



For Immediate Release: October 9, 2019

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR “THE CORPORATION”)
ANNOUNCES THIRD QUARTER 2019 FINANCIAL RESULTS**

TORONTO, ONTARIO – (October 9, 2019) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the third quarter 2019.

- Booked \$34M in new orders in Q3, with over \$8M related to simulator products
- Achieved sales of \$28M, a 12% increase over Q3 2018
- Achieved 28.3% gross margin, a 20% increase over the Q3 2018 gross margin of 23.6%
- Achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$4.1M in Q3 2019, an increase of \$1.4M or 55% over Q3 last year
- Achieved trailing twelve month EBITDA of \$15.3M
- Achieved net income of \$1.8M and diluted earnings per share of \$0.07 in Q3 2019, a \$1.1M or 176% increase over Q3 2018
- On July 15, 2019, FTG successfully closed the acquisition of Colonial Circuits Inc., in Fredericksburg Virginia
- Achieved quarterly free cash flow of \$6.0M in Q3 2019 inclusive of \$1.4M of additions to plant and equipment, but exclusive of the \$3.8M of net cash consideration paid for the Colonial business
- Net debt at quarter end was \$0.0M, after paying for Colonial Circuits

“The third quarter of 2019 was a solid quarter for FTG, particularly as this quarter can be slower due to summer holidays. We improved our balance sheet in the quarter and this resulted in \$6M of positive cash flow”, stated Brad Bourne, President and Chief Executive Officer. He added, “We closed the acquisition of Colonial Circuits mid-quarter and this will add much needed capacity for standard circuit board manufacturing freeing up capacity in existing sites for higher-end product and expand our offering for the US defense market.”

Third Quarter Results: (three months ended August 30, 2019 compared with three months ended August 31, 2018)

	<u>Q3 2019</u>	<u>Q3 2018</u>
Sales	\$27,953,000	\$ 25,001,000
Gross Margin	7,923,000	5,909,000
Gross Margin (%)	28.3%	23.6%
Operating Earnings ⁽¹⁾ :	4,367,000	2,580,000
• Net R&D Investment	1,223,000	979,000
• Foreign Exchange Loss (Gain)	236,000	(34,000)
• Recovery of Investment Tax Credits	(214,000)	(205,000)
• Amortization of Intangibles	284,000	266,000
Net Earnings before Tax	2,838,000	1,574,000

• Tax Expense	1,087,000	931,000
• Non-controlling Interests	(32,000)	(4,000)
Net Earnings After Tax	<u>\$1,783,000</u>	<u>\$647,000</u>

Earnings per share		
- basic	\$0.08	\$0.03
- diluted	\$0.07	\$0.03

Year-to-Date: (nine months ended August 30, 2019 compared with nine months ended August 31, 2018)

	<u>YTD 2019</u>	<u>YTD 2018</u>
Sales	\$85,578,000	\$ 81,407,000
Gross Margin	24,394,000	17,998,000
Gross Margin (%)	28.5%	22.1%
Operating Earnings ⁽¹⁾ :	<u>13,316,000</u>	<u>7,720,000</u>
• Net R&D Investment	3,727,000	3,200,000
• Foreign Exchange Loss (Gain)	532,000	(164,000)
• Recovery of Investment Tax Credits	(629,000)	(568,000)
• Amortization of Intangibles	827,000	783,000
• Restructuring expense	243,000	195,000
Net Earnings before Tax	<u>8,616,000</u>	<u>4,274,000</u>
• Tax Expense	3,242,000	2,646,000
• Non-controlling Interests	(109,000)	(21,000)
Net Earnings After Tax	<u>\$5,483,000</u>	<u>\$1,649,000</u>
Earnings per share		
- basic	\$0.24	\$0.07
- diluted	\$0.22	\$0.07

(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 2019 that continue to improve the Corporation and position it for the future, including:

- Booked \$34M in new orders in the quarter including over \$8M in orders related to the simulator market
- Achieved sales of \$28M, a 12% increase over Q3 2018
- Achieved trailing twelve month EBITDA of \$15.3M
- Achieved net income of \$1.8M and diluted earnings per share of \$0.07 in Q3 2019, a \$1.1M or 176% increase over Q3 2018
- On July 15, 2019, FTG successfully closed the acquisition of Colonial Circuits Inc., in Fredericksburg Virginia
- Achieved sales from Colonial of approximately \$1.2M in the second half of Q3, and \$0.1M EBITDA contribution from this period
- 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.
- Reduced net debt to \$0 at quarter end

For FTG, overall sales increased by \$3.0M or 11.8% from \$25.0M in Q3 2018 to \$28.0M in Q3 2019. Both the Circuits and Aerospace segments contributed to the growth. Colonial Circuits contributed \$1.2M in growth, for the Circuits segment. The Canadian dollar was 1 cent weaker in Q3 2019 compared to the same quarter last year. Year-to-date 2019 sales increased by \$4.2M or 5.1%. Year-to-date 2018 included a \$5M one-time adjustment with respect to the C919 development contract. Excluding this, the growth was \$9.2M or 11.3%.

The Circuits Segment sales in Q3 2019 were \$18.3M, up \$1.9M or 11.8% versus Q3 2018. The growth came from Circuits Toronto, as well as the Colonial acquisition. For the year-to-date, sales were \$52.8M compared to \$46.7M in the same period last year.

For the Aerospace segment, sales in Q3 2019 were \$9.6M compared to \$8.6M in Q3 of last year. Aerospace Toronto and Tianjin were up whereas Aerospace Chatsworth was down slightly compared to the same quarter last year. On a year-to-date basis, sales were down \$1.9M but excluding the one-time adjustment on the C919 development program, sales were up \$3.1M or 8.9%.

Gross margins of \$7.9M in Q3 2019 were up \$2.0M compared to Q3 2018. The increase is due to higher sales, improved operating performance, and a small contribution from the Colonial Circuits acquisition. For the year-to-date, gross margins were \$24.4M, up \$6.4M or 35.5%. Year-to-date gross margins are 28.5% compared to 22.1% last year. The one-time \$5M revenue adjustment on the C919 program last year was at very low margins. Operating performance in 2019 was improved across the Corporation.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for FTG in Q3 2019 was \$4.1M compared to \$2.6M in Q3 2018. Trailing twelve month EBITDA is \$15.3M. The Colonial Circuits acquisition contributed \$0.1M of EBITDA in Q3 2019.

The following table reconciles EBITDA⁽²⁾ to the net earnings for the trailing 12 months as at August 30, 2019.

	<u>Q3 2019</u>	<u>Trailing 12 Months</u>
Net earnings	1,783,000	6,709,000
Add:		
Interest	69,000	335,000

Income taxes/ITC	873,000	3,319,000
Depreciation/Amortization/Stock Comp	1,340,000	4,939,000
EBITDA	<u>\$4,065,000</u>	<u>\$15,302,000</u>

(2) *EBITDA 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 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 2019 was \$1.8M compared to a net profit of \$0.6M in Q3 2018. Higher margins, were partially offset by higher R&D and SG&A costs and higher foreign exchange losses. For the year-to-date, net profit was \$5.5M compared to \$1.6M for the same period last year.

The Circuits segment net earnings before corporate and interest and other costs was \$3.3M in Q3 2019 compared to \$3.0M in Q3 2018.

The Aerospace net earnings before corporate and interest and other costs in Q3 2019 was \$0.1M versus (\$0.7M) in Q3 2018.

As at August 30, 2019, the Corporation’s net working capital was \$31.3M, an increase of \$2.6M over year-end 2018. Colonial added approximately \$1.0M in working capital on closing.

Cash flow in Q3 2019 was \$6.0M compared to \$0.5M in Q3 last year, after investments in capital equipment and deferred development. In Q3 2019, \$3.8M was paid for the acquisition of Colonial Circuits, net of cash acquired. For the year-to-date period, cash flow was \$6.4M compared to \$3.7M last year.

Net debt to EBITDA was 0:1 for the trailing 12 month period, as the net debt at the end of Q3 2019 was \$nil.

Subsequent to quarter end, Jamie Crichton was hired as Chief Financial Officer of FTG. Jamie brings significant experience in the Aerospace and Defense industry in a variety of senior finance positions in both private and public companies.

Also subsequent to quarter end, FTG was the subject of a cyberattack that impacted FTG’s systems across North America. This had a negative impact on operations at FTG’s North American sites in September. Each site was impacted differently with reduced operations ranging from a few days to a few weeks, depending on the impact to the site’s infrastructure. Overall lost production is estimated at about 10% of quarterly sales but efforts are underway to mitigate this impact by quarter end. FTG is working with experts to determine the methodology used in the attack and steps to be taken to reduce the chances, and impact, of future attacks. Accelerated investments in network/system is planned in the coming months to address the findings.

The Corporation will host a live conference call on Thursday, October 10, 2019 at 8:30 am (EDT) to discuss the results of Q3 2019.

Anyone wishing to participate in the call should dial 647-427-2311 or 1-866-521-4909 and the conference ID is 8979843. The Chairperson is Mr. Brad Bourne. A replay of the call will be available until November 20, 2019 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 8979843.

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

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Balance Sheets

(Unaudited) (in thousands of Canadian dollars)	August 30, 2019	November 30, 2018
ASSETS		
Current assets		
Cash	\$ 5,910	\$ 5,026
Accounts receivable	18,843	18,051
Contract assets	213	645
Taxes recoverable	-	189
Inventories	23,295	24,634
Prepaid expenses	1,321	1,816
	49,582	50,361
Non-current assets		
Plant and equipment, net	14,137	12,078
Deferred income tax assets	732	732
Investment tax credits recoverable	3,463	4,620
Contract costs	279	276
Intangible assets and other assets, net	2,883	3,069
Total assets	\$ 71,076	\$ 71,136
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,422	\$ 16,278
Provisions	963	849
Contract liabilities	315	1,966
Current portion of long-term bank debt	2,030	2,019
Income tax payable	541	563
	18,271	21,675
Non-current liabilities		
Long-term bank debt	3,891	5,404
Deferred tax payable	1,930	1,750
Total liabilities	24,092	28,829
Equity		
Retained earnings	\$ 17,170	\$ 11,687
Accumulated other comprehensive (loss)	(1,677)	(774)
	15,493	10,913
Share capital		
Common shares	19,323	19,323
Preferred shares	2,218	2,218
Contributed surplus	8,906	8,672
Total equity attributable to FTG's shareholders	45,940	41,126
Non-controlling interest	1,044	1,181
Total equity	46,984	42,307
Total liabilities and equity	\$ 71,076	\$ 71,136

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Nine months ended	
	August 30, 2019	August 31, 2018	August 30, 2019	August 31, 2018
Sales	\$ 27,953	\$ 25,001	\$ 85,578	\$ 81,407
Cost of sales				
Cost of sales	19,097	18,304	58,564	61,142
Depreciation of plant and equipment	933	788	2,620	2,267
Total cost of sales	20,030	19,092	61,184	63,409
Gross margin	7,923	5,909	24,394	17,998
Expenses				
Selling, general and administrative	3,447	3,156	10,719	9,757
Research and development costs	1,223	1,034	3,507	3,365
Reversal (recovery) of Ontario innovation tax credit	-	(55)	220	(165)
Recovery of investment tax credits	(214)	(205)	(629)	(568)
Depreciation of plant and equipment	40	34	123	99
Amortization of intangible assets	284	266	827	783
Interest expense on short-term debt	6	47	30	200
Interest expense on long-term debt	63	92	206	222
Foreign exchange loss (gain)	236	(34)	532	(164)
Restructuring expenses	-	-	243	195
Total expenses	5,085	4,335	15,778	13,724
Earnings before income taxes	2,838	1,574	8,616	4,274
Current income tax expense	1,044	890	3,115	2,532
Deferred income tax expense	43	41	127	114
Total income tax expense	1,087	931	3,242	2,646
Net earnings	\$ 1,751	\$ 643	\$ 5,374	\$ 1,628
Attributable to:				
Non-controlling interest	\$ (32)	\$ (4)	\$ (109)	\$ (21)
Equity holders of FTG	\$ 1,783	\$ 647	\$ 5,483	\$ 1,649
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.08	\$ 0.03	\$ 0.24	\$ 0.07
Diluted	\$ 0.07	\$ 0.03	\$ 0.22	\$ 0.07

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 30, 2019	August 31, 2018	August 30, 2019	August 31, 2018
Net earnings	\$ 1,751	\$ 643	\$ 5,374	\$ 1,628
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	(634)	(166)	849	(210)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	543	(420)	(2,373)	(551)
Tax impact	(136)	105	593	138
	(227)	(481)	(931)	(623)
Total comprehensive income	\$ 1,524	\$ 162	\$ 4,443	\$ 1,005
Attributable to:				
Equity holders of FTG	\$ 1,613	\$ 233	\$ 4,580	\$ 1,050
Non-controlling interest	\$ (89)	\$ (71)	\$ (137)	\$ (45)

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

Nine months ended August 30, 2019	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
(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)	-	-	5,483	-	-	5,483	(109)	5,374
Stock-based compensation	-	-	-	234	-	234	-	234
Foreign currency translation adjustments	-	-	-	-	877	877	(28)	849
Net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(1,780)	(1,780)	-	(1,780)
Balance, August 30, 2019	\$ 19,323	\$ 2,218	\$ 17,170	\$ 8,906	\$ (1,677)	\$ 45,940	\$ 1,044	\$ 46,984
Nine months ended August 31, 2018	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
(Unaudited) (in thousands of Canadian dollars)								
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110
Net earnings (loss)	-	-	1,649	-	-	1,649	(21)	1,628
Stock-based compensation	-	-	-	222	-	222	-	222
Common shares issued on exercise of share options and PSU's	28	-	-	(8)	-	20	-	20
Foreign currency translation adjustments	-	-	-	-	(186)	(186)	(24)	(210)
Net unrealized loss on derivative financial instruments designated as cash flow net of tax impact	-	-	-	-	(413)	(413)	-	(413)
Balance, August 31, 2018	\$ 19,323	\$ 2,218	\$ 10,461	\$ 8,598	\$ (412)	\$ 40,188	\$ 1,169	\$ 41,357

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 30, 2019	August 31, 2018	August 30, 2019	August 31, 2018
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 1,751	\$ 643	\$ 5,374	\$ 1,628
Items not affecting cash:				
Non-controlling interest share of net loss	32	4	109	21
Stock-based compensation	80	74	234	222
Gain on disposal of plant and equipment	-	(2)	(1)	(2)
Effect of exchange rates on US dollar debt	(111)	69	15	139
Depreciation of plant and equipment	973	823	2,743	2,366
Amortization of intangible assets	284	266	827	783
Amortization of deferred financing costs	3	3	9	9
Deferred income tax expense	993	488	1,966	2,060
Investment tax credits (recovery)	(214)	(205)	(629)	(568)
Increase in net unrealized loss, decrease in net unrealized gain on derivative financial instruments designated as cash flow hedges	(35)	(360)	(907)	(624)
Net change in non-cash operating working capital	3,603	(837)	(1,001)	(859)
	7,359	966	8,739	5,175
Investing activities				
Additions to plant and equipment	(1,374)	(481)	(2,375)	(1,687)
Acquisition of Colonial Circuits Inc., net of cash acquired	(3,817)	-	(3,817)	-
(Additions to) recovery of - contract costs, other	13	5	(6)	226
Proceeds from disposal of plant and equipment	-	3	-	3
	(5,178)	(473)	(6,198)	(1,458)
Net cash flow used by operating and investing activities	2,181	493	2,541	3,717
Financing activities				
Decrease in bank indebtedness	-	(1,278)	-	(3,833)
Proceeds from long-term bank debt	-	-	-	1,289
Repayments of long-term bank debt	(505)	(501)	(1,526)	(1,428)
Proceeds from issue of Common shares	-	8	-	20
	(505)	(1,771)	(1,526)	(3,952)
Effects of foreign exchange rate changes on cash flow	(84)	(38)	(131)	(36)
Net increase (decrease) in cash flow	1,592	(1,316)	884	(271)
Cash, beginning of the period	4,318	3,797	5,026	2,752
Cash, end of period	\$ 5,910	\$ 2,481	\$ 5,910	\$ 2,481
Disclosure of cash payments				
Payment for interest	\$ 74	\$ 125	\$ 245	\$ 425
Payments for income taxes	\$ 265	\$ 1	\$ 1,386	\$ 14