax assets	724	724
Investment tax credits receivable	2,983	3,035
Deferred development costs	267	279
Intangible assets and other assets, net	1,152	2,585
Total assets	\$ 84,602	\$ 73,377
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,566	\$ 17,104
Provisions	920	946
Contract liabilities	4,154	216
Bank debt	4,966	5,416
Current portion of lease liabilities	1,729	-
Income tax payable	-	639
	26,335	24,321
Non-current liabilities		
Lease liabilities	11,792	-
Deferred tax payable	1,332	1,297
Total liabilities	39,459	25,618
Equity		
Retained earnings	\$ 15,148	\$ 17,745
Accumulated other comprehensive loss	(1,610)	(1,554)
	13,538	16,191
Share capital		
Common Shares	19,323	19,323
Preferred Shares	2,218	2,218
Contributed surplus	8,984	8,933
Total equity attributable to FTG's shareholders	44,063	46,665
Non-controlling interest	1,080	1,094
Total equity	45,143	47,759
Total liabilities and equity	\$ 84,602	\$ 73,377

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of (Loss) Earnings

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended	
	February 28, 2020	March 1, 2019
Sales	\$ 24,538	\$ 25,390
Cost of sales		
Cost of sales	19,199	17,808
Depreciation of plant and equipment	994	828
Depreciation of right-of-use assets	385	-
Total cost of sales	20,578	18,636
Gross margin	3,960	6,754
Expenses		
Selling, general and administrative	3,431	3,242
Research and development costs	1,081	1,116
Recovery of investment tax credits	(172)	(205)
Depreciation of plant and equipment	46	43
Depreciation of right-of-use assets	12	-
Amortization of intangible assets	299	271
Interest expense on bank debt, net	41	77
Accretion on lease liabilities	137	-
Stock based compensation	51	74
Foreign exchange loss	49	156
Impairment of intangible assets	1,145	-
Total expenses	6,120	4,774
(Loss) earnings before income taxes	(2,160)	1,980
Current income tax expense	434	777
Deferred income tax expense	35	30
Total income tax expense	469	807
Net (loss) earnings	\$ (2,629)	\$ 1,173
Attributable to:		
Non-controlling interest	\$ (32)	\$ (45)
Equity holders of FTG	\$ (2,597)	\$ 1,218
(Loss) earnings per share, attributable to the equity holders of FTG		
Basic	\$ (0.11)	\$ 0.05
Diluted	\$ (0.11)	\$ 0.05

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(Unaudited) (in thousands of Canadian dollars)	Three months ended	
	February 28, 2020	March 1, 2019
Net (loss) earnings	\$ (2,629)	\$ 1,173
Other comprehensive loss to be reclassified to net (loss) earnings in subsequent periods:		
Change in foreign currency translation adjustments	248	(12)
Change in net unrealized loss on derivative financial designated as cash flow hedges	(382)	(67)
Change in tax impact	96	17
	(38)	(62)
Total comprehensive (loss) income	\$ (2,667)	\$ 1,111
Attributable to:		
Equity holders of FTG	\$ (2,653)	\$ 1,116
Non-controlling interest	\$ (14)	\$ (5)

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Changes in Equity

Three months ended February 28, 2020	Attributed to the equity holders of FTG							Non-controlling interest	Total equity
	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive loss	Total			
(Unaudited) (in thousands of Canadian dollars)									
Balance, November 30, 2019	\$ 19,323	\$ 2,218	\$ 17,745	\$ 8,933	\$ (1,554)	\$ 46,665	\$ 1,094	\$ 47,759	
Net (loss) earnings	-	-	(2,597)	-	-	(2,597)	(32)	(2,629)	
Stock-based compensation	-	-	-	51	-	51	-	51	
Change in foreign currency translation adjustmen	-	-	-	-	230	230	18	248	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(286)	(286)	-	(286)	
Balance, February 28, 2020	\$ 19,323	\$ 2,218	\$ 15,148	\$ 8,984	\$ (1,610)	\$ 44,063	\$ 1,080	\$ 45,143	
Three months ended March 1, 2019	Attributed to the equity holders of FTG								
	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated Other Comprehensive loss	Total	Non-controlling interest	Total equity	
(Unaudited) (in thousands of Canadian dollars)									
Balance, November 30, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307	
Net earnings (loss)	-	-	1,218	-	-	1,218	(45)	1,173	
Stock-based compensation	-	-	-	74	-	74	-	74	
Foreign currency translation adjustments	-	-	-	-	(52)	(52)	40	(12)	
Net unrealized loss on derivative financial instruments designated as cash flow hedges net of tax impact	-	-	-	-	(50)	(50)	-	(50)	
Balance, March 1, 2019	\$ 19,323	\$ 2,218	\$ 12,905	\$ 8,746	\$ (876)	\$ 42,316	\$ 1,176	\$ 43,492	

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended	
	February 28, 2020	March 1, 2019
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net (loss) earnings	\$ (2,629)	\$ 1,173
Items not affecting cash:		
Stock-based compensation	51	74
Loss on disposal of plant and equipment	6	7
Effect of exchange rates on US dollar debt	53	(14)
Depreciation of plant and equipment	1,040	871
Depreciation of right-of-use assets	397	-
Amortization of intangible assets	299	271
Amortization of deferred financing costs	3	3
Impairment of intangible assets	1,145	-
Investment tax credits/deferred income taxes	87	346
Accretion on lease liabilities	137	-
Increase in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of taxes	(286)	(50)
Net change in non-cash operating working capital	4,022	(4,087)
	4,325	(1,406)
Investing activities		
Additions to plant and equipment	(1,046)	(391)
Recovery (additions) of contract and other costs	6	(18)
	(1,040)	(409)
Net cash flow from (used in) operating and investing activities	3,285	(1,815)
Financing activities		
Increase in bank indebtedness	-	995
Repayments of bank debt	(503)	(509)
Lease liability payments	(446)	-
	(949)	486
Effects of foreign exchange rate changes on cash flow	169	(71)
Net increase (decrease) in cash flow	2,505	(1,400)
Cash, beginning of the period	7,647	5,026
Cash, end of period	\$ 10,152	\$ 3,626
Disclosure of cash payments		
Payment for interest	\$ 55	\$ 81
Payments for income taxes	\$ 979	\$ 738