



For Immediate Release: October 12, 2022

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG”) ANNOUNCES THIRD QUARTER 2022 FINANCIAL RESULTS

TORONTO, ONTARIO – (October 12, 2022) – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the third quarter of 2022.

- FTG achieved a seventh sequential quarter of increased bookings as the aerospace industry recovers from the COVID-19 pandemic
- Third quarter bookings of \$27.9M are up 33% over Q3 2021 and is the best bookings quarter since Q3 2019
- FTG has maintained strong liquidity with net cash on the balance sheet of \$10.8M, after investments in the quarter of \$0.7M for recurring capital expenditures, \$1.4M for research and development, \$8.5M to the Aerospace Chatsworth facility and \$0.8M for FTG share buybacks
- Sales for Q3 2022 were \$23.1M, which is an increase of 17.0% over Q3 2021 and an increase of 3.5% over Q2 2022
- FTG recorded earnings per share of \$0.03 in Q3 2022 without the benefit of government assistance

Third Quarter Results: (three months ended September 2, 2022 compared with three months ended September 3, 2021)

	<u>Q3 2022</u>	<u>Q3 2021</u>
Sales	\$23,095,000	\$19,738,000
Gross Margin	5,708,000	3,796,000
Gross Margin (%)	24.7%	19.2%
Operating Earnings ⁽¹⁾ :	<hr/> 2,231,000	<hr/> 477,000
• R&D Investment	1,390,000	1,225,000
• R&D Tax Credits	(142,000)	(159,000)
• Foreign Exchange Loss (gain)	(298,000)	(423,000)
• Amortization of Intangibles	31,000	51,000
Net Earnings before Tax	<hr/> 1,250,000	<hr/> 1,451,000
• Income Tax	509,000	703,000
• Non-controlling Interests	18,000	(26,000)
Net Earnings After Tax	<hr/> \$723,000	<hr/> \$774,000
Earnings per share		
- basic	\$0.03	\$0.03
- diluted	\$0.03	\$0.03

Government Assistance included in the Periods:

• Forgiveness of Debt	-	1,668,000
• Other Government Subsidies	-	787,000
Total Government Assistance included in the Periods	-	2,455,000

Year-to-Date: (nine months ended September 2, 2022 compared with nine months ended September 3, 2021)

	<u>YTD 2022</u>	<u>YTD 2021</u>
Sales	\$65,874,000	\$59,038,000
Gross Margin	15,574,000	12,886,000
Gross Margin (%)	23.6%	21.8%
Operating Earnings ⁽¹⁾ :	5,389,000	3,681,000
• R&D Investment	4,422,000	4,112,000
• R&D Tax Credits	(498,000)	(465,000)
• Foreign Exchange Loss (gain)	(9,000)	739,000
• Amortization of Intangibles	92,000	210,000
• Forgiveness of debt	-	(3,004,000)
Net Earnings before Tax	1,382,000	2,089,000
• Income Tax	1,339,000	1,779,000
• Non-controlling Interests	39,000	(74,000)
Net Earnings After Tax	\$4,000	\$384,000
(Loss) Earnings per share		
- basic	\$0.00	\$0.01
- diluted	\$0.00	\$0.01

Government Assistance included in the Periods:

• Forgiveness of Debt	-	3,004,000
• Other Government Subsidies	314,000	3,139,000
Total Government Assistance included in the Periods	314,000	6,143,000

(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 2022 that continue to improve the Corporation and position it for the future, including:

- Achieved a 1.21:1 book-to-bill ratio for Q3 2022

- Booked \$7.5M in new purchase orders to supply cockpit assemblies for military and commercial simulators for different aircrafts including refueling fixed wing aircraft, helicopters and business jets, with the work to be performed by FTG's Aerospace segment facilities in Toronto, Ontario, Chatsworth, California and Tianjin, China over the next 9-12 months
- Total backlog as of the end of Q3 2022 is \$55.8M, up 57% from Q3 2021
- Received \$1.3M of funding from FedDev Ontario, which was the first instalment from the Aerospace Regional Recovery Initiative (ARRI) program. The funding is repayable, without interest, commencing in 2025 through to 2030

Overall for FTG, sales increased by \$3.4M or 17% from \$19.7M in Q3 2021 to \$23.1M in Q3 2022, as the market conditions for aerospace and defense electronics have improved considerably since last year. Each of FTG's seven sites in North America and China contributed to the increase in sales. The average FX rate in Q3 2022 was 3.6% more favourable than Q3 2021. On a year-to-date basis, sales were \$65.9M compared to \$59.0M for the same period last year.

The Circuits Segment sales were up \$1.5M or 11% from \$13.1M in Q3 2021 to \$14.6M in Q3 2022, with the increase in sales spread across sites in both North America and China. The increase in Inter-segment sales is primarily due to increased demand for military products with Circuits Chatsworth supplying PCBs for integration into assemblies at Aerospace Chatsworth. On a year-to-date basis, net sales were \$44.3M as compared to \$38.1M for the prior year period.

For the Aerospace Segment, sales were up \$2.2M or 30% from \$7.4M in Q3 2021 to \$9.6M in Q3 2022. In particular, the Aerospace Tianjin site was able to ramp up very quickly to respond to demand from a US commercial aerospace customer. Sales of Simulator products were \$0.6M in Q3 22 as compared to \$0.4M in Q3 21, however Simulator sales remain down \$2.1M from 2021 on a year-to-date basis. FTG has increased backlog in the Simulator market and expects to see stronger sales over the next few quarters. On a year-to-date basis, net sales were \$25.4M as compared to \$23.2M for the prior year period with the increase in sales spread across sites in both North America and China. The supply of electronic components continues to be a constraint on making product deliveries to customers.

Gross margins in Q3 2022 were \$5.7M or 24.7% compared to \$3.8M or 19.2% in Q3 2021. The increased sales volume in Q3 2022 contributed positively to the gross margin rate. Excluding government assistance, the gross margin rate improved to 24.7% in Q3 2022 from 15.7% in Q3 2021. On a year-to-date basis, gross margin was \$15.6M or 23.6% as compared to \$12.9M or 21.8% for the comparable prior year period. Excluding government assistance, the gross margin rate on a year-to-date basis improved to 23.2% in 2022 from 17.1% in the prior year. The increase in the gross margin rate is due to the operating leverage of increased sales volumes and operational efficiencies.

Trailing Twelve Month (TTM) earnings before interest, tax, depreciation and amortization (EBITDA) for FTG was \$8.5M, of which \$2.8M was generated in Q3 2022.

The following table reconciles net earnings to EBITDA⁽²⁾ for the trailing 12 months ended September 2, 2022.

	<u>Trailing 12</u> <u>Months</u>
Net earnings to equity holders of FTG	(124,000)
Add:	
Interest, Accretion	452,000
Income taxes	1,968,000
Depreciation/Amortization/ Stock Comp.	6,157,000
EBITDA	<u>8,453,000</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 earnings after tax at FTG in Q3 2022 was \$0.7M or \$0.03 per diluted share compared to \$0.7M or \$0.03 per diluted share in Q3 2021. The increased sales and gross margin in Q3 2022 were offset by reduced COVID-19 related government subsidies. In Q3 2022, no government assistance was recorded, whereas Q3 2021 included government assistance of \$2.5M (wage subsidies in Canada and PPP loan forgiveness in the U.S). Excluding COVID-19 related government subsidies, net earnings after tax from FTG's operations improved by \$2.4M pre-tax in Q3 2022 compared to Q3 2021.

For the year-to-date period, FTG's net earnings after tax was \$0.0M or \$0.00 per share as compared to \$0.4M or \$0.01 per share for the comparable period of 2021. During the year-to-date period in 2022, government subsidies included \$0.3M from the US Department of Transportation AMJP program, whereas the comparable period in 2021 included \$6.1M of wage and rent subsidies in Canada and PPP loan forgiveness in the U.S. Excluding COVID-19 related government subsidies, net earnings after tax from FTG's operations improved by \$5.3M pre-tax in the year-to-date period in 2022 compared to 2021.

The Circuits Segment net earnings before corporate and interest and other costs was \$0.8M in Q3 2022 compared to \$1.6M in Q3 2021. The increase in sales was the most significant impact on the segment profitability offset by reduced subsidies from the US and Canadian governments. Q3 2022 included no government subsidies whereas Q3 2021 included \$2.1M. Excluding the effect of government subsidies, net earnings from the Circuits Segment increased by \$1.3M.

The contract with the unionized production employees at the Circuits Toronto site expired in Q3 2022. Negotiations between FTG and the union regarding wages and benefits are on-going, which we expect will be completed without a labour disruption. If a labour disruption were to occur, this would have a negative impact on product deliveries to customers and on sales and profitability of the Corporation.

The Aerospace net earnings before corporate and interest and other costs in the quarter was \$1.3M in Q3 2022 versus \$0.3M in Q3 2021. The Aerospace Segment did not receive any government subsidies in Q3 2022 whereas Q3 2021 included \$0.3M. Excluding the effect of government subsidies, net earnings from the Aerospace Segment increased by \$1.3M.

As at September 2, 2022, the Corporation's net working capital was \$30.8M, compared to \$40.0M at year-end in 2021.

Net cash at the end of Q3 2022 was \$10.8M compared to net cash of \$17.9M at the end of 2021.

The Corporation will host a live conference call on Thursday, October 13th, 2022 at 8:30am (Eastern) to discuss the results of Q3 2022.

Anyone wishing to participate in the call should dial 416-764-8646 or 1-888-396-8049, Conference ID 533077051, 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 13, 2022 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 416-764-8692 or 1-877-674-7070, playback passcode: 077051 #.

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, 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
Interim Condensed Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)	September 2, 2022	November 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,715	\$ 20,196
Accounts receivable	17,079	16,014
Contract assets	497	818
Inventories	18,742	16,953
Income tax recoverable	501	1
Prepaid expenses and other	1,031	3,162
	51,565	57,144
Non-current assets		
Plant and equipment, net	19,644	11,078
Right-of-use assets	9,540	10,098
Investment tax credits recoverable	-	327
Intangible and other assets, net	437	805
Total assets	\$ 81,186	\$ 79,452
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,022	\$ 13,803
Provisions	1,077	545
Contract liabilities	4,292	335
Current portion of bank debt	982	935
Current portion of government loan	47	-
Current portion of lease liabilities	1,318	1,553
	20,738	17,171
Non-current liabilities		
Bank debt	605	1,327
Government loan	1,278	-
Lease liabilities	8,941	9,123
Deferred tax payable	679	789
Total liabilities	32,241	28,410
Equity		
Retained earnings	\$ 18,886	\$ 19,391
Accumulated other comprehensive income (loss)	(698)	478
	18,188	19,869
Share capital		
Common Shares	21,456	21,881
Contributed surplus	8,373	8,352
Total equity attributable to FTG's shareholders	48,017	50,102
Non-controlling interest	928	940
Total equity	48,945	51,042
Total liabilities and equity	\$ 81,186	\$ 79,452

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	
	September 2, 2022	September 3, 2021	September 2, 2022	September 3, 2021
Sales	\$ 23,095	\$ 19,738	\$ 65,874	\$ 59,038
Cost of sales				
Cost of sales	16,126	14,540	46,230	41,898
Depreciation of plant and equipment	962	1,028	3,058	3,142
Depreciation of right-of-use assets	299	374	1,012	1,112
Total cost of sales	17,387	15,942	50,300	46,152
Gross margin	5,708	3,796	15,574	12,886
Expenses				
Selling, general and administrative	3,253	3,144	9,530	8,494
Research and development costs	1,390	1,225	4,422	4,112
Recovery of investment tax credits	(142)	(159)	(498)	(465)
Depreciation of plant and equipment	56	60	169	185
Depreciation of right-of-use assets	12	17	34	51
Amortization of intangible assets	31	51	92	210
Interest expense (income)	(10)	14	(13)	81
Accretion on lease liabilities	114	120	332	368
Stock based compensation	52	(36)	133	26
Foreign exchange (gain) loss	(298)	(423)	(9)	739
Forgiveness of debt	-	(1,668)	-	(3,004)
Total expenses	4,458	2,345	14,192	10,797
Earnings before income taxes	1,250	1,451	1,382	2,089
Current income tax expense	480	670	1,238	1,685
Deferred income tax expense	29	33	101	94
Total income tax expense	509	703	1,339	1,779
Net earnings	\$ 741	\$ 748	\$ 43	\$ 310
Attributable to:				
Non-controlling interest	\$ 18	\$ (26)	\$ 39	\$ (74)
Equity holders of FTG	\$ 723	\$ 774	\$ 4	\$ 384
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.03	\$ 0.03	\$ 0.00	\$ 0.01
Diluted	\$ 0.03	\$ 0.03	\$ 0.00	\$ 0.01

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 2, 2022	September 3, 2021	September 2, 2022	September 3, 2021
Net earnings	\$ 741	\$ 748	\$ 43	\$ 310
Other comprehensive income (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	734	862	200	(645)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	(2,937)	(2,511)	(1,902)	1,246
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	734	628	475	(312)
	(1,469)	(1,021)	(1,227)	289
Total comprehensive income (loss)	\$ (728)	\$ (273)	\$ (1,184)	\$ 599
Attributable to:				
Equity holders of FTG	\$ (746)	\$ (247)	\$ (1,167)	\$ 756
Non-controlling interest	\$ 18	\$ (26)	\$ (17)	\$ (157)

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

(Unaudited) (in thousands of Canadian dollars)	Attributed to the equity holders of FTG						
	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity
Balance, November 30, 2021	\$ 21,881	\$ 19,391	\$ 8,352	\$ 478	\$ 50,102	\$ 940	\$ 51,042
Net income	-	4	-	-	4	39	43
Stock-based compensation	-	-	21	-	21	-	21
Repurchase and cancellation of shares	(425)	(509)	-	-	(934)	-	(934)
Other comprehensive loss	-	-	-	(1,176)	(1,176)	(51)	(1,227)
Balance, September 2, 2022	\$ 21,456	\$ 18,886	\$ 8,373	\$ (698)	\$ 48,017	\$ 928	\$ 48,945

(Unaudited) (in thousands of Canadian dollars)	Attributed to the equity holders of FTG						
	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interest	Total equity
Balance, November 30, 2020	\$ 21,881	\$ 19,135	\$ 8,303	\$ 958	\$ 50,277	\$ 1,011	\$ 51,288
Net income (loss)	-	384	-	-	384	(74)	310
Stock-based compensation	-	-	26	-	26	-	26
Other comprehensive income (loss)	-	-	-	333	333	(44)	289
Balance, September 3, 2021	\$ 21,881	\$ 19,519	\$ 8,329	\$ 1,291	\$ 51,020	\$ 893	\$ 51,913

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 2, 2022	September 3, 2021	September 2, 2022	September 3, 2021
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 741	\$ 748	\$ 43	\$ 310
Items not affecting cash and cash equivalents				
Stock-based compensation	52	(36)	133	26
Gain on disposal of plant and equipment	-	(4)	(10)	(3)
Effect of exchange rates on U.S. dollar bank debt	(282)	90	(345)	(194)
Depreciation of plant and equipment	1,018	1,088	3,227	3,327
Depreciation of right-of-use assets	311	391	1,046	1,163
Amortization of intangible assets	31	51	92	210
Amortization, other	7	9	23	35
Investment tax credits/deferred income taxes	183	155	858	201
Accretion on lease liabilities	114	120	332	368
Forgiveness of debt	-	(1,668)	-	(3,004)
Net change in non-cash operating working capital	3,450	708	2,464	2,578
	5,625	1,652	7,863	5,017
Investing activities				
Purchase of Aerospace Chatsworth facility	(8,518)	-	(8,518)	-
Additions to plant and equipment	(683)	(956)	(3,241)	(1,951)
Recovery of contract and other costs	4	(2)	281	20
Additions to deferred financing costs	(1)	(54)	(5)	(62)
Proceeds from disposal of plant and equipment	-	-	-	-
	(9,198)	(1,012)	(11,483)	(1,993)
Net cash flow from operating and investing activities	(3,573)	640	(3,620)	3,024
Financing activities				
Proceeds from ARRI loan	1,325	-	1,325	-
Repayments of debt	(235)	(227)	(697)	(685)
Lease liability payments	(382)	(444)	(1,205)	(1,343)
Repurchase and cancellation of shares	(817)	-	(934)	-
	(109)	(671)	(1,511)	(2,028)
Effects of foreign exchange rate changes on cash flow	(1,157)	519	(1,350)	(481)
Net increase (decrease) in cash and cash equivalent	(4,839)	488	(6,481)	515
Cash and cash equivalents, beginning of the period	18,554	19,059	20,196	19,032
Cash and cash equivalents, end of period	\$ 13,715	\$ 19,547	\$ 13,715	\$ 19,547
Disclosure of cash payments				
Payment for interest	\$ 21	\$ 31	\$ 68	\$ 102
Payments for income taxes	\$ 218	\$ 112	\$ 694	\$ 706