



For Immediate Release: February 10, 2021

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG”) ANNOUNCES FULL YEAR AND FOURTH QUARTER 2020 FINANCIAL RESULTS

TORONTO, ONTARIO – (February 10, 2021) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter 2020.

- FTG has managed successfully through the COVID-19 pandemic in 2020 as a result of three key strategies or actions:
 - FTG’s long-term market diversification strategy enabled the Company to mitigate the dramatic downturn in the commercial aerospace market through its involvement in the stable defense market
 - FTG carefully managed costs across the Company, balancing decisions on cost reductions with a goal to retain critical skills to ensure the Company is positioned for a faster recovery in the future
 - FTG carefully managed investments in the year and ended 2020 with a stronger balance sheet than before the pandemic
- Achieved over \$102M in annual sales, a 9% decline, during a very challenging year for the Aerospace industry
- Maintained gross margins above 25% for the year
- Received \$3.2M in Canada Emergency Wage Subsidy (CEWS) which we used to help maintain our workforce in the face of revenue reductions due to COVID-19
- Received \$3.3M in US Paycheck Protection Program funds in the United States, which remain classified as loans at year-end
- Achieved \$13.4M EBITDA in the year, or 13.1%
- Achieved \$11.1M in Free Cash Flow (FCF) for the year, the highest ever achieved at FTG (FCF is defined as operating activities less investing activities, excluding acquisitions, less lease liability payments)
- In Q4 2020, achieved 98.7% of Q4 2019 sales or \$26.7M
- Generated \$4.1M in FCF in Q4 2020 and ended the quarter with \$12.6M in net cash on the balance sheet

Full Year Results: (twelve months ended Nov 30, 2020 compared with twelve months ended Nov 30, 2019)

| | <u>Fiscal 2020</u> | <u>Fiscal 2019</u> |
|-------------------------------------|---------------------------|---------------------------|
| Sales | \$102,435,000 | \$112,653,000 |
| Gross Margin | 26,419,000 | 30,264,000 |
| Gross Margin (%) | 25.8% | 26.9% |
| Operating Earnings ⁽¹⁾ : | 11,963,000 | 15,818,000 |
| • R&D Investment | 5,284,000 | 4,846,000 |
| • R&D Tax Credits | (735,000) | (669,000) |
| • Foreign Exchange Loss | 1,042,000 | 785,000 |
| • Amortization of Intangibles | 581,000 | 1,128,000 |
| • Impairment of Intangibles | 1,145,000 | - |

| | | |
|-----------------------------|-------------|-------------|
| Net Earnings before Tax | 4,646,000 | 9,728,000 |
| • Income Tax | 3,384,000 | 3,746,000 |
| • Non-controlling Interests | (128,000) | (76,000) |
| Net Earnings After Tax | \$1,390,000 | \$6,058,000 |
| Earnings per share | | |
| - basic | \$0.06 | \$0.27 |
| - diluted | \$0.06 | \$0.25 |

Fourth Quarter Results: (three months ended Nov 30, 2020 compared with three months ended Nov 30, 2019)

| | Q4 2020 | Q4 2019 |
|-------------------------------------|----------------|----------------|
| Sales | \$26,711,000 | \$27,075,000 |
| Gross Margin | 7,063,000 | 5,870,000 |
| Gross Margin (%) | 26.4% | 21.7% |
| Operating Earnings ⁽¹⁾ : | 3,808,000 | 2,745,000 |
| • Net R&D Investment | 1,318,000 | 1,339,000 |
| • R&D Tax Credits | (165,000) | (260,000) |
| • Foreign Exchange Loss | 446,000 | 253,000 |
| • Amortization of Intangibles | 91,000 | 301,000 |
| Net Earnings before Tax | 2,118,000 | 1,112,000 |
| • Income Tax | 840,000 | 504,000 |
| • Non-controlling Interests | (30,000) | 33,000 |
| Net Earnings After Tax | \$1,308,000 | \$575,000 |
| Earnings per share | | |
| - basic | \$0.06 | \$0.03 |
| - diluted | \$0.06 | \$0.03 |

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

- Purchased and installed an automated, highly secure backup system to protect Information Technology data across the Company
- In July, FTG completed a new 2-year committed Credit Facility with our existing financial institution, which includes an operating facility of \$USD 10.0 million and a capex facility of \$USD 10.0 million, as well as sufficient capacity for foreign exchange forward contracts and precious metal forward contracts
- Received \$3.2M in Canada Emergency Wage Subsidy (CEWS) which we used to help maintain our workforce in the face of revenue reductions due to COVID-19
- Received \$3.3M in PPP loans in the US, that were classified as loans at the end of 2020
- Reduced overtime across FTG and a series of one-week plant shutdowns (to reduce wage costs) particularly in sites focused on the commercial aerospace markets
- Reduced headcount by approximately 7% through the year primarily through attrition
- Achieved a 0.87:1 book-to-bill ratio for 2020 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
- Completed integration of FTG Circuits Fredericksburg into FTG including converting to FTG standard ERP system, completing AS9100 certification and achieving NADCAP accreditation
- FTG Aerospace Toronto was approved by Transport Canada as an approved maintenance organization (AMO) opening up future aftermarket opportunities

For FTG in 2020, overall sales decreased by \$10.2M or 9% from \$112.7M in 2019 to \$102.4M in 2020. 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. In our fourth quarter, sales were down 1.3% from \$27.1 in Q4 2019 to \$26.7M in Q4 2020. The drop is due to the COVID-19 pandemic offset by strong shipments in our simulator related business, primarily focused on defense programs. In Q4 2019, FTG was also subjected to a cyberattack that negatively impacted operating results in that quarter.

The Circuits Segment sales in 2020 were down \$5.6M, or 8% in 2020 versus 2019. The largest decline was seen in the Circuits Toronto plant which is more heavily exposed to the Commercial Aerospace market. Offsetting this was 140% growth for the Circuits Fredericksburg site as it was part of FTG for the full year in 2020 as compared to only 4 ½ months in 2019. For the full year, operating performance in Circuits Chatsworth was below 2019 levels and as a result organizational improvements were made in the fourth quarter and subsequent to year-end. In the fourth quarter, sales in the Circuits Segment were \$14.1M vs \$18.6M in Q4 2019. Again, Circuits Toronto saw the largest decline, while Circuits Chatsworth was up Q4 over Q4. The increase at Circuits Chatsworth was primarily due to their focus on the defense market.

For the Aerospace Segment, sales in 2020 were \$36.6M compared to \$41.2M last year, a decrease of \$4.6M or 11%. Simulator related sales remained strong for the full year as FTG's activity in that market primarily relates to defense simulators. For the full year, simulator sales were up 8% compared to 2019. In Q4 2020, Aerospace Segment sales were up \$4.2M or 50% primarily due to timing of simulator related shipments which were very strong in Q4 2020. Simulator related sales were up over \$6M in Q4 2020 compared to Q4 2019.

Gross margins in 2020 were \$26.4M or 25.8% compared to \$30.3M or 26.9% in 2019. The lower sales impacted the overall margin. The Canadian Emergency Wage Subsidy added \$2.8M to gross margin or 2.7 percentage points. In the fourth quarter, gross margins were \$7.1M compared to \$5.9M in Q4 2019. The CEWS added \$1.4M to the Q4 2020 gross margin or 5.2 percentage points.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG in 2020 was \$13.4M compared to \$14.6M in 2019. Lower sales and profitability were offset by wage subsidies in Canada of \$3.2M.

The following table reconciles net earnings to EBITDA⁽²⁾ for the year ended November 30, 2020.

| | <u>Fiscal 2020</u> |
|--|---------------------------|
| Net earnings | 1,390,000 |
| Add: | |
| Interest & Accretion | 767,000 |
| Income taxes | 3,384,000 |
| Depreciation/Amortization/Stock Comp & Impairment | 7,883,000 |
| EBITDA | <u>\$13,424,000</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 2020 was \$1.4M or \$0.06 per diluted share compared to a net profit of \$6.1M or \$0.25 per diluted share in 2019. Revenues were reduced due to the decline in the Commercial Aerospace market as a result of the COVID-19 pandemic which reduced margins and profitability. The impairment of intangible assets in 2020 reduced earnings by \$1.1M compared to nil in 2019. In the fourth quarter, net profit was \$1.3M compared to \$0.6M in Q4 2019. Included in Q4 2020 was a recovery of \$0.3M resulting from insurance proceeds from the fire in Fredericksburg earlier in the year, offset by \$0.2M for preferred share conversion premium expense.

The Circuits Segment net earnings before corporate and interest and other costs was \$6.9M in 2020 compared to \$12.5M in 2019. The lower sales was the most significant impact on the segment profitability. For the full year, operating performance in Circuits Chatsworth was below 2019 levels and as a result, organizational improvements were made in the fourth quarter and subsequent to year-end. This site's operations have also been the site most affected by COVID-19 due to various absences over the course of the year.

The Aerospace net earnings before corporate and interest and other costs in the full year was \$1.5M in 2020 versus \$1.1M in 2019. While sales were down in 2020, operating performance at the Toronto and Chatsworth sites more than offset the impact of the lower sale and the \$1.1M asset impairment charge taken in this segment in Q1 2020.

As at November 30, 2020, the Corporation's net working capital was \$39.1M, compared to \$28.6M at year-end in 2019. The increase is due to higher cash and lower accounts payable offset by lower accounts receivable and inventories.

FTG ended 2020 with \$12.6M in net cash as compared to \$2.2M at the end of 2019.

The Corporation will host a live conference call on Thursday, February 11, 2021 at 8:30am (Eastern) to discuss the results of fiscal year 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 March 12, 2021 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 9077906.

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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FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Financial Position

| As at (in thousands of Canadian dollars) | November 30, 2020 | November 30, 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 19,032 | \$ 7,647 |
| Accounts receivable | 16,795 | 21,085 |
| Contract assets | 985 | 432 |
| Inventories | 19,304 | 21,990 |
| Prepaid expenses and other | 3,363 | 1,770 |
| | 59,479 | 52,924 |
| Non-current assets | | |
| Plant and equipment, net | 12,640 | 13,830 |
| Right-of-use assets | 12,130 | - |
| Deferred income tax assets | - | 724 |
| Investment tax credits recoverable | 1,359 | 3,035 |
| Intangible and other assets, net | 1,068 | 2,864 |
| Total assets | \$ 86,676 | \$ 73,377 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 13,904 | \$ 17,104 |
| Provisions | 885 | 946 |
| Contract liabilities | 388 | 216 |
| Current portion of bank debt | 2,931 | 5,416 |
| Current portion of lease liabilities | 1,810 | - |
| Income tax payable | 155 | 639 |
| | 20,073 | 24,321 |
| Non-current liabilities | | |
| Bank debt | 3,464 | - |
| Lease liabilities | 10,659 | - |
| Deferred tax payable | 1,192 | 1,297 |
| Total liabilities | 35,388 | 25,618 |
| Equity | | |
| Retained earnings | \$ 19,135 | \$ 17,745 |
| Accumulated other comprehensive income (loss) | 958 | (1,554) |
| | 20,093 | 16,191 |
| Share capital | | |
| Common Shares | 21,881 | 19,323 |
| Preferred Shares | - | 2,218 |
| Contributed surplus | 8,303 | 8,933 |
| Total equity attributable to FTG's shareholders | 50,277 | 46,665 |
| Non-controlling interest | 1,011 | 1,094 |
| Total equity | 51,288 | 47,759 |
| Total liabilities and equity | \$ 86,676 | \$ 73,377 |

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Earnings

| (in thousands of Canadian dollars, except per share amounts) | Years ended | |
|--|----------------------|----------------------|
| | November 30, 2020 | November 30, 2019 |
| Sales | \$ 102,435 | \$ 112,653 |
| Cost of sales | | |
| Cost of sales | 70,307 | 78,788 |
| Depreciation of plant and equipment | 4,146 | 3,601 |
| Depreciation of right-of-use assets | 1,563 | - |
| Total cost of sales | 76,016 | 82,389 |
| Gross margin | 26,419 | 30,264 |
| Expenses | | |
| Selling, general and administrative | 13,286 | 13,732 |
| Research and development costs | 5,284 | 4,846 |
| Recovery of investment tax credits, net | (735) | (669) |
| Depreciation of plant and equipment | 221 | 163 |
| Depreciation of right-of-use assets | 52 | - |
| Amortization of intangible assets | 581 | 1,128 |
| Interest expense on bank debt, net | 211 | 290 |
| Accretion on lease liabilities | 556 | - |
| Stock based compensation | 130 | 261 |
| Foreign exchange loss | 1,042 | 785 |
| Impairment of intangible assets | 1,145 | - |
| Total expenses | 21,773 | 20,536 |
| Earnings before income taxes | 4,646 | 9,728 |
| Current income tax expense | 3,715 | 4,296 |
| Deferred income tax recovery | (331) | (550) |
| Total income tax expense, net | 3,384 | 3,746 |
| Net earnings | \$ 1,262 | \$ 5,982 |
| Attributable to: | | |
| Non-controlling interest | \$ (128) | \$ (76) |
| Equity holders of FTG | \$ 1,390 | \$ 6,058 |
| Earnings per share, attributable to the equity holders of FTG | | |
| Basic | \$ 0.06 | \$ 0.27 |
| Diluted | \$ 0.06 | \$ 0.25 |

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

| (in thousands of Canadian dollars) | Years ended | |
|--|----------------------|----------------------|
| | November 30, 2020 | November 30, 2019 |
| Net earnings | \$ 1,262 | \$ 5,982 |
| Other comprehensive earnings (loss) to be reclassified to net earnings in subsequent periods: | | |
| Change in foreign currency translation adjustments | (296) | (308) |
| Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges | 3,803 | (644) |
| Deferred income taxes | (950) | 161 |
| | 2,557 | (791) |
| Total comprehensive income | \$ 3,819 | \$ 5,191 |
| Attributable to: | | |
| Equity holders of FTG | \$ 3,902 | \$ 5,278 |
| Non-controlling interest | \$ (83) | \$ (87) |

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Changes in Equity

Years ended November 30, 2020 and November 30, 2019

| (in thousands of Canadian dollars) | Attributed to the equity holders of FTG | | | | | | | |
|---|---|------------------|-------------------|---------------------|---|-----------|--------------------------|--------------|
| | Common shares | Preferred shares | Retained earnings | Contributed surplus | Accumulated other comprehensive income (loss) | Total | Non-controlling interest | Total equity |
| 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 |
| Other comprehensive loss | - | - | - | - | (780) | (780) | (11) | (791) |
| Balance, November 30, 2019 | \$ 19,323 | \$ 2,218 | \$ 17,745 | \$ 8,933 | \$ (1,554) | \$ 46,665 | \$ 1,094 | \$ 47,759 |
| Net earnings (loss) | - | - | 1,390 | - | - | 1,390 | (128) | 1,262 |
| Stock-based compensation | - | - | - | 130 | - | 130 | - | 130 |
| 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) |
| Common shares issued on exercise of option to convert Preferred shares into Common shares | 2,218 | (2,218) | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | 2,512 | 2,512 | 45 | 2,557 |
| Balance, November 30, 2020 | \$ 21,881 | \$ - | \$ 19,135 | \$ 8,303 | \$ 958 | \$ 50,277 | \$ 1,011 | \$ 51,288 |

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Cash Flows

| (in thousands of Canadian dollars) | Years ended | |
|--|----------------------|----------------------|
| | November 30, 2020 | November 30, 2019 |
| Net inflow (outflow) of cash related to the following: | | |
| Operating activities | | |
| Net earnings | \$ 1,262 | \$ 5,982 |
| Items not affecting cash and cash equivalents: | | |
| Stock-based compensation | 130 | 261 |
| Conversion of preferred shares | 155 | - |
| Gain on disposal of plant and equipment | (302) | (53) |
| Effect of exchange rates on US dollar debt | (292) | 24 |
| Depreciation of plant and equipment | 4,367 | 3,764 |
| Depreciation of right-of-use assets | 1,615 | - |
| Amortization of intangible assets | 581 | 1,128 |
| Amortization, other | 45 | 12 |
| Impairment of intangible assets | 1,145 | - |
| Investment tax credits/deferred income taxes | 2,295 | 877 |
| Accretion on lease liabilities | 556 | - |
| Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges, net of taxes | 2,853 | (483) |
| Net change in non-cash operating working capital | 1,369 | 395 |
| | 15,779 | 11,907 |
| Investing activities | | |
| Additions to plant and equipment | (3,219) | (3,069) |
| Acquisition of Colonial Circuits Inc., net of cash acquired | - | (3,817) |
| Recovery (additions) of contract and other costs | 56 | (11) |
| Additions to deferred financing costs | (28) | - |
| Proceeds from disposal of plant and equipment | 324 | 53 |
| | (2,867) | (6,844) |
| Net cash flow from operating and investing activities | 12,912 | 5,063 |
| Financing activities | | |
| Proceeds from bank debt | 3,309 | - |
| Repayments of bank debt | (2,056) | (2,031) |
| Lease liability payments | (1,845) | - |
| Repurchase of common shares on exercise of PSU's | (420) | - |
| Payment on conversion of preferred shares | (155) | - |
| | (1,167) | (2,031) |
| Effects of foreign exchange rate changes on cash flow | (360) | (411) |
| Net increase in cash flow | 11,385 | 2,621 |
| Cash and cash equivalents, beginning of the year | 7,647 | 5,026 |
| Cash and cash equivalents, end of year | \$ 19,032 | \$ 7,647 |
| Disclosure of cash payments | | |
| Payment for interest | \$ 197 | \$ 306 |
| Payments for income taxes | \$ 1,779 | \$ 1,750 |