



For Immediate Release: February 6, 2019

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR ‘THE CORPORATION’)
ANNOUNCES FULL YEAR AND FOURTH QUARTER 2018 FINANCIAL RESULTS**

TORONTO, ONTARIO – (February 6, 2019) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter 2018.

- Achieved record full year sales in 2018 of \$109.4M compared to \$94.7M in 2017
- Grew Aerospace segment by 27% over last year and grew Circuits segment by 8% over last year
- Achieved record EBITDA of \$10.5M, an increase of \$2.9M or 38% over last year
- Achieved net income of \$2.9M and diluted earnings per share of \$0.12, a 127% increase over 2017
- Generated \$8.9M in cash flow from operations, after investments in capital equipment and all development programs, compared to cash usage of \$0.9M in 2017

“FTG made great progress in 2018 in demonstrating the strength of the company and our earning potential”, stated Brad Bourne, President and Chief Executive Officer. He added, “Our sales growth was exceptional and as each quarter passed the operating results improved.”

Full Year Results: (twelve months ended Nov 30, 2018 compared with twelve months ended Nov 30, 2017)

	<u>FY 2018</u>	<u>FY 2017</u>
Sales	\$109,420,000	\$94,695,000
Gross Margin	25,262,000	23,125,000
Gross Margin (%)	23.1%	24.4%
Operating Earnings ⁽¹⁾ :	11,433,000	10,013,000
• Net R&D Investment	4,520,000	6,277,000
• Restructuring Expense	455,000	-
• Foreign Exchange (Gain)	(75,000)	(211,000)
• Recovery of Investment Tax Credits	(796,000)	(657,000)
• Amortization of Intangibles	1,049,000	1,107,000
Net Earnings before tax	6,280,000	3,497,000
• Income Tax	3,415,000	2,290,000
• Non-controlling Interests	(10,000)	(62,000)
Net Earnings after tax	\$2,875,000	\$1,269,000
Earnings per share		
- basic	\$0.13	\$0.06
- diluted	\$0.12	\$0.05

Fourth Quarter Results: (three months ended Nov 30, 2018 compared with three months ended Nov 30, 2017)

	Q4 2018	Q4 2017
Sales	\$28,013,000	\$22,866,000
Gross Margin	7,264,000	5,287,000
Gross Margin (%)	25.9%	23.1%
Operating Earnings ⁽¹⁾ :	3,713,000	2,137,000
• Net R&D Investment	1,320,000	1,353,000
• Restructuring Expense	260,000	-
• Foreign Exchange Loss	89,000	18,000
• Recovery of Investment Tax Credits	(228,000)	(162,000)
• Amortization of Intangibles	266,000	267,000
Net Earnings before Tax	2,006,000	661,000
• Tax Expense	769,000	498,000
• Non-controlling Interests	11,000	(28,000)
Net Earnings After Tax	\$1,226,000	\$191,000
Earnings per share		
- basic	\$0.05	\$0.01
- diluted	\$0.05	\$0.01

(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 2018 that continue to improve the Corporation and position it for the future, including:

- Growing the revenue from the simulator market dramatically in 2018 to over 10% of total revenue as a result of:
 - A new multimillion dollar contract with FlightSafety for KC-46 simulator cockpit assemblies
 - Ongoing simulator work with CAE for C-130 simulators
 - New simulator work with CAE on a new military program for FTG Toronto and a new commercial program for FTG Tianjin
 - New simulator work with Rockwell's simulation subsidiary in Tianjin
- Strengthened our cockpit product assembly business by:

- Signing a contract amendment with Shanghai Avionics for C919 cockpit product assemblies valued at \$4M USD and shipping first redesigned hardware for the flight test program
- Won three new cursor control device assemblies for use on air transport, business jet and rotary wing aircraft
- Completed qualification testing of a cursor control device for a helicopter program and a power supply for the LE-700 training aircraft in China
- Won a contract to develop cockpit panels for the Orion manned spacecraft being developed for NASA
- Received our first ever patent for High Temperature Rigid Flex circuit board technology in the UK
- Completed our first robotic automation project including Industry 4.0 technology at our Circuits Toronto facility

For FTG, overall sales increased by \$14.7M or 15.5% from \$94.7M in 2017 to \$109.4M in 2018. Both the Circuits and Aerospace segments contributed to the growth. For the full year the average exchange rate between the Canadian and US dollar was 1.2 cents stronger in 2018 versus 2017. For the fourth quarter, sales were \$28.0M compared to \$22.9M in Q4 last year, an increase of 22.5%.

The Circuits Segment sales in 2018 were \$64.1M, up \$5.0M or 8.4% versus 2017. In the fourth quarter, Circuits sales were up by \$3.7M or 27% to \$17.4M.

For the Aerospace segment, sales in 2018 were \$45.3M compared to \$35.6M last year resulting in a 27.4% growth rate. In the fourth quarter sales were up \$1.5M or 15.8%.

Gross margins in 2018 were up \$2.1M compared to 2017 to \$25.3M. In 2018 the gross margin was 23.1% compared to 24.4% in 2017. The margin in 2018 was impacted by extra costs incurred in Chatsworth to support the transition of revenue from the acquisitions in 2016 and inventory provisions also taken in Chatsworth to adjust the acquired inventory to the FTG standard inventory valuation methodology. In Q4 2018 the gross margins were \$7.3M or 25.9% compared to \$5.3M or 23.1% in Q4 2017.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q4 2018 was \$3.0M compared to \$1.8M in Q4 2017. EBITDA was \$10.5M for the full year 2018.

The following table reconciles EBITDA⁽²⁾ to the net earnings for the trailing 12 months as at Nov 30, 2018.

	<u>Trailing 12 Months</u>
Net earnings	2,865,000
Add:	
Interest	521,000
Income taxes/ITC/JV	2,629,000
Depreciation/Amortization	4,506,000
EBITDA	<u>\$10,521,000</u>

(2) EBITDA 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 EBITDA may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Net profit after tax at FTG in 2018 was \$2.9M compared to a net profit of \$1.3M in 2017. Higher margin and lower R&D spending was offset by higher SG&A costs and \$0.5M of restructuring costs in 2018. Q4 2018 had net income after tax of \$1.2M compared to \$0.2M in Q4 2017.

The Circuits segment net earnings before corporate and interest and other costs was \$9.4M in 2018 compared to \$8.5M in 2017.

The Aerospace net earnings before corporate and interest and other costs in 2018 was (\$0.4M) versus (\$2.5M) in 2017. 2018 had higher sales and lower R&D costs offset by \$1.7M inventory provision increases and \$0.3M in restructuring costs.

As at November 30, 2018, the Corporation's net working capital was \$28.7M, an increase of \$4.3M over year end 2017. Higher cash and accounts receivables were offset by lower inventories and higher accounts payable and accrued liabilities and provisions.

Net debt to EBITDA, was 0.23:1 for the trailing 12 month period.

The Corporation will host a live conference call on Thursday, February 7, 2019 at 8:30 am (EST) to discuss the results of 2018.

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 February 21, 2019 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 6665806.

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 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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