



**For Immediate Release: July 8, 2020**

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

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

- Achieved a book-to-bill ratio in Q2 of 0.97:1
- Ended Q2 2020 with over \$50M in total backlog, of which \$28M is due in Q3 2020
- Generated \$3.0M in cash in Q2 and ended the quarter with \$6.4M in net cash on the balance sheet
- Achieved highest gross margin percentage of 32.3%
- Achieved net income of \$2.0M in the quarter (7.6% of sales)
- Received \$0.8M in Canadian Emergency Wage Subsidy in the quarter
- Received \$3.3M (\$2.4M USD) in loans from the US Paycheck Protection Program (PPP), which can be forgiven in future periods if certain conditions are met
- Subsequent to quarter-end, FTG entered into a new 2 year, \$20M USD committed credit facility on terms similar to the previous agreement

Second Quarter Results: (three months ended May 29, 2020 compared with three months ended May 31, 2019)

	<u>Q2 2020</u>	<u>Q2 2019</u>
Sales	\$26,822,000	\$32,235,000
Gross Margin	8,674,000	9,717,000
Gross Margin (%)	32.3%	30.1%
Operating Earnings <sup>(1)</sup> :	4,313,000	5,388,000
• R&D Investment	1,583,000	1,168,000
• R&D Tax Credits	(203,000)	10,000
• Foreign Exchange (Gain) Loss	(464,000)	140,000
• Amortization of Intangibles	97,000	272,000
Net Earnings before Tax	3,300,000	3,798,000
• Income Tax	1,302,000	1,348,000
• Non-controlling Interests	(36,000)	(32,000)
Net Earnings After Tax	\$2,034,000	\$2,482,000
Earnings per share		
- basic	\$0.09	\$0.11
- diluted	\$0.08	\$0.10

Year-to-Date: (six months ended May 29, 2020 compared with six months ended May 31, 2019)

	<u>YTD 2020</u>	<u>YTD 2019</u>
Sales	\$51,360,000	\$57,625,000
Gross Margin	12,634,000	16,471,000
Gross Margin (%)	24.6%	28.6%
Operating Earnings <sup>(1)</sup> :	4,555,000	8,706,000
• R&D Investment	2,664,000	2,284,000
• R&D Tax Credits	(375,000)	(195,000)
• Foreign Exchange (Gain) Loss	(415,000)	296,000
• Amortization of Intangibles	396,000	543,000
• Impairment of Intangibles	1,145,000	-
Net Earnings before Tax	1,140,000	5,778,000
• Income Tax	1,771,000	2,155,000
• Non-controlling Interests	(68,000)	(77,000)
Net (Loss) Earnings After Tax	(\$563,000)	\$3,700,000
(Loss) Earnings per share		
- basic	(\$0.02)	\$0.16
- diluted	(\$0.02)	\$0.15

(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 Q2 2020 that continue to improve the Corporation and position it for the future, including:

- Received Canadian, US and Chinese government support to offset the impact of COVID-19, in the form of grants, forgivable loans and reduced or delayed tax remittances
- Implemented hiring freeze, wage freeze and new capital spending freeze across FTG to maintain a strong balance sheet during the uncertain times related to the COVID-19 pandemic
- Maintained solid bookings with a 0.97:1 book-to-bill ratio with increasing backlog in the US sites focused more on defense work and decreasing backlog in Canadian and Chinese sites focused more on commercial aerospace programs
- Bookings in Q2 increased by \$1.5M compared to Q1 2020

For FTG, overall sales decreased by \$5.4M or 17% from \$32.2M in Q2 2019 to \$26.8M in Q2 2020. Circuits Fredericksburg contributed \$2.6M in Q2 2020, compared to \$0 last year. Also benefiting Q2 2020 was a \$0.06 weakening of the Canadian dollar versus Q2 last year, which positively impacted sales by approximately \$0.6M, net of the impact of realized losses on FX forward contracts. Negatively impacting sales in Q2 2020 was a \$3M drop in simulator related sales compared to Q2 last year. Simulator related sales vary much more from quarter-to-quarter than other parts of FTG's business and Q2 last year was a very strong quarter for simulator related sales. Chatsworth sales were down over \$3M due in part to lower simulator sales, extended lead time for some components, other supplier issues related to COVID-19 and COVID-19 impact on operations. On a year-to-date basis, sales were \$51.4M compared to \$57.6M for the same period last year. The drop is due to lower Aerospace sales as described below.

The Circuits Segment sales were up \$0.3M, or 2% in Q2 2020 versus Q2 2019. Included in Q2 2020 were sales of \$2.6M from Circuits Fredericksburg, acquired in July, 2019. The Toronto and Chatsworth sites had lower sales and the Joint Venture in China was flat. Year-to-date sales in the Circuits Segment were \$36.1M vs \$34.5M in 2019. Circuits Fredericksburg contributed \$4.7M in 2020. The two North American sites were down similar amounts this year and the Joint Venture was stable.

For the Aerospace Segment, sales in Q2 2020 were \$7.2M compared to \$13.0M in Q2 last year. Simulator related sales were down \$3M in Q2 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 Q2 2020 was strong. The Aerospace sites were negatively impacted by extended component lead times, as a result of COVID-19 impacts on the supply chain. Year-to-date 2020, Aerospace Segment sales were down \$7.9M, of which simulator related sales were down \$5M.

Gross margins in Q2 2020 were \$8.7M or 32.3% compared to \$9.7M or 30.1% in Q2 2019. The lower sales impacted the overall margin while strong cost control, the Canadian wage subsidy received and high throughput improved the margin percentage on a year-over-year basis.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q2 2020 was \$5.2M compared to \$5.2M in Q2 2019. Again, the strong operating performance resulted in the 19.4% EBITDA margin.

The following table reconciles net earnings to EBITDA<sup>(2)</sup> for the quarter and the trailing 12 months ended May 29, 2020.

	<u>Q2 2020</u>	<u>Trailing 12 Months</u>
Net earnings to equity holders of FTG	2,034,000	1,795,000
Add:		
Interest, accretion	198,000	499,000
Income taxes	1,302,000	3,362,000
Depreciation/Amortization Stock Comp./Impairment	1,682,000	7,309,000
<b>EBITDA</b>	<u>\$5,216,000</u>	<u>\$12,965,000</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 profit after tax at FTG in Q2 2020 was \$2.0M or \$0.08 per diluted share compared to a net profit of \$2.5M or \$0.10 per diluted share in Q2 2019. Net profit after tax in Q2 2020 was impacted by the lower sales, offset by strong throughput and operating results and the Canadian wage subsidy.

The Circuits Segment net earnings before corporate and interest and other costs was \$3.8M in Q2 2020 compared to \$3.9M in Q2 2019. In Q2 2020, the sales were similar to Q2 2019 while the Circuits Fredericksburg site added approximately \$2.2M in incremental costs in Q2 2020, offset by reduced costs on lower sales in other FTG sites. For the year-to-date, the net earnings before corporate and interest and other costs was \$4.5M compared to \$6.1M in the first 6 month of 2019.

The Aerospace net earnings before corporate and interest and other costs in the quarter was \$0.6M in Q2 2020 versus \$0.7M in Q2 2019. The drop is due primarily to reduced sales from the simulator related market offset by reduced cost across the business. In the first 6 months of 2020, the net earnings before corporate and interest and other costs was (\$1.4M) compared to \$1.2M in the same period last year. Reduced sales impacted earnings and Q1 2020 included \$1.1M cost for impairment of intangible assets.

As at May 29, 2020, the Corporation's net working capital was \$30.0M, compared to \$28.6M at year-end in 2019. The increase is due to higher cash, higher inventories offset by lower accounts receivable. As the existing bank facility agreement was scheduled to expire in November 2020, the outstanding bank debt of \$4.6M pursuant to that facility was classified as current as of May 29, 2020.

Net cash at the end of Q2 2020 was \$6.4M compared to net cash of \$2.2M at the end of 2019.

Subsequent to quarter end, FTG Circuits Fredericksburg had a fire in the production area of the plant. No employees were injured. One piece of equipment was damaged but work-around production processes have been created while that equipment is repaired or replaced. While there was smoke and water damage in significant parts of the building, production resumed within a few days, and building remediation is ongoing.

Also subsequent to the end of Q2 2020, FTG entered into an amended and restated two-year committed credit facility with the same major financial institution, which will expire in July, 2022. The amended credit facility is a US\$20.0 million committed revolving credit facility consisting of a US\$10.0 million operating credit for working capital purposes and a US\$10.0 million term credit to fund capital expenditures. The key terms of this credit facility are comparable to the previous one.

The Corporation will host a live conference call on Thursday July 9, 2020 at 8:30am (Eastern) to discuss the results of Q2 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 August 10, 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 1275227.

## 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**  
**Interim Condensed Consolidated Statements of Financial Position**

(Unaudited) (in thousands of Canadian dollars)	May 29, 2020	November 30, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 14,258	\$ 7,647
Accounts receivable	19,308	21,085
Contract assets	317	432
Inventories	23,284	21,990
Prepaid expenses	1,518	1,770
	<b>58,685</b>	<b>52,924</b>
<b>Non-current assets</b>		
Plant and equipment, net	14,406	13,830
Right-of-use assets	13,187	-
Deferred income tax assets	724	724
Investment tax credits receivable	2,506	3,035
Deferred development costs	218	279
Intangible assets and other assets, net	1,084	2,585
<b>Total assets</b>	<b>\$ 90,810</b>	<b>\$ 73,377</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 16,998	\$ 17,104
Provisions	904	946
Contract liabilities	3,288	216
Current portion of bank debt	5,603	5,416
Current portion of lease liabilities	1,755	-
Income tax payable	115	639
	<b>28,663</b>	<b>24,321</b>
<b>Non-current liabilities</b>		
Bank debt	2,245	-
Lease liabilities	11,608	-
Deferred tax payable	1,373	1,297
<b>Total liabilities</b>	<b>43,889</b>	<b>25,618</b>
<b>Equity</b>		
Retained earnings	\$ 17,182	\$ 17,745
Accumulated other comprehensive loss	(1,457)	(1,554)
	<b>15,725</b>	<b>16,191</b>
Share capital		
Common Shares	19,663	19,323
Preferred Shares	2,218	2,218
Contributed surplus	8,264	8,933
<b>Total equity attributable to FTG's shareholders</b>	<b>45,870</b>	<b>46,665</b>
Non-controlling interest	1,051	1,094
<b>Total equity</b>	<b>46,921</b>	<b>47,759</b>
<b>Total liabilities and equity</b>	<b>\$ 90,810</b>	<b>\$ 73,377</b>

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

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	May 29, 2020	May 31, 2019	May 29, 2020	May 31, 2019
Sales	\$ 26,822	\$ 32,235	\$ 51,360	\$ 57,625
Cost of sales				
Cost of sales	16,678	21,659	35,877	39,467
Depreciation of plant and equipment	1,069	859	2,063	1,687
Depreciation of right-of-use assets	401	-	786	-
Total cost of sales	18,148	22,518	38,726	41,154
Gross margin	8,674	9,717	12,634	16,471
Expenses				
Selling, general and administrative	4,056	4,119	7,487	7,361
Research and development costs	1,583	1,168	2,664	2,284
Recovery (reversal) of investment tax credits, net	(203)	10	(375)	(195)
Depreciation of plant and equipment	54	40	100	83
Depreciation of right-of-use assets	13	-	25	-
Amortization of intangible assets	97	272	396	543
Interest expense on bank debt, net	57	90	98	167
Accretion on lease liabilities	141	-	278	-
Stock based compensation	40	80	91	154
Foreign exchange (gain) loss	(464)	140	(415)	296
Impairment of intangible assets	-	-	1,145	-
Total expenses	5,374	5,919	11,494	10,693
Earnings before income taxes	3,300	3,798	1,140	5,778
Current income tax expense	1,261	1,294	1,695	2,071
Deferred income tax expense	41	54	76	84
Total income tax expense	1,302	1,348	1,771	2,155
<b>Net earnings (loss)</b>	\$ 1,998	\$ 2,450	\$ (631)	\$ 3,623
<b>Attributable to:</b>				
Non-controlling interest	\$ (36)	\$ (32)	\$ (68)	\$ (77)
Equity holders of FTG	\$ 2,034	\$ 2,482	\$ (563)	\$ 3,700
<b>Earnings (loss) per share, attributable to the equity holders of FTG</b>				
Basic	\$ 0.09	\$ 0.11	\$ (0.02)	\$ 0.16
Diluted	\$ 0.08	\$ 0.10	\$ (0.02)	\$ 0.15

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	May 29, 2020	May 31, 2019	May 29, 2020	May 31, 2019
Net earnings (loss)	\$ 1,998	\$ 2,450	\$ (631)	\$ 3,623
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	518	302	766	290
Change in net unrealized loss on derivative financial designated as cash flow hedges	(478)	(1,258)	(860)	(1,325)
Change in tax impact	120	314	216	331
	160	(642)	122	(704)
<b>Total comprehensive income (loss)</b>	<b>\$ 2,158</b>	<b>\$ 1,808</b>	<b>\$ (509)</b>	<b>\$ 2,919</b>
<b>Attributable to:</b>				
Equity holders of FTG	\$ 2,187	\$ 1,851	\$ (466)	\$ 2,967
Non-controlling interest	\$ (29)	\$ (43)	\$ (43)	\$ (48)



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

Six months ended May 29, 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)	-	-	(563)	-	-	(563)	(68)	(631)	
Stock-based compensation	-	-	-	91	-	91	-	91	
Transfer from contributed surplus to share capital for PSU's exercised	760	-	-	(760)	-	-	-	-	
Common shares repurchase and issue on exercise of PSU's	(420)	-	-	-	-	(420)	-	(420)	
Change in foreign currency translation adjustment	-	-	-	-	741	741	25	766	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(644)	(644)	-	(644)	
Balance, May 29, 2020	\$ 19,663	\$ 2,218	\$ 17,182	\$ 8,264	\$ (1,457)	\$ 45,870	\$ 1,051	\$ 46,921	
Six months ended May 31, 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)	-	-	3,700	-	-	3,700	(77)	3,623	
Stock-based compensation	-	-	-	154	-	154	-	154	
Change in foreign currency translation adjustment	-	-	-	-	261	261	29	290	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges net of tax impact	-	-	-	-	(994)	(994)	-	(994)	
Balance, May 31, 2019	\$ 19,323	\$ 2,218	\$ 15,387	\$ 8,826	\$ (1,507)	\$ 44,247	\$ 1,133	\$ 45,380	

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	May 29, 2020	May 31, 2019	May 29, 2020	May 31, 2019
Net inflow (outflow) of cash related to the following:				
<b>Operating activities</b>				
Net earnings (loss)	\$ 1,998	\$ 2,450	\$ (631)	\$ 3,623
Items not affecting cash:				
Stock-based compensation	40	80	91	154
Loss on disposal of plant and equipment	-	(8)	6	(1)
Effect of exchange rates on US dollar debt	145	140	198	126
Depreciation of plant and equipment	1,123	899	2,163	1,770
Depreciation of right-of-use assets	414	-	811	-
Amortization of intangible assets	97	272	396	543
Amortization, other	8	3	11	6
Impairment of intangible assets	-	-	1,145	-
Investment tax credits/deferred income taxes	518	206	605	552
Accretion on lease liabilities	141	-	278	-
Increase in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of taxes	711	(652)	425	(702)
Net change in non-cash operating working capital	(781)	(485)	3,241	(4,572)
	<b>4,414</b>	<b>2,905</b>	<b>8,739</b>	<b>1,499</b>
<b>Investing activities</b>				
Additions to plant and equipment	(1,439)	(610)	(2,485)	(1,001)
Recovery (additions) of contract and other costs	43	(1)	49	(19)
	<b>(1,396)</b>	<b>(611)</b>	<b>(2,436)</b>	<b>(1,020)</b>
<b>Net cash flow from (used in) operating and investing activities</b>	<b>3,018</b>	<b>2,294</b>	<b>6,303</b>	<b>479</b>
<b>Financing activities</b>				
Decrease in bank indebtedness	-	(995)	-	-
Proceeds from bank debt	3,309	-	3,309	-
Repayments of bank debt	(535)	(512)	(1,038)	(1,021)
Lease liability payments	(466)	-	(912)	-
Repurchase of common shares on exercise of PSU's	(420)	-	(420)	-
	<b>1,888</b>	<b>(1,507)</b>	<b>939</b>	<b>(1,021)</b>
<b>Effects of foreign exchange rate changes on cash flow</b>	<b>(800)</b>	<b>(101)</b>	<b>(631)</b>	<b>(172)</b>
<b>Net increase (decrease) in cash flow</b>	<b>4,106</b>	<b>686</b>	<b>6,611</b>	<b>(714)</b>
Cash, beginning of the period	10,152	3,626	7,647	5,026
<b>Cash, end of period</b>	<b>\$ 14,258</b>	<b>\$ 4,312</b>	<b>\$ 14,258</b>	<b>\$ 4,312</b>
<b>Disclosure of cash payments</b>				
Payment for interest	\$ 54	\$ 90	\$ 109	\$ 171
Payments for income taxes	\$ 138	\$ 383	\$ 1,117	\$ 1,122