



## REKO INTERNATIONAL GROUP INC.

*First Quarter Report  
Three Months Ended  
October 31, 2020*

### **REKO INTERNATIONAL GROUP INC.**

469 Silver Creek Industrial Drive  
Lakeshore, Ontario  
N8N 4W2

#### **SUBSIDIARIES/DIVISIONS:**

##### Canada:

- Concorde Precision Machining Inc.
- Reko Manufacturing Group Inc.

##### United States:

- Reko International Services Inc.
- Reko International Holdings Inc.
- Concorde USA, LLC

### **Reko Reports First Quarter Results for F2021**

(Windsor, Ontario – December 3, 2020) - Reko International Group Inc. (TSX-V: REKO) today announced results for its first quarter ended October 31, 2020.

#### Financial Highlights:

*(in 000's, except for per share data)*

	Three Months (unaudited)	
	Fiscal 2021	Fiscal 2020
Sales	\$6,844	\$9,350
Net income	(896)	140
EPS basic	(0.14)	0.02
Working capital	19,489	17,106
Shareholders' equity	45,987	46,543
Shareholders' Equity per Share	7.39	7.34

Consolidated sales for the quarter ended October 31, 2020, were \$6.8 million, compared to \$9.4 million in the prior year, a decrease of \$2.5 million or 27.0%.

The continued impact of the COVID-19 pandemic affected the Company's ability to secure new sales and, in some cases, caused delays in the kick-off of new awards. Sales in the automotive sector, driven by the introduction of new models and model changes, continue to trend at lower volumes, partly due to the adverse conditions associated with the global pandemic. The company continues to actively pursue other markets, with some recent successes in food processing and medical devices. While these efforts are taking longer than expected, we are starting to get some traction.

Gross profit for the quarter ended October 31, 2020, was \$0.3 million compared to a gross profit of \$1.5 million in the prior year. The drop in sales volume had a significant impact on the company's gross profit. The current global pandemic not only affected the Company's ability to secure new work, as noted above, but it also delayed project kickoffs and increased pressure on pricing. Lower sales volumes also contributed to occasional operational inefficiencies. In the latter part of the quarter, the Company initiated targeted cost reductions to help offset lower sales volumes.

Selling and administrative expenses for the quarter ended October 31, 2020 were \$2.0 million compared to \$1.2 million in the prior year. Due to the drop in sales volumes and lack of visibility of future demand mostly as a result of the global pandemic, the Company decided to make some significant changes in its organizational structure. To this end Reko took a reserve of \$0.8 million to cover severance payments. While this decision negatively impacted Q1 results, it will produce significant future cost savings. The Company continues to carefully monitor its discretionary spending, with new Company procedures being developed to promote overall cost reduction.

Net loss for the quarter ended October 31, 2020 was \$0.9 million or \$(0.14) per share, compared to net income of \$0.1 million, or \$0.02 per share in the prior year. The utilization of government support programs (CEWS) related to the global pandemic helped to offset part of the unfavorable quarterly results.

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During the quarter ended October 31, 2020, Reko purchased and subsequently cancelled 21,100 shares under the provision of the normal course issuer bid.

“The cost of reducing our workforce to address the market uncertainty caused by the pandemic, negatively impacted our results for the first quarter of the new year,” stated Diane Reko, chief executive officer. “While we have been able to maintain our strong balance sheet, the sales impact in certain parts of our business has left us with excess capacity. We continue to work diligently to improve our sales volume while pursuing new growth opportunities and paying close attention to our costs.”

### **About Reko International Group Inc.**

*Reko International Group Inc. (TSX-V:REKO) is a diversified, technology-driven manufacturing organization located in Southwestern Ontario, just minutes from the U.S. border. Areas of expertise include robotic factory automation solutions, the precision machining of large critical parts, and plastic injection and low compression acoustic tooling. Reko’s family-oriented culture embraces past experience, fosters innovation, and always ensures the highest standard of quality. Reko believes in strengthening communities by advancing manufacturing. For more information, visit, or contact Catia Longo, Chief Financial Officer at (519) 727-3287.*