



For Immediate Release: October 7, 2020

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG”) ANNOUNCES THIRD QUARTER 2020 FINANCIAL RESULTS

TORONTO, ONTARIO – (October 7, 2020) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the third quarter 2020.

- Ended Q3 2020 with over \$47M in total backlog, of which \$26M is due in Q4 2020
- Generated \$3.2M in cash in Q3 and ended the quarter with \$8.8M in net cash on the balance sheet
- Achieved a gross margin percentage of 27.6%
- Received \$0.8M in Canadian Emergency Wage Subsidy in the quarter
- Entered into a new 2 year, \$20M USD committed credit facility on terms similar to the previous agreement with our current lender

Third Quarter Results: (three months ended August 28, 2020 compared with three months ended August 30, 2019)

	<u>Q3 2020</u>	<u>Q3 2019</u>
Sales	\$24,364,000	\$27,953,000
Gross Margin	6,722,000	7,923,000
Gross Margin (%)	27.6%	28.3%
Operating Earnings ⁽¹⁾ :	<hr/> 3,600,000	<hr/> 4,367,000
• R&D Investment	1,302,000	1,223,000
• R&D Tax Credits	(195,000)	(214,000)
• Foreign Exchange Loss	1,011,000	236,000
• Amortization of Intangibles	94,000	284,000
Net Earnings before Tax	<hr/> 1,388,000	<hr/> 2,838,000
• Income Tax	773,000	1,087,000
• Non-controlling Interests	(30,000)	(32,000)
Net Earnings After Tax	<hr/> \$645,000	<hr/> \$1,783,000
Earnings per share		
- basic	\$0.03	\$0.08
- diluted	\$0.03	\$0.07

Year-to-Date: (nine months ended August 28, 2020 compared with nine months ended August 30, 2019)

	<u>YTD 2020</u>	<u>YTD 2019</u>
Sales	\$75,724,000	\$85,578,000
Gross Margin	19,356,000	24,394,000
Gross Margin (%)	25.6%	28.5%
Operating Earnings ⁽¹⁾ :	8,155,000	13,073,000
• R&D Investment	3,966,000	3,507,000
• R&D Tax Credits	(570,000)	(409,000)
• Foreign Exchange Loss	596,000)	532,000
• Amortization of Intangibles	490,000	827,000
• Impairment of Intangibles	1,145,000	-
Net Earnings before Tax	2,528,000	8,616,000
• Income Tax	2,544,000	3,242,000
• Non-controlling Interests	(98,000)	(109,000)
Net Earnings After Tax	\$82,000	\$5,483,000
Earnings per share		
- basic	\$0.00	\$0.24
- diluted	\$0.00	\$0.22

(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 Q3 2020 that continue to improve the Corporation and position it for the future, including:

- Received further Canadian government support to offset the impact of COVID-19, in the form of \$0.8M grant
- Reduced overtime across FTG to reduce wage costs, particularly in sites focused on the commercial aerospace markets
- Reduced headcount by 3-4% primarily through attrition
- Achieved a 0.87:1 book-to-bill ratio with increased backlog in the US sites focused more on defense work and decreased backlog in Canadian and Chinese sites focused more on commercial aerospace programs
- Backlog negatively impacted by strengthening Canadian dollar that reduced backlog by approximately \$3M compared to prior quarter

- FTG Aerospace Toronto was approved by Transport Canada as an approved maintenance organization (AMO) opening up future aftermarket opportunities

For FTG, overall sales decreased by \$3.6M or 13% from \$28.0M in Q3 2019 to \$24.4M in Q3 2020. The Canadian dollar was \$0.02 weaker in Q3 this year versus Q3 last year. The COVID-19 pandemic has negatively impacted commercial aerospace activity this year and this impacted FTG's sites predominantly focused on this market which include Circuits Toronto and the facilities in China. On a year-to-date basis, sales were \$75.7M compared to \$85.6M for the same period last year. The drop is due to the COVID-19 pandemic in combination with timing on simulator related orders.

The Circuits Segment sales were down \$2.6M, or 14% in Q3 2020 versus Q3 2019. Included in Q3 2020 were sales of \$1.6M from Circuits Fredericksburg compared to \$1.2M in Q3 last year when that site was acquired. Circuits Fredericksburg was slightly impacted by a fire in that facility at the start of the quarter. The facility is fully operational and remediation is complete. The Toronto and the Joint Venture in China sites were all down in the quarter due to reduced demand. Year-to-date sales in the Circuits Segment were \$51.7M vs \$52.8M in 2019. Circuits Fredericksburg contributed \$6.3M in 2020 compared to \$1.2M in 2019.

For the Aerospace Segment, sales in Q3 2020 were \$8.7M compared to \$9.6M in Q3 last year. Simulator related sales were down \$1M in Q3 2020. Simulator revenues are expected to be strong in the fourth quarter. 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 \$8.8M or 27%, partly due to lower demand and partly due to timing of simulator related orders.

Gross margins in Q3 2020 were \$6.7M or 27.6% compared to \$7.9M or 28.3% in Q3 2019. The lower sales impacted the overall margin while strong cost control and the Canadian wage subsidy partially offset this drop.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q3 2020 was \$3.3M compared to \$4.3M in Q3 2019.

The following table reconciles net earnings to EBITDA⁽²⁾ for the quarter and the trailing 12 months ended August 28, 2020.

	<u>Q3 2020</u>	<u>Trailing 12 Months</u>
Net earnings to equity holders of FTG	645,000	657,000
Add:		
Interest, accretion	200,000	630,000
Income taxes	773,000	3,048,000
Depreciation/Amortization Stock Comp./Impairment	1,646,000	7,615,000
EBITDA	<u>\$3,264,000</u>	<u>\$11,950,000</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 Q3 2020 was \$0.6M or \$0.03 per diluted share compared to a net profit of \$1.8M or \$0.07 per diluted share in Q3 2019. Net profit after tax in Q3 2020 was impacted by the lower sales, offset by strong cost controls and the Canadian wage subsidy.

The Circuits Segment net earnings before corporate and interest and other costs was \$1.2M in Q3 2020 compared to \$3.3M in Q3 2019. The lower sales was the most significant impact on the segment profitability. For the year-

to-date, the net earnings before corporate and interest and other costs was \$5.7M compared to \$9.4M in the first 9 month of 2019.

The Aerospace net earnings before corporate and interest and other costs in the quarter was \$1.2M in Q3 2020 versus \$0.1M in Q3 2019. The improvement is primarily due to improved performance at the Chatsworth facility, offset by the impact of lower sales. In the first 9 months of 2020, the net earnings before corporate and interest and other costs was (\$0.2M) compared to \$1.3M in the same period last year. Reduced sales impacted earnings and Q1 2020 included \$1.1M cost for impairment of intangible assets.

As at August 28, 2020, the Corporation's net working capital was \$37.1M, compared to \$28.6M at year-end in 2019. The increase is due to higher cash, higher inventories, lower accounts payable offset by lower accounts receivable. Also at year-end, all debt was classified as current and with the new bank facility, \$4.2M is now long term debt.

Net cash at the end of Q3 2020 was \$8.8M compared to net cash of \$2.2M at the end of 2019.

The Corporation will host a live conference call on Thursday October 8, 2020 at 8:30am (Eastern) to discuss the results of Q3 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 November 7, 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 3473018.

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 and repairs 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)	August 28, 2020	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 15,710	\$ 7,647
Accounts receivable	15,634	21,085
Contract assets	498	432
Inventories	23,456	21,990
Prepaid expenses	2,332	1,770
	57,630	52,924
Non-current assets		
Plant and equipment, net	13,206	13,830
Right-of-use assets	12,540	-
Deferred income tax assets	724	724
Investment tax credits receivable	1,587	3,035
Deferred development costs	218	279
Intangible assets and other assets, net	943	2,585
Total assets	\$ 86,848	\$ 73,377
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,994	\$ 17,104
Provisions	767	946
Contract liabilities	2,623	216
Current portion of bank debt	2,704	5,416
Current portion of lease liabilities	1,717	-
Income tax payable	732	639
	20,537	24,321
Non-current liabilities		
Bank debt	4,246	-
Lease liabilities	11,080	-
Deferred tax payable	1,412	1,297
Total liabilities	37,275	25,618
Equity		
Retained earnings	\$ 17,827	\$ 17,745
Accumulated other comprehensive loss	583	(1,554)
	18,410	16,191
Share capital		
Common Shares	19,663	19,323
Preferred Shares	2,218	2,218
Contributed surplus	8,285	8,933
Total equity attributable to FTG's shareholders	48,576	46,665
Non-controlling interest	997	1,094
Total equity	49,573	47,759
Total liabilities and equity	\$ 86,848	\$ 73,377

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

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Nine months ended	
	August 28, 2020	August 30, 2019	August 28, 2020	August 30, 2019
Sales	\$ 24,364	\$ 27,953	\$ 75,724	\$ 85,578
Cost of sales				
Cost of sales	16,203	19,097	52,080	58,564
Depreciation of plant and equipment	1,048	933	3,111	2,620
Depreciation of right-of-use assets	391	-	1,177	-
Total cost of sales	17,642	20,030	56,368	61,184
Gross margin	6,722	7,923	19,356	24,394
Expenses				
Selling, general and administrative	2,827	3,367	10,314	10,728
Research and development costs	1,302	1,223	3,966	3,507
Recovery of investment tax credits, net	(195)	(214)	(570)	(409)
Depreciation of plant and equipment	62	40	162	123
Depreciation of right-of-use assets	12	-	37	-
Amortization of intangible assets	94	284	490	827
Interest expense on bank debt, net	61	69	159	236
Accretion on lease liabilities	139	-	417	-
Stock based compensation	21	80	112	234
Foreign exchange loss	1,011	236	596	532
Impairment of intangible assets	-	-	1,145	-
Total expenses	5,334	5,085	16,828	15,778
Earnings before income taxes	1,388	2,838	2,528	8,616
Current income tax expense	734	1,044	2,429	3,115
Deferred income tax expense	39	43	115	127
Total income tax expense	773	1,087	2,544	3,242
Net earnings (loss)	\$ 615	\$ 1,751	\$ (16)	\$ 5,374
Attributable to:				
Non-controlling interest	\$ (30)	\$ (32)	\$ (98)	\$ (109)
Equity holders of FTG	\$ 645	\$ 1,783	\$ 82	\$ 5,483
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.03	\$ 0.08	\$ -	\$ 0.24
Diluted	\$ 0.03	\$ 0.07	\$ -	\$ 0.22

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 28, 2020	August 30, 2019	August 28, 2020	August 30, 2019
Net earnings (loss)	\$ 615	\$ 1,751	\$ (16)	\$ 5,374
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	(1,071)	(634)	(305)	(344)
Change in net unrealized loss (gain) on derivative financial instruments designated as cash flow hedges	4,117	543	3,257	(782)
Change in tax impact	(1,030)	(136)	(814)	195
	2,016	(227)	2,138	(931)
Total comprehensive income	\$ 2,631	\$ 1,524	\$ 2,122	\$ 4,443
Attributable to:				
Equity holders of FTG	\$ 2,685	\$ 1,613	\$ 2,219	\$ 4,580
Non-controlling interest	\$ (54)	\$ (89)	\$ (97)	\$ (137)

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

(Unaudited) (in thousands of Canadian dollars)	Nine months ended August 28, 2020								
	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, 2019	\$ 19,323	\$ 2,218	\$ 17,745	\$ 8,933	\$ (1,554)	\$ 46,665	\$ 1,094	\$ 47,759	
Net earnings (loss)	-	-	82	-	-	82	(98)	(16)	
Stock-based compensation	-	-	-	112	-	112	-	112	
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 adjustments	-	-	-	-	(306)	(306)	1	(305)	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	2,443	2,443	-	2,443	
Balance, August 28, 2020	\$ 19,663	\$ 2,218	\$ 17,827	\$ 8,285	\$ 583	\$ 48,576	\$ 997	\$ 49,573	

(Unaudited) (in thousands of Canadian dollars)	Nine months ended August 30, 2019								
	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, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307	
Net earnings (loss)	-	-	5,483	-	-	5,483	(109)	5,374	
Stock-based compensation	-	-	-	234	-	234	-	234	
Change in foreign currency translation adjustments	-	-	-	-	(316)	(316)	(28)	(344)	
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges net of tax impact	-	-	-	-	(587)	(587)	-	(587)	
Balance, August 30, 2019	\$ 19,323	\$ 2,218	\$ 17,170	\$ 8,906	\$ (1,677)	\$ 45,940	\$ 1,044	\$ 46,984	

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 28, 2020	August 30, 2019	August 28, 2020	August 30, 2019
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings (loss)	\$ 615	\$ 1,751	\$ (16)	\$ 5,374
Items not affecting cash:				
Stock-based compensation	21	80	112	234
Loss (gain) on disposal of plant and equipment	-	-	6	(1)
Effect of exchange rates on US dollar debt	(415)	(111)	(217)	15
Depreciation of plant and equipment	1,111	973	3,274	2,743
Depreciation of right-of-use assets	403	-	1,214	-
Amortization of intangible assets	94	284	490	827
Amortization, other	17	3	28	9
Impairment of intangible assets	-	-	1,145	-
Investment tax credits/deferred income taxes	950	779	1,555	1,331
Accretion on lease liabilities	139	-	417	-
Decrease (increase) in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of taxes	3,087	(35)	2,442	(737)
Net change in non-cash operating working capital	(2,653)	3,603	588	(1,001)
	3,369	7,327	11,038	8,794
Investing activities				
Additions to plant and equipment	(236)	(1,384)	(2,721)	(2,385)
Acquisition of Colonial Circuits Inc., net of cash acquired	-	(3,817)	-	(3,817)
Recovery (additions) of contract and other costs	11	13	60	(6)
	(225)	(5,188)	(2,661)	(6,208)
Net cash flow from operating and investing activities	3,144	2,139	8,377	2,586
Financing activities				
Proceeds from bank debt	-	-	3,309	-
Repayments of bank debt	(514)	(505)	(1,552)	(1,526)
Lease liability payments	(448)	-	(1,360)	-
Repurchase of common shares on exercise of PSU's	-	-	(420)	-
	(962)	(505)	(23)	(1,526)
Effects of foreign exchange rate changes on cash flow	(730)	(36)	(291)	(176)
Net increase in cash flow	1,452	1,598	8,063	884
Cash, beginning of the period	14,258	4,312	7,647	5,026
Cash, end of period	\$ 15,710	\$ 5,910	\$ 15,710	\$ 5,910
Disclosure of cash payments				
Payment for interest	\$ 46	\$ 74	\$ 155	\$ 245
Payments for income taxes	\$ 18	\$ 265	\$ 1,136	\$ 1,386