



**For Immediate Release: February 13, 2020**

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR ‘THE CORPORATION’)  
ANNOUNCES FULL YEAR AND FOURTH QUARTER 2019 FINANCIAL RESULTS**

TORONTO, ONTARIO – (February 13, 2020) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter 2019.

- Achieved record full year sales of \$112.7M, an increase of \$8.2M after excluding a \$5M revenue adjustment on a development contract from Q1 last year
- Achieved EBITDA of \$14.6M, an increase of \$4.1M (39%) over last year
- Achieved net income of \$6.1M and diluted earnings per share of \$0.25, an increase of 111% over 2018
- Generated \$8.5M in full year free cash flow, inclusive of capital expenditures of \$3.1M but exclusive of \$3.8M of net cash consideration paid for the Colonial business (now referred to as FTG Circuits-Fredericksburg)
- At year end, had net cash of \$2.2M on the balance sheet.

Full Year Results: (twelve months ended Nov 30, 2019 compared with twelve months ended Nov 30, 2018)

	<b><u>FY 2019</u></b>	<b><u>FY 2018</u></b>
Sales	\$112,653,000	\$109,420,000
Gross Margin	30,264,000	25,262,000
Gross Margin (%)	26.9%	23.1%
Operating Earnings <sup>(1)</sup> :	<hr/> 15,818,000	<hr/> 10,978,000
• Net R&D Investment	4,846,000	4,740,000
• R&D Tax Credits	(669,000)	(1,016,000)
• Foreign Exchange Loss (Gain)	785,000	(75,000)
• Amortization of Intangibles	1,128,000	1,049,000
Net Earnings before Tax	<hr/> 9,728,000	<hr/> 6,280,000
• Income Tax	3,746,000	3,415,000
• Non-controlling Interests	(76,000)	(10,000)
Net Earnings after tax	<hr/> \$6,058,000	<hr/> \$2,875,000
Earnings per share		
- basic	\$0.27	\$0.13
- diluted	\$0.25	\$0.12

Fourth Quarter Results: (three months ended Nov 30, 2019 compared with three months ended Nov 30, 2018)

	<b>Q4 2019</b>	<b>Q4 2018</b>
Sales	\$27,075,000	\$28,013,000
Gross Margin	5,870,000	7,264,000
Gross Margin (%)	21.7%	25.9%
Operating Earnings <sup>(1)</sup> :	2,745,000	3,453,000
• Net R&D Investment	1,339,000	1,375,000
• R&D Tax Credits	(260,000)	(283,000)
• Foreign Exchange Loss	253,000	89,000
• Amortization of Intangibles	301,000	266,000
Net Earnings before Tax	1,112,000	2,006,000
• Income Tax	504,000	769,000
• Non-controlling Interests	33,000	11,000
Net Earnings After Tax	\$575,000	\$1,226,000
Earnings per share		
- basic	\$0.03	\$0.05
- diluted	\$0.03	\$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 2019 that continue to improve the Corporation and position it for the future, including:

- Received Canadian Technical Standard Order (TSO) approval for a Cursor Control Device enabling FTG to begin production of this product under development over the past 3 years
- On July 15, 2019, FTG successfully closed the acquisition of Colonial Circuits Inc., in Fredericksburg Virginia
- Achieved sales from Colonial of approximately \$3.6M from July to November
- Began the certification process for the Colonial facility to the Aerospace AS9100 certification with completion planned for early 2020, opening up significant new market opportunities for that site
- Worked with key suppliers to achieve material cost savings for the Colonial site, in line with costs at other existing FTG sites.
- In November, FTG reached agreement with its represented staff at FTG Aerospace Toronto. The contract is for four years, with improvements in benefits and wages in line with typical collective agreements in Ontario this year.

For FTG, overall sales increased by \$3.2M or 3.0% from \$109.4M in 2018 to \$112.7M in 2019. Adjusting for the revenue recognition impact of \$5M from the C919 program in Q1 2018, the increase in sales is \$8.2M or 7.9%. In Q4, FTG was the subject of a cyber-attack that impacted all sites in North America, except the recently acquired business in Fredericksburg, Virginia. The affected sites lost production from a few days to a few weeks. This impacted the 2019 sales in the quarter and the year as deliveries were delayed beyond year end. The acquisition of FTG Circuits Fredericksburg business, which closed July 15, 2019, contributed \$3.6M to 2019 sales. Also contributing to the growth was the weakening of the Canadian dollar by 3.8 cents in 2019 compared to the prior year, which added approximately \$3M to annual sales.

FTG's China sites were not impacted by the cyber-attack in Q4. They are however being impacted by measures taken by the Chinese government in Q1 2020 to control the spread of the corona virus outbreak and are expected to lose approximately 10 days of production in the quarter.

Q4 2019 sales of \$27.1M were \$0.9M lower than Q4 2018, net of the contribution of \$2.4M from the acquisition of the FTG Circuits Fredericksburg business. In September 2019, FTG was the subject of a cyber-attack which impacted FTG's systems across North America. Overall lost production was approximately 10% of normal quarterly sales. Also in Q4 2019 compared to Q4 2018, shipments of products for the simulator market were down temporarily by approximately \$3M as previous orders were completed and new orders could not be assembled until the arrival of longer lead components. Simulator related revenues are expected to rebound in the second half of 2020.

The Circuits Segment sales were \$71.4M, up \$7.4M or 11.5% in 2019 versus 2018. In Q4 sales were \$18.6M compared to \$17.4M in Q4 last year. In Q4 2019, sales were impacted by the cyber-attack but offset by the incremental \$2.4M in sales from the acquired business in Virginia.

For the Aerospace segment, sales in 2019 were \$41.2M compared to \$45.3M last year. 2018 had the \$5M one-time adjustment in program revenue. In Q4 2019 sales were \$8.4M compared to \$10.7M in Q4 2018. The drop in Q4 2019 is due partly to the cyber-attack as well as a drop in simulator activity of \$3M year-over-year. The drop in simulator activity is the result the conclusion of existing orders and a gap in shipments until longer lead components arrive. Simulator revenues are expected to rebound in the second half of 2020 as the backlog in simulator work at year end was over \$8.0M.

Gross margins in 2019 were \$30.3M or 26.9% compared to \$25.3M or 23.1% in 2018. The benefit of increased sales was combined with improving operational efficiency across the company. The cyber-attack in Q4 2019 negatively impacted gross margins in the quarter and the full year.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for 2019 was \$14.6M compared to \$10.5M in 2018.

The following table reconciles EBITDA<sup>(2)</sup> to the net earnings for 2019.

	<u>2019</u>
Net earnings	6,058,000
Add:	
Interest	290,000
Income taxes/ITC	3,077,000
Depreciation/Amortization/Stock Comp	5,165,000
<b>EBITDA</b>	<u><u>\$14,590,000</u></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 profit after tax at FTG in 2019 was \$6.1M or \$0.25 per diluted share compared to a net profit of \$2.9M or \$0.12 per diluted share in 2018. Net profit after tax in Q4 2019 was \$0.6M, a decrease of \$0.6M compared to Q4 2018. The decrease is the result of lower sales (cyber-attack and lower simulator activity) offset by the income from the new Virginia facility.

The Circuits segment net earnings before corporate and interest and other costs was \$12.0M in 2019 compared to \$9.4M in 2018.

The Aerospace net earnings before corporate and interest and other costs in the quarter was \$0.7M in 2019 versus (\$0.4M) in 2018.

As at November 30, 2019, the Corporation's net working capital was \$28.6M, compared to \$28.7M at year end in 2018. At year-end 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 2019 was \$2.2M compared to net debt of \$2.4M at the end of 2018. Excluding the Colonial purchase price of \$3.8M, the year-end 2019 net cash position would have been \$6.0M, with annual free cash flow of \$8.5M.

The Corporation will host a live conference call on Friday, February 14, 2020 at 10:00 am (Eastern) to discuss the results of 2019.

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 March 15, 2020 and will be available on the FTG website at [www.ftgcorp.com](http://www.ftgcorp.com). The number to call for a rebroadcast is 416-621-4642 or 1-800-585-8367, Conference ID 8595811.

## 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](http://www.ftgcorp.com)

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Consolidated Statements of Financial Position**

As at (in thousands of Canadian dollars)	November 30, 2019	November 30, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 7,647	\$ 5,026
Accounts receivable	21,085	18,051
Contract assets	432	645
Taxes recoverable	-	189
Inventories	21,990	24,634
Prepaid expenses	1,770	1,816
	<b>52,924</b>	<b>50,361</b>
<b>Non-current assets</b>		
Plant and equipment, net	13,830	12,078
Deferred income tax assets	724	732
Investment tax credits receivable	3,035	4,620
Deferred development costs	279	276
Intangible assets and other assets, net	2,585	3,069
<b>Total assets</b>	<b>\$ 73,377</b>	<b>\$ 71,136</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 17,104	\$ 16,278
Provisions	946	849
Contract liabilities	216	1,966
Current portion of bank debt	5,416	2,019
Income tax payable	639	563
	<b>24,321</b>	<b>21,675</b>
<b>Non-current liabilities</b>		
Bank debt	-	5,404
Deferred tax payable	1,297	1,750
<b>Total liabilities</b>	<b>25,618</b>	<b>28,829</b>
<b>Equity</b>		
Retained earnings	\$ 17,745	\$ 11,687
Accumulated other comprehensive loss	(1,554)	(774)
	<b>16,191</b>	<b>10,913</b>
Share capital		
Common Shares	19,323	19,323
Preferred Shares	2,218	2,218
Contributed surplus	8,933	8,672
<b>Total equity attributable to FTG's shareholders</b>	<b>46,665</b>	<b>41,126</b>
Non-controlling interest	1,094	1,181
<b>Total equity</b>	<b>47,759</b>	<b>42,307</b>
<b>Total liabilities and equity</b>	<b>\$ 73,377</b>	<b>\$ 71,136</b>

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Consolidated Statements of Earnings**

(in thousands of Canadian dollars, except per share amounts)	Years ended	
	November 30, 2019	November 30, 2018
Sales	\$ 112,653	\$ 109,420
Cost of sales		
Cost of sales	78,788	81,143
Depreciation of plant and equipment	3,601	3,015
Total cost of sales	82,389	84,158
Gross margin	30,264	25,262
Expenses		
Selling, general and administrative	13,732	13,333
Research and development costs	4,846	4,740
Recovery of investment tax credits	(669)	(1,016)
Depreciation of plant and equipment	163	134
Amortization of intangible assets	1,128	1,049
Interest expense on bank debt	290	521
Stock based compensation	261	296
Foreign exchange loss (gain)	785	(75)
Total expenses	20,536	18,982
Earnings before income taxes	9,728	6,280
Current income tax expense	4,296	3,230
Deferred income tax (recovery) expense	(550)	185
Total income tax expense	3,746	3,415
<b>Net earnings</b>	<b>\$ 5,982</b>	<b>\$ 2,865</b>
<b>Attributable to:</b>		
Non-controlling interest	\$ (76)	\$ (10)
Equity holders of FTG	\$ 6,058	\$ 2,875
<b>Earnings per share, attributable to the equity holders of FTG</b>		
Basic	\$ 0.27	\$ 0.13
Diluted	\$ 0.25	\$ 0.12

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Consolidated Statements of Comprehensive Income**

(in thousands of Canadian dollars)	Years ended	
	November 30, 2019	November 30, 2018
Net earnings	\$ 5,982	\$ 2,865
Other comprehensive loss to be reclassified to net earnings in subsequent periods:		
Change in foreign currency translation adjustments	(308)	421
Change in net unrealized loss on derivative financial designated as cash flow hedges	(644)	(1,873)
Change in tax impact	161	468
	(791)	(984)
<b>Total comprehensive income</b>	<b>\$ 5,191</b>	<b>\$ 1,881</b>
<b>Attributable to:</b>		
Equity holders of FTG	\$ 5,278	\$ 1,914
Non-controlling interest	\$ (87)	\$ (33)



**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Consolidated Statements of Changes in Equity**

Years ended November 30, 2019 and November 30, 2018

(in thousands of Canadian dollars)	Attributed to the equity holders of FTG						Total	Non-controlling interest	Total equity
	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive loss				
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110	
Net earnings (loss)	-	-	2,875	-	-	2,875	(10)	2,865	
Stock-based compensation	-	-	-	296	-	296	-	296	
Common Shares issued on exercise of share options	28	-	-	(8)	-	20	-	20	
Change in foreign currency translation adjustments	-	-	-	-	443	443	(23)	420	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(1,404)	(1,404)	-	(1,404)	
Balance, November 30, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307	
Net earnings (loss)	-	-	6,058	-	-	6,058	(76)	5,982	
Stock-based compensation	-	-	-	261	-	261	-	261	
Change in foreign currency translation adjustments	-	-	-	-	(297)	(297)	(11)	(308)	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(483)	(483)	-	(483)	
Balance, November 30, 2019	\$ 19,323	\$ 2,218	\$ 17,745	\$ 8,933	\$ (1,554)	\$ 46,665	\$ 1,094	\$ 47,759	

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Consolidated Statements of Cash Flows**

(in thousands of Canadian dollars)	Years ended	
	November 30, 2019	November 30, 2018
Net inflow (outflow) of cash related to the following:		
<b>Operating activities</b>		
Net earnings (attributable to Equity holders of FTG)	\$ 5,982	\$ 2,865
Items not affecting cash:		
Stock-based compensation	261	296
(Gain) loss on disposal of plant and equipment	(53)	25
Effect of exchange rates on US dollar debt	24	284
Depreciation of plant and equipment	3,764	3,149
Amortization of intangible assets	1,128	1,049
Amortization of deferred financing costs	12	12
Investment tax credits/deferred income taxes	1,546	2,640
Investment tax credits recovery	(669)	(1,016)
Increase in net unrealized loss, decrease in net unrealized gain on derivative financial instruments designated as cash flow hedges	(483)	(1,404)
Net change in non-cash operating working capital	395	3,869
	<b>11,907</b>	<b>11,769</b>
<b>Investing activities</b>		
Additions to plant and equipment	(3,069)	(3,021)
Acquisition of Colonial Circuits Inc., net of cash acquired	(3,817)	-
(Additions to) recovery of deferred development costs, other	(11)	143
Proceeds from disposal of plant and equipment	53	30
	<b>(6,844)</b>	<b>(2,848)</b>
<b>Net cash flow from operating and investing activities</b>	<b>5,063</b>	<b>8,921</b>
<b>Financing activities</b>		
(Decrease) in bank indebtedness	-	(6,444)
Proceeds from bank debt	-	1,289
Repayments of bank debt	(2,031)	(1,928)
Proceeds from issue of Common Shares	-	20
	<b>(2,031)</b>	<b>(7,063)</b>
<b>Effects of foreign exchange rate changes on cash flow</b>	<b>(411)</b>	<b>416</b>
<b>Net increase in cash flow</b>	<b>2,621</b>	<b>2,274</b>
Cash, beginning of the year	5,026	2,752
<b>Cash, end of year</b>	<b>\$ 7,647</b>	<b>\$ 5,026</b>
<b>Disclosure of cash payments</b>		
Payment for interest	\$ 306	\$ 529
Payments for income taxes	\$ 1,750	\$ 24