



Firan Technology Group Corporation (“FTG”) Announces Full Year and Fourth Quarter 2023 Financial Results

TORONTO, Feb. 07, 2024 -- Firan Technology Group Corporation (TSX: FTG) today announced financial results for the full year and fourth quarter of 2023.

- Full year bookings were \$149.5M, up 32% over 2022.
- Fourth quarter bookings of \$39.0M were up 9% sequentially and up 22% year-over-year.
- FTG full year revenues increased by 51% to \$135.2M, including \$22.9M from acquisitions.
- FTG achieved Adjusted EBITDA for the full year of \$19.4M (2022 - \$8.8M), and \$6.0M for Q4 2023 (Q4 2022 - \$2.9M).
- FTG has maintained a strong balance sheet with net debt of \$3.6M, after investments in the year of \$25.4M for acquisitions, \$6.5M for capital expenditures and \$5.9M for research and development.
- FTG achieved Adjusted Net Earnings of \$7.0M for fiscal 2023 and \$2.4M in Q4 2023.

Business Highlights

During 2023, the Corporation has invested in technology in existing sites, grown the business organically, and completed two acquisitions. FTG is strategically deploying its capital 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 2023 that continue to improve the Corporation and position it for the future, including:

- FTG acquired Holaday Circuits, LLC, of Minnetonka, Minnesota, subsequently renamed as FTG Circuits Minnetonka LLC, and IMI, Inc. of Haverhill, Massachusetts, subsequently renamed as FTG Circuits Haverhill Inc., both of which closed on April 28, 2023.
- Planned integration activities at both acquisitions progressed well through 2023 with improved throughput, improved pricing, cost savings and FTG ERP implementation well underway at Circuits Minnetonka, and cost savings, equipment investments and growth plans at Circuits Haverhill. More activities and full FTG ERP implementation for both sites are planned for 2024.
- Also in support of the new acquisitions, and the overall growth of FTG, Leo LaCroix was hired as Executive Vice President, Circuits to oversee our US Circuits operations including the newly acquired sites. Leo has extensive senior management experience in the circuit board industry selling into the defense market.
- As of November 30, 2023, FTG had total backlog of \$97.0 million, which is a 49% increase over the prior year end amount of \$65.3 million. The two acquisitions added approximately \$17.0 million of additional backlog as of their closing date.
- Customer orders received in 2023 totaled \$149.5M, representing a book to bill ratio of 1.11:1.
- FTG ended the year with net debt of \$3.6 million, which includes a \$5.2 million interest-free loan from the Government of Canada and a \$0.5M of favourable-term loan from the Province of Ontario.

Table 1 / Key Financial Metrics

	Three months ended		Years ended	
	November 30, 2023	November 30, 2022	November 30, 2023	November 30, 2022
Sales	\$39,991	\$23,750	\$135,200	\$89,624
Gross Margin	10,739	5,736	39,285	21,310
Gross Margin (%)	26.9%	24.2%	29.1%	23.8%
Net Earnings to FTG Equity Holders	\$3,826	\$694	\$11,621	\$698
Adjustments				
Government assistance	-	-	(3,758)	(314)
Acquisition and divestiture expenses	-	484	615	525
Acquisition related deferred tax recovery	(1,466)	-	(1,466)	-

Adjusted Net Earnings⁽¹⁾	\$2,360	\$1,178	\$7,012	\$909
Earnings Per Share				
Basic	\$0.16	\$0.03	\$0.49	\$0.03
Diluted	\$0.16	\$0.03	\$0.48	\$0.03
Adjusted Earnings Per Share				
Basic	\$0.10	\$0.05	\$0.29	\$0.04
Diluted	\$0.10	\$0.05	\$0.29	\$0.04

(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 2023, overall sales increased by \$45.6M or 51% from \$89.6M in 2022 to \$135.2M in 2023. The newly acquired Circuits segment sites in Minnetonka, MN and Haverhill, MA contributed \$22.9M to FTG’s sales in the final seven months of 2023. Strong end market demand, improved pricing and new program wins in both the commercial and defence markets drove the organic growth of \$19.0M in 2023 as compared to 2022. The average foreign exchange rate in 2023 was 4% (6 cents) higher than in 2022, with a positive impact on sales of \$3.7M.

In the fourth quarter, sales were \$40.0M, an increase of \$16.2M or 68% over Q4 2022. The acquisitions contributed \$10.3M to Q4 2023 sales. Strong market demand, new program wins and increasing throughput at the acquired sites drove the organic growth. The average foreign exchange rate was 1% (2 cents) higher than Q4 2022, with a positive impact on sales of \$0.4M.

The Circuits segment sales in 2023 were up \$32.0M, or 54% compared to last year, as a result of acquisitions and organic growth, including pricing actions. In the fourth quarter, sales in the Circuits segment were up \$12.2M or 79% with grow coming both from existing sites as well as ramping throughput at the acquisitions.

For the Aerospace segment, sales in 2023 were up \$12.0M or 35% compared to last year. The increase in sales included incremental Simulator product revenue of \$7.0M. In Q4 2023, Aerospace segment sales were up \$3.7M or 40%, which included strong end market demand, newly qualified products entering production and increased pricing on existing products.

Gross margin in 2023 was \$39.3M or 29.1% as compared to \$21.3M or 23.8% in 2022. Excluding government assistance, the gross margin rate improved to 26.7% in 2023 from 23.4% in 2022. Gross margin in Q4 2023 was \$10.7M or 26.9% as compared to \$5.7M or 24.2% in Q4 2022. The increase in the gross margin rate for both the full year and Q4 2023 is due to the operating leverage of increased sales volumes and operational improvements, including pricing actions.

Net earnings after tax at FTG in 2023 was \$11.6M or \$0.48 per diluted share compared to a net profit of \$0.7M or \$0.03 per diluted share in 2022. Adjusted net earnings after tax was \$7.0M or \$0.29 per diluted share in 2023 compared to \$0.9M or \$0.04 in the prior year. The increase in adjusted net earnings is the result of higher sales volume, improved pricing, and improved operating performance.

Net earnings after tax at FTG in Q4 2023 was \$3.8M or \$0.16 per diluted share compared to a net profit of \$0.7M or \$0.03 per diluted share or share in Q4 2022. Adjusted net earnings after tax was \$2.4M or \$0.10 per diluted share in 2023 compared to \$1.2M or \$0.05. The increase in earnings is the result of higher sales volume and improving results at the acquisitions as integration activities progress.

The Circuits segment net earnings before taxes was \$8.1M in 2023 compared to \$2.8M in 2022. The increase in earnings is the result of higher sales volumes, including the impact of the acquisitions, and higher levels of government assistance, which was \$2.8M in 2023 as compared to \$0.3M in 2022.

The Aerospace segment net earnings before taxes was \$10.4M in 2023 versus \$2.7M in 2022. The increase in earnings is the result of greater sales volumes and operating performance, and higher levels of government assistance, which was \$1.0M in 2023 and \$nil in 2022.

Table 2 / EBITDA

	Three months ended		Years ended	
	November 30, 2023	November 30, 2022	November 30, 2023	November 30, 2022
Net earnings to equity holders of FTG	\$3,826	\$694	\$11,621	\$698
Add:				
Interest, accretion	512	124	1,283	443
Income taxes	(468)	235	2,225	1,574
Depreciation/Amortization/Stock Comp.	2,147	1,346	7,400	5,867

EBITDA⁽²⁾	\$6,017	\$2,399	\$22,529	\$8,582
Adjustments				
Government assistance	-	-	(3,758)	(314)
Acquisition and divestiture expenses	-	484	615	525
Adjusted EBITDA⁽²⁾	\$6,017	\$2,883	\$19,386	\$8,793

(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 2023 was \$22.5M or 16.7% of sales compared to \$8.6M or 9.6% of sales in 2022. Adjusted EBITDA for 2023 was \$19.4M or 14.3% of sales, after deducting government assistance and adding back acquisition expenses. The improved results in 2023 stem from improved pricing, improved throughput and the acquisitions.

For Q4 2023, EBITDA was \$6.0M or 15.0% of sales as compared to \$2.4M or 10.1% of sales in the prior year quarter. Adjusted EBITDA for Q4 2022 was \$2.9M after adding back the costs of the sale-leaseback transaction for the Aerospace Chatsworth facility and expenses for the two acquisitions.

As at November 30, 2023, the Corporation’s net working capital was \$41.0M, compared to \$30.5M at year-end in 2022. The increase is due to higher levels of accounts receivable and inventory as a result of the acquisitions and organic growth, partially offset by a reduced cash balance and increased levels of accounts payable and accrued liabilities.

FTG ended 2023 with (\$3.6M) in net cash as compared to \$12.3M at the end of 2022.

Subsequent to the year end, on January 23, 2024, FTG reached a new collective agreement with its 67 unionized production workers at the Aerospace Toronto site, following a work stoppage of six weeks. Sales for Q1 2024 will be negatively impacted by approximately \$3-4M, as well as a corresponding reduction in profits.

The Corporation will host a live conference call on Thursday, February 8, 2024 at 8:30am (Eastern) to discuss the results of fiscal year 2023.

Anyone wishing to participate in the call should dial 416-764-8658 or 1-888-886-7786, Conference ID 71906148 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 8, 2024 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 #906148.

ABOUT FIRAN TECHNOLOGY GROUP CORPORATION

FTG is an aerospace and defence 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, defence, and high technology industries. FTG Circuits has operations in Toronto, Ontario, Chatsworth, California, Fredericksburg, Virginia, Minnetonka, Minnesota, Haverhill Massachusetts 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 defence 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