



For Immediate Release: February 8, 2023

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG”) ANNOUNCES FULL YEAR AND FOURTH QUARTER 2022 FINANCIAL RESULTS

TORONTO, ONTARIO – (February 8, 2023) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter 2022.

Financial Highlights

- Full year bookings were \$113.3M, up 41% over 2021.
- Fourth quarter bookings of \$32.2M were up 15% over Q3 2022 and up 37% over Q4 2021. This was the 8th sequential quarter of bookings growth.
- FTG full year revenues increased by 13% to \$89.6M as the global air travel and the commercial aerospace market continued to recover from the pandemic.
- FTG has maintained strong liquidity with net cash on the balance sheet of \$12.3M, after investments in the year of \$3.8M for capital expenditures, \$5.9M for research and development, \$8.5M to the Aerospace Chatsworth facility and \$1.1M for FTG share buybacks.
- FTG achieved Adjusted Net Earnings in Q4 2022 of \$1.2M and Adjusted Net Earnings of \$1.2M for fiscal 2022.

Business Highlights

In 2022, FTG went on offence after two years of playing defence. During the year the company invested in technology in our existing sites, grew the business organically, acquired our building in Chatsworth to protect our operations but then as committed completed a sales/leaseback, announced two acquisitions and bought back stock. Through all these actions, FTG is strategically deploying its strong cash balance in ways that will drive increased shareholder returns for the future in both the near-term and long-term. Specifically, FTG accomplished many goals in 2022 that continue to improve the Corporation and position it for the future, including:

- Achieved a 1.26:1 book-to-bill ratio for 2022 resulting in increased backlog of \$65.5M compared to \$39.7M at the end of 2021.
- Customer purchase orders included \$8.8M 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 with the majority of this work to be performed in the first half of 2023.
- FTG was awarded up to \$7.0M of funding from FedDev Ontario pursuant to the Aerospace Regional Recovery Initiative (ARRI) program. This funding is in the format of a repayable contribution against qualifying investments made by FTG prior to March 31, 2024. The funding will be repayable, without interest, commencing in 2025 through to 2030. Funding received in fiscal 2022 amounted to \$1.9M.
- On November 17, 2022, the Corporation entered into an agreement to acquire IMI, Inc. (“IMI”) based in Haverhill, Massachusetts, north of Boston. The closing of the acquisition is subject to approval by the Committee on Foreign Investment in the United States (CFIUS) and other customary closing conditions. FTG will acquire 100% of the common shares of IMI for cash consideration of approximately \$2.0M, subject to typical closing adjustments.
- On December 24, 2022, the Corporation entered into an agreement to acquire Holaday Circuits, Inc based in Minnetonka, Minnesota, a suburb of Minneapolis. The closing of the acquisition is subject to approval by CFIUS and other customary closing conditions. FTG will acquire 100% of Holaday for cash

consideration of approximately \$24.0M and contingent consideration up to \$6.0M, subject to typical closing adjustments.

- Subsequent to year-end, on January 31, 2023, FTG completed a sale-leaseback transaction for the Aerospace Chatsworth facility, resulting in net cash proceeds of \$8.5M.
- Subsequent to year-end, FTG's US sites received \$3.5M (\$US 2.6M) in funds pursuant to the Employment Retention Credit program within the CARES Act, which will be included in income during the first quarter of 2023.

Table 1 / Key Financial Metrics

	Three months ended		Years ended	
	November 30, 2022	November 30, 2021	November 30, 2022	November 30, 2021
Sales	\$23,750,000	\$20,327,000	\$89,624,000	\$79,365,000
Gross Margin	5,736,000	4,247,000	21,310,000	17,133,000
Gross Margin (%)	24.2%	20.9%	23.8%	21.6%
Net Earnings to FTG Equity Holders	\$694,000	(\$128,000)	\$698,000	\$256,000
Adjusted Net Earnings⁽¹⁾				
Loss Provision on Sale-leaseback	357,000	-	357,000	-
Acquisition Expenses	127,000	-	168,000	-
	\$1,178,000	(\$128,000)	\$1,223,000	\$256,000
Earnings Per Share				
Basic	\$0.03	\$0.00	\$0.03	\$0.01
Diluted	\$0.03	\$0.00	\$0.03	\$0.01
Adjusted Earnings Per Share				
Basic	\$0.05	\$0.00	\$0.05	\$0.01
Diluted	\$0.05	\$0.00	\$0.05	\$0.01

(1) Adjusted Net 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 Adjusted Net Earnings may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

For FTG in 2022, overall sales increased by \$10.3M or 13% from \$79.4M in 2021 to \$89.6M in 2022. Increased revenue in 2022 is the result of the on-going recovery of global air travel following the easing of various pandemic related restrictions, which led to improved market conditions for the commercial aerospace market. The average foreign exchange rate in 2022 was 3% (4 cents) higher than in 2021, with a positive impact on sales of \$2.7M.

In our fourth quarter, sales were \$23.8M, an increase of \$3.4M or 16.8% over Q4 2021. The increase is also attributable to improved market conditions for the commercial aerospace market. The average foreign rate was 7% (9 cents) higher than Q4 2021, with a positive impact on sales of \$1.5M.

The Circuits segment sales in 2022 were up \$7.4M, or 14.1% compared to last year. All sites contributed to the increase in sales, with the largest dollar increase at the Circuits Toronto plant and the largest percentage increase at the Circuits plant in China. Both of these sites are focused on the Commercial Aerospace market. In the fourth quarter, sales in the Circuits segment were up \$1.3M or 8.8%.

For the Aerospace segment, sales in 2022 were up \$4.4M or 14.4% compared to last year. All sites contributed to the increase in sales, with the largest dollar increase at the Aerospace Toronto plant and the largest percentage increase at the Aerospace plant in China. Both of these sites are focused on the Commercial Aerospace market. In Q4 2022, Aerospace segment sales were up \$2.1M or 30.5%, which included an increase in Simulator product shipments of \$1.2M.

Gross margin in 2022 was \$21.3M or 23.8% as compared to \$17.1M or 21.6% in 2021. Excluding government assistance, the gross margin rate improved to 23.4% in 2022 from 17.6% in 2021. Gross margin in Q4 2022 was \$5.7M or 24.2% as compared to \$4.2M or 20.9% in Q4 2021. Excluding government assistance, the gross margin rate improved to 24.2% in Q4 2022 from 19.2% in Q4 2021. The increase in the gross margin rate is due to the operating leverage of increased sales volumes and operational efficiencies.

Net earnings after tax at FTG in 2022 was \$0.7M or \$0.03 per diluted share compared to a net profit of \$0.3M or \$0.01 per diluted share in 2021. Adjusted net earnings after tax was \$1.2M or \$0.05 per diluted share in 2022 compared to \$0.3M or \$0.01 in the prior year. The increase in adjusted net earnings is the result of higher sales volume, offset by reduced government subsidies. In 2022, government subsidies were \$0.3M on a pretax basis, as compared to \$6.5M in 2021.

Net earnings after tax at FTG in Q4 2022 was \$0.7M or \$0.03 per diluted share compared to a net loss of \$0.1M or \$0.00 per diluted share in Q4 2021. Adjusted net earnings after tax was \$1.2M or \$0.05 per diluted share in Q4 2022 compared to a net loss of \$0.1M or \$0.00 in the prior year quarter. The increase in adjusted net earnings is the result of higher sales volume, offset by reduced government subsidies. In Q4 2022, government subsidies were \$nil as compared to \$0.3M in the prior year quarter.

The Circuits segment net earnings before corporate, taxes and interest and other costs was \$3.1M in 2022 compared to \$5.2M in 2021. The positive impact of higher sales was offset by lower government subsidies, which were \$0.3M in 2022 as compared to \$4.4M in 2021.

The Aerospace segment net earnings before corporate, taxes and interest and other costs in the full year was \$2.9M in 2022 versus \$0.8M in 2021. The impact of greater sales volumes and operating performance in 2022 was partially offset by lower government subsidies, which were \$nil in 2022 as compared to \$2.0M in 2021.

Table 2 / EBITDA

	Three months ended		Years ended	
	November 30, 2022	November 30, 2021	November 30, 2022	November 30, 2021
EBITDA⁽²⁾				
Net earnings to equity holders of FTG	\$694,000	(\$128,000)	\$698,000	\$256,000
Add:				
Interest, accretion	124,000	133,000	443,000	582,000
Income taxes	235,000	629,000	1,574,000	2,408,000
Depreciation/Amortization/Stock Comp.	1,346,000	1,637,000	5,867,000	6,398,000
	\$2,399,000	\$2,271,000	\$8,582,000	\$9,644,000
Adjusted EBITDA⁽²⁾				
Loss provision on sale-leaseback	357,000	-	357,000	-
Acquisition expenses	127,000	-	168,000	-
	\$2,883,000	\$2,271,000	\$9,107,000	\$9,644,000

(2) EBITDA and Adjusted 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 and Adjusted EBITDA may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG in 2022 was \$8.6M or 9.6% of sales compared to \$9.6M or 12.2% of sales in 2021.

For Q4 2022, EBITDA was \$2.4M or 10.1% of net sales as compared to \$2.3M or 11.2% of net sales in the prior year quarter. Adjusted EBITDA for Q4 2022, which excludes the loss of \$0.4M accrued on the sale-leaseback transaction for the Aerospace Chatsworth facility and expenses related to the two pending acquisitions, was \$2.9M or 12.1% of net sales.

As at November 30, 2022, the Corporation's net working capital was \$30.8M, compared to \$40.0M at year-end in 2021. The decrease is due to a lower net cash position and increase in contract liabilities, partially offset by increased inventory levels. The increases in inventory and contract liabilities is, in part, the result of higher backlog for simulator products, with the purchase of long lead components typically funded by customers.

FTG ended 2022 with \$12.3M in net cash as compared to \$17.9M at the end of 2021.

The Corporation will host a live conference call on Thursday, February 9, 2023 at 8:30am (Eastern) to discuss the results of fiscal year 2022.

Anyone wishing to participate in the call should dial 416-764-8658 or 1-888-886-7786, Conference ID 94863452 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 9, 2023 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 863452#.

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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Additional information can be found at the Corporation's website www.ftgcorp.com

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	November 30, 2022	November 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,666	\$ 20,196
Accounts receivable	16,615	16,014
Contract assets	504	818
Inventories	19,664	16,953
Income tax recoverable	-	1
Prepaid expenses and other	1,498	3,162
	53,947	57,144
Non-current assets		
Property, Plant and equipment, net	10,718	11,078
Non-current assets held for sale	8,471	-
Right-of-use assets	9,463	10,098
Investment tax credits recoverable	-	327
Intangible and other assets, net	399	805
Deferred tax assets	748	-
Total assets	\$ 83,746	\$ 79,452
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,906	\$ 13,760
Provisions	823	545
Contract liabilities	4,423	335
Current portion of bank debt	866	935
Current portion of government loan	47	-
Current portion of lease liabilities	1,360	1,553
Income tax payable	712	-
	23,137	17,128
Non-current liabilities		
Bank debt	532	1,327
Government loan	1,883	-
Lease liabilities	8,899	9,123
Deferred tax liabilities	-	789
Total liabilities	34,451	28,367
Equity		
Retained earnings	\$ 19,521	\$ 19,434
Accumulated other comprehensive (loss) income	(867)	478
	18,654	19,912
Share capital		
Common Shares	21,357	21,881
Contributed surplus	8,319	8,352
Total equity attributable to FTG's shareholders	48,330	50,145
Non-controlling interest	965	940
Total equity	49,295	51,085
Total liabilities and equity	\$ 83,746	\$ 79,452

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended	
	November 30, 2022	November 30, 2021
Sales	\$ 89,624	\$ 79,365
Cost of sales		
Cost of sales	62,991	56,494
Depreciation of plant and equipment	4,036	4,250
Depreciation of right-of-use assets	1,287	1,488
Total cost of sales	68,314	62,232
Gross margin	21,310	17,133
Expenses		
Selling, general and administrative	12,678	10,950
Research and development costs	5,851	5,351
Recovery of investment tax credits	(582)	(536)
Depreciation of property, plant and equipment	223	243
Depreciation of right-of-use assets	63	68
Amortization of intangible assets	124	240
Interest expense on bank debt, net	(21)	92
Notional interest expense on government loan	20	-
Accretion on lease liabilities	444	490
Stock based compensation	128	66
Foreign exchange (gain) loss	(317)	595
Loss provision on sale-leaseback of building	357	-
Forgiveness of debt	-	(3,004)
Total expenses	18,968	14,555
Earnings before income taxes	2,342	2,578
Current income tax expense	2,668	2,684
Deferred income tax recovery	(1,094)	(276)
Total income tax expense	1,574	2,408
Net earnings	\$ 768	\$ 170
Attributable to:		
Non-controlling interest	\$ 70	\$ (86)
Equity holders of FTG	\$ 698	\$ 256
Earnings per share, attributable to the equity holders of FTG		
Basic	\$ 0.03	\$ 0.01
Diluted	\$ 0.03	\$ 0.01

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

(in thousands of Canadian dollars)	Years ended	
	November 30, 2022	November 30, 2021
Net earnings	\$ 768	\$ 170
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	993	(84)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	(2,826)	(508)
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	443	127
	(1,390)	(465)
Total comprehensive loss	\$ (622)	\$ (295)
Attributable to:		
Equity holders of FTG	\$ (636)	\$ (127)
Non-controlling interest	\$ 14	\$ (168)

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Changes in Equity

Year ended November 30, 2022 and 2021	Attributed to the equity holders of FTG						
(in thousands of Canadian dollars)	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total	Non- controlling interest	Total equity
Balance, November 30, 2020	\$ 21,881	\$ 19,178	\$ 8,303	\$ 958	\$ 50,320	\$ 1,011	\$ 51,331
Net earnings (loss)	-	256	-	-	256	(86)	170
Stock-based compensation	-	-	49	-	49	-	49
Other comprehensive income (loss)	-	-	-	(480)	(480)	15	(465)
Balance, November 30, 2021	\$ 21,881	\$ 19,434	\$ 8,352	\$ 478	\$ 50,145	\$ 940	\$ 51,085
Net earnings	-	698	-	-	698	70	768
Stock-based compensation	-	-	(33)	-	(33)	-	(33)
Repurchase and cancellation of shares	(524)	(611)	-	-	(1,135)	-	(1,135)
Other comprehensive loss	-	-	-	(1,345)	(1,345)	(45)	(1,390)
Balance, November 30, 2022	\$ 21,357	\$ 19,521	\$ 8,319	\$ (867)	\$ 48,330	\$ 965	\$ 49,295

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended	
	November 30, 2022	November 30, 2021
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	\$ 768	\$ 170
Items not affecting cash and cash equivalents:		
Stock-based compensation	128	66
Loss (Gain) on disposal of plant and equipment	5	(252)
Loss provision on sale-leaseback of building	357	-
Effect of exchange rates on U.S. dollar bank debt	(290)	(133)
Depreciation of property, plant and equipment	4,259	4,493
Depreciation of right-of-use assets	1,350	1,556
Amortization of intangible assets	124	240
Amortization, other	6	43
Notional interest expense on government loan	20	-
Investment tax credits/deferred income taxes	(281)	773
Accretion on lease liabilities	444	490
Forgiveness of debt	-	(3,004)
Net change in non-cash operating working capital	4,371	3,192
	11,261	7,634
Investing activities		
Purchase of Aerospace Chatsworth facility	(8,518)	
Additions to property, plant and equipment	(3,793)	(2,900)
Recovery of contract and other costs	294	15
Additions to deferred financing costs	(5)	(65)
	(12,022)	(2,950)
Net cash (used in) flow from operating and investing activities	(7,651)	4,684
Financing activities		
Proceeds from government loan	1,926	-
Repayments of bank debt	(943)	(914)
Lease liability payments	(1,579)	(1,783)
Repurchase and cancellation of shares	(1,135)	-
	(1,731)	(2,697)
Effects of foreign exchange rate changes on cash flow	(2,038)	(823)
Net (decrease) increase in cash flow	(4,530)	1,164
Cash and cash equivalents, beginning of the period	20,196	19,032
Cash and cash equivalents, end of period	\$ 15,666	\$ 20,196
Disclosure of cash payments		
Payment for interest	\$ 85	\$ 128
Payments for income taxes	\$ 1,074	\$ 1,235