



## Firan Technology Group Corporation (“FTG”) Announces Full Year and Fourth Quarter 2021 Financial Results

TORONTO, Feb. 09, 2022 -- Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter 2021.

- FTG achieved a fourth sequential quarter of increased bookings as the aerospace industry recovers from the COVID-19 pandemic.
- Fourth quarter bookings of \$23.6M are up 13% over Q3 2021 and up 42% over Q4 2020.
- Increased net cash on the balance sheet to \$17.9M, an increase of \$5.3M in 2021 again showing the cash generating nature of the business.
- Over the past 2 years, during the pandemic, FTG has added \$15.7M in net cash on the balance sheet, after \$16.8M investments in R&D and capital equipment.
- Achieved EBITDA of \$9.6M in 2021.
- FTG remained profitable in fiscal 2021, despite challenging conditions in the Commercial Aerospace market, currency headwinds and COVID-19 operational impacts.
- FTG maintained its skilled workforce with the benefit of government support and as a result is well positioned for a strong recovery as the commercial aerospace industry recovers, even in the face of tight labour markets.

Full Year Results: (twelve months ended November 30, 2021 compared with twelve months ended November 30, 2020)

	<b>Fiscal 2021</b>	<b>Fiscal 2020</b>
Sales	\$79,365,000	\$102,435,000
Gross Margin	17,133,000	26,419,000
Gross Margin (%)	21.6%	25.8%
Operating Earnings <sup>(1)</sup> :	5,224,000	11,963,000
• R&D Investment	5,351,000	5,284,000
• R&D Tax Credits	(536,000)	(735,000)
• Foreign Exchange Loss	595,000	1,042,000
• Amortization of Intangibles	240,000	581,000
• Impairment of Intangibles	-	1,145,000
• Forgiveness of Debt	(3,004,000)	-
Net Earnings before Tax	2,578,000	4,646,000
• Income Tax	2,408,000	3,384,000
• Non-controlling Interests	(86,000)	(128,000)
Net Earnings After Tax	\$256,000	\$1,390,000
Earnings per share		
- basic	\$0.01	\$0.06
- diluted	\$0.01	\$0.06

Fourth Quarter Results: (three months ended November 30, 2021 compared with three months ended November 30, 2020)

	<b>Q4 2021</b>	<b>Q4 2020</b>
Sales	\$20,327,000	\$26,711,000
Gross Margin	4,247,000	7,063,000
Gross Margin (%)	20.9%	26.4%
Operating Earnings <sup>(1)</sup> :	1,543,000	3,808,000

• Net R&D Investment	1,239,000	1,318,000
• R&D Tax Credits	(71,000)	(165,000)
• Foreign Exchange (Gain) Loss	(144,000)	446,000
• Amortization of Intangibles	30,000	91,000
Net Earnings before Tax	489,000	2,118,000
• Income Tax	629,000	840,000
• Non-controlling Interests	(12,000)	(30,000)
Net Earnings After Tax	(\$128,000)	\$1,308,000
Earnings per share		
- basic	\$0.00	\$0.06
- diluted	\$0.00	\$0.06

(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 2021 that continue to improve the Corporation and position it for the future, including:

- Achieved a 1.03:1 book-to-bill ratio for 2021 resulting in increased backlog of \$39.7M compared to \$37.3M at the end of 2020.
- The committed Credit Facility with our existing financial institution was extended to July 2026 with improved financial terms.
- Received \$3.1M in Canada Emergency Wage Subsidy (CEWS) and \$0.2M from the Aviation Manufacturing Jobs Protection Program (AMJP) which we used to help maintain our workforce in the face of revenue reductions due to COVID-19.
- Paycheck Protection Program loans of \$3.0M were forgiven by the Small Business Administration, an agency of the US Department of Treasury, which had been classified as debt at the end of 2020.
- Controlled costs through reduced headcount of approximately 14% through the pandemic primarily through attrition and incurring less overtime.
- Awarded a contract valued at \$3.7M from the United States Defense Logistics Agency (DLA) to provide electronic assemblies to retrofit airborne radar systems on US Armed Forces aircraft. The work will be performed at the FTG facilities in Chatsworth, CA.

For FTG in 2021, overall sales decreased by \$23.1M or 23% from \$102.4M in 2020 to \$79.4M in 2021. The COVID-19 pandemic continued to negatively impact demand in the commercial aerospace market. This was compounded by reduced shipments of Simulator products, which were down \$9.6M in 2021 compared to 2020, and a negative currency impact of \$4.0M. In our fourth quarter, sales were down \$6.4M or 23.9%, which is due to lower shipments of Simulator products.

The Circuits Segment sales in 2021 were down \$13.4M, or 20.4% in 2021 versus 2020. All sites were lower in sales, except the Joint Venture in China. The largest decline was seen in the Circuits Toronto plant, which is more heavily exposed to the Commercial Aerospace market. In the fourth quarter, sales in the Circuits Segment were \$14.3M vs \$14.1M in Q4 2020, an increase of 1.7%. The increase in underlying activity was tempered by negative movements in foreign exchange rates of approximately 6 cents or 5%.

For the Aerospace Segment, sales in 2021 were down \$9.6M or 26.3% compared to last year, which is inclusive of reduced Simulator product revenue of \$9.6M. All sites were lower in sales in the year. In Q4 2020, Aerospace Segment sales were down \$6.6M or 52%, which is also due to lower levels of simulator related shipments in Q4 2021.

Gross margin in 2021 was \$17.1M or 21.6% as compared to \$26.4M or 25.8% in 2020. Loss of operating leverage on lower sales and the negative FX impact reduced both the gross margin rate and absolute dollars. FTG continued to qualify for wage subsidy programs offered by the Canadian government through October and US government AMJP program in Q4. The total wage subsidy levels included in cost of sales amounted to \$2.9M in 2021 as compared to \$2.8M in 2020. Gross margin in Q4 2021 was \$4.2M or 20.9% of sales as compared to \$7.1M or 26.4% in Q4 2020, with the decrease due to both lower sales volume and unfavorable FX. Wage subsidies in Q4 2021 were \$0.3M or 1.7% in gross margin points as compared to \$1.3M or 4.8% in gross margin points in Q4 2020.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG in 2021 was \$9.6M or 12.1% of sales compared to \$13.4M or 13.1% of sales in 2020. Lower levels of sales were partially offset by the \$3.0M gain on forgiveness of the PPP Loans and the \$3.1M in wage subsidies in Canada.

The following table reconciles net earnings to EBITDA<sup>(2)</sup> for the year ended November 30, 2021.

	<b>Fiscal 2021</b>
Net earnings	256,000
Add:	
Interest & Accretion	582,000
Income taxes	2,408,000
Depreciation/Amortization/Stock Comp & Impairment	6,398,000
EBITDA	<u>\$9,644,000</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 2021 was \$0.3M or \$0.01 per diluted share compared to a net profit of \$1.3M or \$0.06 per diluted share in 2020. 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. This impact was partially offset by the forgiveness of the PPP Loans and the wage subsidies in Canada. In the fourth quarter, the net loss was \$0.1M compared to a net profit of \$1.3M in Q4 2020.

The Circuits Segment net earnings before corporate, taxes and interest and other costs was \$4.9M in 2021 compared to \$6.9M in 2020. The lower sales was the most significant impact on the segment profitability, which was partially offset by \$2.3M of PPP Loan forgiveness and the wage subsidies in Canada.

The Aerospace net earnings before corporate, taxes and interest and other costs in the full year was \$0.8M in 2021 versus \$1.5M in 2020. Lower sales in 2021 were partially offset by \$0.7M of PPP Loan forgiveness and the wage subsidies in Canada and the \$1.1M asset impairment charge taken in this segment in 2020.

As at November 30, 2021, the Corporation's net working capital was \$39.7M, compared to \$39.4M at year-end in 2020. The increase is due to a higher net cash position partially offset by reduced inventory levels.

FTG ended 2021 with \$17.9M in net cash as compared to \$12.6M at the end of 2020.

The Corporation will host a live conference call on Thursday, February 10, 2022 at 8:30am (Eastern) to discuss the results of fiscal year 2021.

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 10, 2022 and will be available on the FTG website at [www.ftgcorp.com](http://www.ftgcorp.com). The number to call for a rebroadcast is 416-621-4642 or 1-800-585-8367, Conference ID 9368279.

#### 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](http://www.ftgcorp.com)

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Interim Condensed Consolidated Statements of Financial Position**

(in thousands of Canadian dollars)	November 30, 2021	November 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,196	\$ 19,032
Accounts receivable	16,014	16,795
Contract assets	818	985
Inventories	16,953	19,304
Income tax recoverable	1	-
Prepaid expenses and other	3,162	3,363
	<b>57,144</b>	<b>59,479</b>
<b>Non-current assets</b>		
Plant and equipment, net	11,078	12,640
Right-of-use assets	10,098	12,130
Investment tax credits recoverable	327	1,359
Intangible and other assets, net	805	1,068
<b>Total assets</b>	<b>\$ 79,452</b>	<b>\$ 86,676</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 13,803	\$ 13,904
Provisions	545	885
Contract liabilities	335	388
Current portion of bank debt	935	2,931
Current portion of lease liabilities	1,553	1,810
Income tax payable	-	155
	<b>17,171</b>	<b>20,073</b>
<b>Non-current liabilities</b>		
Bank debt	1,327	3,464
Lease liabilities	9,123	10,659
Deferred tax liability	789	1,192
<b>Total liabilities</b>	<b>28,410</b>	<b>35,388</b>
<b>Equity</b>		
Retained earnings	\$ 19,391	\$ 19,135
Accumulated other comprehensive income	478	958
	<b>19,869</b>	<b>20,093</b>
Share capital		
Common Shares	21,881	21,881
Contributed surplus	8,352	8,303
<b>Total equity attributable to FTG's shareholders</b>	<b>50,102</b>	<b>50,277</b>
Non-controlling interest	940	1,011
<b>Total equity</b>	<b>51,042</b>	<b>51,288</b>
<b>Total liabilities and equity</b>	<b>\$ 79,452</b>	<b>\$ 86,676</b>

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

	Years ended	
	November 30, 2021	November 30, 2020
(in thousands of Canadian dollars, except per share amounts)		
Sales	\$ 79,365	\$ 102,435
Cost of sales		
Cost of sales	56,494	70,307
Depreciation of plant and equipment	4,250	4,146
Depreciation of right-of-use assets	1,488	1,563
Total cost of sales	62,232	76,016
Gross margin	17,133	26,419
Expenses		
Selling, general and administrative	10,950	13,286
Research and development costs	5,351	5,284
Recovery of investment tax credits	(536)	(735)
Depreciation of plant and equipment	243	221
Depreciation of right-of-use assets	68	52
Amortization of intangible assets	240	581
Interest expense on bank debt, net	92	211
Accretion on lease liabilities	490	556
Stock based compensation	66	130
Foreign exchange loss	595	1,042
Forgiveness of debt	(3,004)	-
Impairment of intangible assets	-	1,145
Total expenses	14,555	21,773
Earnings before income taxes	2,578	4,646
Current income tax expense	2,684	3,715
Deferred income tax recovery	(276)	(331)
Total income tax expense	2,408	3,384
<b>Net earnings</b>	\$ 170	\$ 1,262
<b>Attributable to:</b>		
Non-controlling interest	\$ (86)	\$ (128)
Equity holders of FTG	\$ 256	\$ 1,390
<b>Earnings per share, attributable to the equity holders of FTG</b>		
Basic	\$ 0.01	\$ 0.06
Diluted	\$ 0.01	\$ 0.06

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

	Years ended	
	November 30, 2021	November 30, 2020
(in thousands of Canadian dollars)		

Net earnings	\$	170	\$	1,262
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments		(84)		(296)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges		(508)		3,803
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges		127		(950)
		(465)		2,557
<b>Total comprehensive income (loss)</b>	<b>\$</b>	<b>(295)</b>	<b>\$</b>	<b>3,819</b>
<b>Attributable to:</b>				
Equity holders of FTG	\$	(127)	\$	3,902
Non-controlling interest	\$	(168)	\$	(83)

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

Year ended November 30, 2021 and 2020	Attributed to the equity holders of FTG							Non-controlling interest	Total equity
	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total			
(in thousands of Canadian dollars)	shares	shares	earnings	surplus	income	Total	interest	equity	
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 (loss)	-	-	-	-	2,512	2,512	45	2,557	
Balance, November 30, 2020	\$ 21,881	\$ -	\$ 19,135	\$ 8,303	\$ 958	\$50,277	\$ 1,011	\$51,288	
Net earnings (loss)	-	-	256	-	-	256	(86)	170	
PSU's granted	-	-	-	49	-	49	-	49	
Other comprehensive income (loss)	-	-	-	-	(480)	(480)	15	(465)	
Balance, November 30, 2021	\$ 21,881	\$ -	\$ 19,391	\$ 8,352	\$ 478	\$50,102	\$ 940	\$51,042	

**FIRAN TECHNOLOGY GROUP CORPORATION**  
**Interim Condensed Consolidated Statements of Cash Flows**

Years ended

(in thousands of Canadian dollars)	November 30, 2021	November 30, 2020
Net inflow (outflow) of cash related to the following:		
<b>Operating activities</b>		
Net earnings	\$ 170	\$ 1,262
Items not affecting cash and cash equivalents:		
Stock-based compensation	66	130
Conversion of preferred shares	-	155
Gain on disposal of plant and equipment	(252)	(302)
Effect of exchange rates on U.S. dollar bank debt	(133)	(292)
Depreciation of plant and equipment	4,493	4,367
Depreciation of right-of-use assets	1,556	1,615
Amortization of intangible assets	240	581
Amortization, other	43	45
Impairment of intangible assets	-	1,145
Investment tax credits/deferred income taxes	773	2,295
Accretion on lease liabilities	490	556
Forgiveness of debt	(3,004)	-
Net change in non-cash operating working capital	3,192	4,222
	<b>7,634</b>	<b>15,779</b>
<b>Investing activities</b>		
Additions to plant and equipment	(2,900)	(3,219)
Recovery of contract and other costs	15	56
Additions to deferred financing costs	(65)	(28)
Proceeds from disposal of plant and equipment	-	324
	<b>(2,950)</b>	<b>(2,867)</b>
<b>Net cash flow from operating and investing activities</b>	<b>4,684</b>	<b>12,912</b>
<b>Financing activities</b>		
Proceeds from bank debt	-	3,309
Repayments of bank debt	(914)	(2,056)
Lease liability payments	(1,783)	(1,845)
Repurchase of common shares on exercise of PSU's	-	(420)
Payment of conversion of preferred shares	-	(155)
	<b>(2,697)</b>	<b>(1,167)</b>
<b>Effects of foreign exchange rate changes on cash flow</b>	<b>(823)</b>	<b>(360)</b>
<b>Net increase in cash flow</b>	<b>1,164</b>	<b>11,385</b>
Cash and cash equivalents, beginning of the period	19,032	7,647
<b>Cash and cash equivalents, end of period</b>	<b>\$ 20,196</b>	<b>\$ 19,032</b>
<b>Disclosure of cash payments</b>		
Payment for interest	\$ 128	\$ 197
Payments for income taxes	\$ 1,235	\$ 1,779