

HÉROUX-DEVTEK REPORTS FIRST QUARTER FISCAL 2021 FINANCIAL RESULTS

Q1 Highlights

- Sales of \$128.3 million, compared to \$143.4 million last year
- Operating income of \$1.4 million, compared to \$10.4 million last year
- Adjusted operating income¹ of \$7.4 million, compared to \$11.0 million last year
- Adjusted EBITDA¹ of 18.4 million, or 14.3% of sales, compared to \$21.5 million or 15.0% last year
- Cash flows related to operating activities of \$15.5 million, compared to \$3.7 million last year
- Funded backlog of \$772 million, with two thirds from firm defence orders

Longueuil, Québec, August 7, 2020 – Héroux-Devtek Inc. (TSX: HRX) (“Héroux-Devtek” or the “Corporation”), a leading international manufacturer of aerospace products and the world’s third-largest landing gear manufacturer, today reported its financial results for the first quarter ended June 30, 2020. Unless otherwise indicated, all amounts are in Canadian dollars.

“Our first quarter results were encouraging given this turbulent environment. We remained profitable and generated free cash flow that are helping us maintain a healthy balance sheet. The restructuring measures we announced in May are also proceeding according to plan,” said Martin Brassard, President and CEO of Héroux-Devtek.

“We now turn to the quarters ahead with prudent optimism, as our \$772 million backlog, two thirds of which is comprised of defence orders, will allow us to weather the storm. We are also working on new business opportunities in order to secure work for the coming years. I want to thank our teams around the world who remain committed to delivering best-in-class products,” added Mr. Brassard.

FINANCIAL HIGHLIGHTS	Three months ended	
(in thousands, except per share data)	2020	June 30, 2019
Sales	\$ 128,335	\$ 143,427
Operating income	1,385	10,371
Adjusted operating income ¹	7,430	10,986
Adjusted EBITDA ¹	18,358	21,509
Net (loss) income	(1,313)	6,443
Adjusted net income ¹	3,382	6,959
Cash flows related to operating activities	15,473	3,695
Free cash flow ¹	10,232	(1,588)
<i>in dollars per share</i>		
Earnings (loss) per share – basic and diluted	\$ (0.04)	\$ 0.18
Adjusted EPS ¹	0.09	0.19
<i>As at</i>	June 30, 2020	March 31, 2020
Funded backlog ²	\$ 772,000	\$ 810,000

¹ These are non-IFRS measures. Please refer to the “Non-IFRS Measures” section at the end of this press release.

² Represents firm orders.

FIRST QUARTER RESULTS

Consolidated sales decreased 10.5% to \$128.3 million, from \$143.4 million last year. Civil sales decreased 25.9% from \$67.4 million to \$49.9 million, while defence sales were up 3.2%, from \$76.0 million last year to \$78.4 million in the first quarter. The decrease in civil sales is mainly related to lower demand in the large commercial sector, where twin-aisle deliveries decreased 44% due to the ongoing pandemic.

Gross profit for the quarter decreased from \$24.2 million to \$20.5 million last year, mainly as a result of the reduction in sales caused by COVID-19. The pandemic also caused additional costs and production inefficiencies which were partly offset by government relief measures. As a percentage of sales, gross profit decreased from 16.9% to 16.0% mainly as a result of lower sales volume without a corresponding decrease in fixed costs such as depreciation, which represented a year-over-year impact of 0.8% of sales.

Operating income decreased to \$1.4 million or 1.1% of sales, from \$10.4 million or 7.2% of sales due mainly to restructuring charges recorded in Q1 and lower sales volume. Foreign exchange also had an unfavourable net impact of \$0.7 million or 0.5% of sales.

Adjusted EBITDA, which excludes non-recurring items, stood at \$18.4 million, or 14.3% of sales, compared with \$21.5 million, or 15.0% of sales, a year ago.

Earnings per share decreased from \$0.18 last year to a loss of \$0.04 in the first quarter this year, due to the factors presented above. Adjusted EPS reached \$0.09 in the first quarter, down from \$0.19 last year.

FINANCIAL POSITION

Cash flows related to operating activities reached \$15.5 million in the first quarter, up from \$3.7 million last year. The increase results from stronger collection of receivables this year versus last, partially offset by lower adjusted EBITDA and cash charges related to restructuring activities.

As at June 30, 2020, net debt stood at \$233.2 million, down from \$246.9 million as at March 31, 2020. The decrease in net debt during the three-month period is mainly related to cash flow generation in Q1.

Early into the first quarter, the Corporation drew \$60 million on its credit facilities, comprised of \$45 million on the Revolving Facility and \$15 million on the Term Loan Facility. These drawings, unused as at June 30, 2020, were made as a precaution for potential liquidity requirements related to the COVID-19 pandemic.

As at June 30, 2020, the Corporation had \$204.6 million of available liquidity.

RESTRUCTURING UPDATE

On May 5, 2020, Héroux-Devtek announced restructuring initiatives in light of the ongoing COVID-19 pandemic. These initiatives will affect 10% of the workforce, or approximately 225 employees, and will include the closure of the business unit formerly known as Alta Précision.

To date, \$6.0 million of related costs have been recorded as restructuring charges, mainly comprised of employee-related charges and costs to dismantle and relocate machinery. 60% of staff reductions have been completed, with most of the remaining related to Alta Précision. These employees will remain until the closure of the facility near the end of the fiscal year in order to complete an orderly transition of work packages.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Friday, August 7, 2020 at 11:30 AM Eastern Time. Interested parties can join the call by dialing 1-888-231-8191 (North America) or 1-647-427-7450 (overseas). The conference call can also be accessed via live webcast on Héroux-Devtek's website, www.herouxdevtek.com/en/news-events/events or at https://bit.ly/HRX_Q1_2021. An accompanying presentation is also available on Héroux-Devtek's website at <https://www.herouxdevtek.com/en/investors/financial-documents>.

If you are unable to call in at this time, you may access a recording of the meeting by calling 1-855-859-2056 and entering the passcode 6556316 on your phone. This recording will be available from Friday, August 7, 2020 as of 2:30 PM Eastern Time until 11:59 PM Eastern Time on Friday, August 14, 2020.

FORWARD-LOOKING STATEMENTS

Except for historical information provided herein, this press release contains information and statements of a forward-looking nature concerning the future performance of the Corporation.

Forward-looking statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors include, but are not limited to: the effect of the ongoing COVID-19 pandemic on Héroux-Devtek's operations, customers, supply chain, the aerospace industry and the economy in general; the impact of other worldwide general economic conditions; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; financial and operational performance of suppliers and customers; foreign exchange or interest rate fluctuations; and the impact of accounting policies issued by international standard setters. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements.

As a result, readers are advised that actual results may differ from expected results. Please see the *Impact of COVID-19* section under *Overview* and the *Risk Management* section under *Additional Information*, as well as the *Guidance* section in the Corporation's MD&A for the first quarter ended June 30, 2020 for further details regarding the material assumptions underlying the forecasts and guidance. Such forecasts and guidance are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

NON-IFRS MEASURES

Adjusted operating income, adjusted EBITDA, adjusted net income, adjusted earnings per share and free cash flow are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations. Refer to Non-IFRS financial measures under Operating Results in the Corporation's MD&A for definitions of these measures and reconciliations to the most comparable IFRS measures.

ABOUT HÉROUX-DEVTEK

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical actuators, custom ball screws and fracture-critical components for the Aerospace market. The Corporation is the third-largest landing gear company worldwide, supplying both the defence and commercial sectors. Approximately 90% of the Corporation's sales are outside of Canada, including about 53% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in Canada, the United States, the United Kingdom and Spain.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended June 30, 2020

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2020 AND 2019

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation for the quarters ended June 30, 2020 and 2019 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, and are the responsibility of the Corporation's management.

The Corporation's external auditors, Ernst & Young LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by Chartered Professional Accountants Canada for a review of financial statements by the external auditors of an entity.

August 6, 2020

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	June 30, 2020	March 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 114,407	\$ 45,841
Accounts receivable		77,791	112,558
Income tax receivable		840	1,291
Inventories		259,090	241,119
Derivative financial instruments	9	136	28
Other current assets		20,554	21,213
		472,818	422,050
Property, plant and equipment, net		251,224	259,641
Finite-life intangible assets, net	4	59,433	64,047
Derivative financial instruments	9	2,414	3,498
Deferred income tax assets		17,810	19,698
Goodwill		116,583	120,773
Other long-term assets		8,896	9,141
Total assets		\$ 929,178	\$ 898,848
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 114,485	\$ 126,488
Provisions		31,394	27,679
Customer advances and progress billings		33,095	34,885
Income tax payable		2,224	1,403
Derivative financial instruments	9	4,702	9,321
Current portion of long-term debt	10	19,934	16,857
		205,834	216,633
Long-term debt	10	324,699	272,760
Provisions		19,184	19,527
Derivative financial instruments	9	4,674	14,667
Deferred income tax liabilities		8,966	8,812
Other liabilities		19,906	17,001
		583,263	549,400
Shareholders' equity			
Issued capital	11	79,757	79,757
Contributed surplus		6,072	5,792
Accumulated other comprehensive income	12	7,334	7,160
Retained earnings		251,151	255,221
Total equity attributable to the equity holders of the parent		344,314	347,930
Non-controlling interests		1,601	1,518
		345,915	349,448
Total liabilities and shareholders' equity		\$ 929,178	\$ 898,848

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars, except per share data) (Unaudited)

	Notes	Three months ended June 30,	
		2020	2019
Sales	3	\$ 128,335	\$ 143,427
Cost of sales	4, 5	107,789	119,202
Gross profit		20,546	24,225
Selling and administrative expenses	4, 5	13,116	13,239
Non-recurring items	6	6,045	615
Operating income		1,385	10,371
Net financial expenses	7	2,930	2,636
Income (loss) before income tax expense		(1,545)	7,735
Income tax (recovery) expense		(232)	1,292
Net (loss) income		\$ (1,313)	\$ 6,443
Attributable to:			
Equity holders of the parent		\$ (1,396)	\$ 6,542
Non-controlling interests		83	(99)
		\$ (1,313)	\$ 6,443
Earnings (loss) per share – basic and diluted	8	\$ (0.04)	\$ 0.18

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars) (Unaudited)

	Note	Three months ended June 30,	
	12	2020	2019
Other comprehensive (loss):			
Items that may be reclassified to net income			
Losses arising from conversion of the financial statements of foreign operations		\$ (12,175)	\$ (9,303)
Cash flow hedges:			
Net gains on valuation of derivative financial instruments		10,398	1,990
Net losses on derivative financial instruments transferred to net income		2,958	411
Deferred income taxes		(3,569)	(607)
		9,787	1,794
Gains on hedge of net investments in foreign operations		2,933	1,276
Deferred income taxes		(371)	(71)
		2,562	1,205
Items that are never reclassified to net income			
Defined benefit pension plans:			
Losses from remeasurement		(3,633)	(1,654)
Deferred income taxes		959	451
		(2,674)	(1,203)
Other comprehensive loss		\$ (2,500)	\$ (7,507)
Comprehensive income			
Net (loss) income		\$ (1,313)	\$ 6,443
Other comprehensive loss		(2,500)	(7,507)
Comprehensive loss		\$ (3,813)	\$ (1,064)
Attributable to:			
Equity holders of the parent		\$ (3,896)	\$ (965)
Non-controlling interests		83	(99)
		\$ (3,813)	\$ (1,064)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars) (Unaudited)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Equity attributable to the equity holders of the parent	Non-Controlling interests	Shareholders' equity
Balance as at March 31, 2020		\$ 79,757	\$ 5,792	\$ 7,160	\$ 255,221	\$ 347,930	\$ 1,518	\$ 349,448
Stock-based compensation expense	11	—	280	—	—	280	—	280
Net (loss) income		—	—	—	(1,396)	(1,396)	83	(1,313)
Other comprehensive (loss) income	12	—	—	174	(2,674)	(2,500)	—	(2,500)
Balance as at June 30, 2020		\$ 79,757	\$ 6,072	\$ 7,334	\$ 251,151	\$ 344,314	\$ 1,601	\$ 345,915

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Equity attributable to the equity holders of the parent	Non-Controlling interests	Shareholders' equity
Balance as at March 31, 2019		\$ 79,676	\$ 4,707	\$ 10,502	\$ 307,101	\$ 401,986	\$ 2,112	\$ 404,098
Stock-based compensation expense	11	—	219	—	—	219	—	219
Purchase of minority interests in Tekalia		—	—	—	—	—	(544)	(544)
Net income (loss)		—	—	—	6,542	6,542	(99)	6,443
Other comprehensive loss	12	—	—	(6,304)	(1,203)	(7,507)	—	(7,507)
Balance as at June 30, 2019		\$ 79,676	\$ 4,926	\$ 4,198	\$ 312,440	\$ 401,240	\$ 1,469	\$ 402,709

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars) (Unaudited)

		Three months ended June 30,	
	Notes	2020	2019
Cash and cash equivalents provided by (used for):			
Operating activities			
Net (loss) income		\$ (1,313)	\$ 6,443
Items not requiring an outlay of cash:			
Amortization expense	5	10,928	10,523
Deferred income taxes		(758)	(945)
Gains on sale of property, plant and equipment		—	(221)
Net non-cash financial expenses	7	1,306	934
Stock-based compensation expense	11	280	219
Cash flows from operations		10,443	16,953
Net change in non-cash items	13	5,030	(13,258)
Cash flows related to operating activities		15,473	3,695
Investing activities			
Cash payment related to business acquisition		—	(17,149)
Net additions to property, plant and equipment		(6,129)	(3,864)
Net change in finite-life intangible assets		888	(1,419)
Proceeds on disposal of property, plant and equipment		—	4,025
Cash flows related to investing activities		(5,241)	(18,407)
Financing activities			
Proceeds from long-term debt		61,599	22,920
Repayment of long-term debt		(2,887)	(5,630)
Increase in deferred financing costs		—	(344)
Cash flows related to financing activities		58,712	16,946
Effect of changes in exchange rates on cash and cash equivalents		(378)	(397)
Change in cash and cash equivalents during the periods		68,566	1,837
Cash and cash equivalents at beginning of periods		45,841	35,128
Cash and cash equivalents at end of periods		\$ 114,407	\$ 36,965
Interest and income taxes reflected in operating activities:			
Interest paid		\$ 1,842	\$ 1,736
Interest received		\$ 218	\$ 34
Income taxes paid		\$ 774	\$ 2,023

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended June 30, 2020 and 2019
(In thousands of Canadian dollars, except per share data) (Unaudited)

NOTE 1. NATURE OF ACTIVITIES AND CORPORATE INFORMATION

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office is domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 600, West Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical actuators, custom ball screws and fracture-critical components.

The Corporation only operates in one reporting segment, which is the Aerospace segment.

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "HRX".

NOTE 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the quarter ended June 30, 2020 were prepared in accordance with IAS 34, *Interim Financial Reporting*, therefore certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read together with the annual audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for the fiscal year ended March 31, 2020.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 6, 2020.

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Corporation's revenue from contracts with customers was as follows :

	Three months ended June 30,	
	2020	2019
Geographic markets		
Canada	\$ 10,568	\$ 13,762
United States of America	69,082	74,103
United Kingdom	12,683	16,318
Spain	10,072	11,188
Rest of Europe	15,419	14,297
Other countries	10,511	13,759
	\$ 128,335	\$ 143,427
Sectors		
Commercial	\$ 49,941	\$ 67,441
Defence ⁽¹⁾	78,394	75,986
	\$ 128,335	\$ 143,427

⁽¹⁾ Includes defence sales to civil customers and governments.

NOTE 4. GOVERNMENT ASSISTANCE

Government assistance was deducted from the cost of related assets or recognized as a reduction of expenses as follows:

	Three months ended June 30,	
	2020	2019
Finite-life intangible assets	\$ 244	\$ 219
Cost of sales and, selling and administrative expenses	4,266	853

Government assistance includes mainly research and development tax credits, other credits and grants.

NOTE 5. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

	Three months ended June 30,	
	2020	2019
Raw materials and purchased parts	\$ 42,462	\$ 49,889
Employee costs	46,251	49,000
Amortization of property, plant and equipment and finite-life intangible assets	10,928	10,523
Others	21,264	23,029
	\$ 120,905	\$ 132,441
Including:		
Foreign exchange losses resulting from the conversion of net monetary items denominated in foreign currencies	903	558
Amortization of customer relationships	1,260	1,842

NOTE 6. NON-RECURRING ITEMS

Non-recurring items in operating income comprise the following:

	Three months ended June 30,	
	2020	2019
Restructuring charges	\$ 6,045	\$ —
Acquisition-related costs	—	615
	\$ 6,045	\$ 615

Restructuring charges

On May 5, 2020, Héroux-Devtek announced restructuring initiatives in light of the ongoing COVID-19 pandemic. These initiatives will affect 10% of the workforce, or approximately 225 employees, and will include the closure of the business unit formerly known as Alta Précision.

To date, \$6,045 of related costs have been recorded as restructuring charges, mainly comprised of employee-related charges and costs to dismantle and relocate machinery. 60% of staff reductions have been completed, with most of the remaining related to Alta Précision. These employees will remain until the closure of the facility near the end of the fiscal year in order to complete an orderly transition of work packages.

NOTE 7. NET FINANCIAL EXPENSES

Net financial expenses comprise the following:

	Three months ended June 30,	
	2020	2019
Interest accretion on governmental authorities loans	\$ 791	\$ 480
Interest on net defined benefit obligations	101	59
Amortization of deferred financing costs	215	259
Other interest accretion and discount rate adjustments	199	136
Net non-cash financial expenses	1,306	934
Interest expense	1,842	1,736
Interest income on cash and cash equivalents	(218)	(34)
	\$ 2,930	\$ 2,636

NOTE 8. EARNINGS PER SHARE

The following table sets forth the elements used to compute basic and diluted earnings per share:

	Three months ended June 30,	
	2020	2019
Weighted-average number of common shares outstanding	36,367,210	36,362,210
Dilutive effect of stock options	—	259,548
Weighted-average number of common diluted shares outstanding	36,367,210	36,621,758
Options excluded from diluted earnings per share calculation	1,846,595	—

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

As at June 30, 2020, the Corporation had forward foreign exchange contracts outstanding for a notional amount of \$343,931 (\$404,728 at March 31, 2020) denominated in USD, EUR and GBP. This amount includes contracts with nominal value of US\$237,345 (US\$266,355 at March 31, 2020) convertible into Canadian dollars at an average rate of 1.3248 (1.3243 at March 31, 2020). These contracts mature at various dates between July 2020 and March 2025, with the majority maturing this fiscal year and the next.

Cross-currency interest rate swaps

As at June 30, 2020, the Corporation had entered into the following cross-currency interest rate swap agreements in order to mitigate foreign exchange and interest rate risks:

	Notional	EURO equivalent	Interest rate	Inception	Maturity
US\$	29,370	€ 25,000	1.86 %	October 2017	May 2022
C\$	50,000	€ 34,110	3.40 %	October 2017	September 2025
US\$	17,523	€ 15,000	Euribor 1 month + 1.74%	September 2018	May 2022
C\$	10,000	€ 6,658	2.68 %	June 2019	September 2025

Equity swap agreement

As at June 30, 2020 and March 31, 2020, the Corporation had entered into an equity swap agreement fixing 300,000 common shares of the Corporation at a price of \$13.52. This agreement manages the Corporation's exposure to fluctuations of its share price driven by outstanding Performance Share Units and Deferred Share Units. It is a derivative that is not part of a designated hedging relationship and matures in June 2021.

NOTE 10. LONG-TERM DEBT

As at	June 30, 2020	March 31, 2020
Senior Secured Syndicated Revolving Credit Facility ("Revolving Facility")	\$ 137,670	\$ 96,472
Governmental authorities loans	89,721	88,590
Unsecured Subordinated Term Loan Facility (Term Loan)	75,000	60,000
Lease liabilities	42,290	44,665
Balance of sale - Acquisitions	2,885	2,983
Deferred financing costs, net	(2,933)	(3,093)
	344,633	289,617
Less: current portion	19,934	16,857
Long-term debt	\$ 324,699	\$ 272,760

Revolving Facility

The relevant terms and drawings on the Revolving Facility are as follows:

As at	June 30, 2020	March 31, 2020
Limit, in Canadian, US\$, Euro or British Pound equivalent	\$ 250,000	\$ 250,000
US\$ Drawings		
Amount	US\$ 68,000	US\$ 68,000
Rate	Libor + 1.5%	Libor + 1.5%
Effective interest rate	1.6%	2.5%
Canadian drawing		
Amount	\$ 45,000	\$ —
Rate	BA ⁽¹⁾ + 1.5%	N/A
Effective interest rate	2.0%	N/A

⁽¹⁾ BA: Banker's Acceptance rate

Term Loan Facility

The term loan facility bears interest at a weighted average interest rate of 5.2%.

Lease liabilities

Lease liabilities bear fixed interest rates between 2.8% and 7.0% as at June 30, 2020 (2.8% and 7.0% as at March 31, 2020), maturing from July 2020 to May 2039.

NOTE 11. ISSUED CAPITAL

Variations in common shares issued and fully paid were as follows:

	Three months ended June 30, 2020	
	Number	Issued capital
Opening balance	36,367,210	\$ 79,757
Closing balance	36,367,210	\$ 79,757

A. Stock option plan

The Corporation grants stock options at a subscription price representing the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date. Options granted under the plan mainly vest over a period of four years. The options are exercisable over a period not exceeding seven years after the grant date.

For the quarters ended June 30, variances in stock options outstanding and related compensation expense were as follows:

	2020		2019	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Opening balance	1,497,595	\$ 13.86	1,167,095	\$ 13.23
Granted	349,000	9.83	341,500	16.03
Closing balance	1,846,595	\$ 13.10	1,508,595	\$ 13.87
Stock-based compensation expense		\$ 280		\$ 219

The number of common shares reserved for issuance represents 2,808,257 of which 2,752,507 shares had not been issued yet at June 30, 2020 (2,752,507 as at March 31, 2020).

B. Deferred Share Unit ("DSU") and Performance Share Unit ("PSU") plans

Movements in outstanding DSUs and PSUs and related expenses were as follows:

	Three months ended June 30, 2020	
	2020	2019
DSUs		
<i>In number of DSUs</i>		
Opening balance	154,950	166,334
Closing balance of DSUs outstanding	154,950	166,334
DSU expense for the periods	\$ (27)	\$ 628
Fair value of vested outstanding DSUs, end of periods	\$ 1,572	\$ 3,162

	Three months ended June 30, 2020	
	2020	2019
PSUs		
<i>In number of PSUs</i>		
Opening balance	278,450	212,450
Issued	119,100	119,300
Closing balance of PSUs outstanding	397,550	331,750
PSU expense for the periods	\$ 123	\$ 1,010
Fair value of vested outstanding PSUs, end of periods	\$ 2,439	\$ 2,860

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income were as follows:

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2020	\$ 34,845	\$ (13,902)	\$ (13,783)	\$ 7,160
Other comprehensive income (loss)	(12,175)	9,787	2,562	174
Balance as at June 30, 2020	\$ 22,670	\$ (4,115)	\$ (11,221)	\$ 7,334

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2019	\$ 19,266	\$ (1,772)	\$ (6,992)	\$ 10,502
Other comprehensive (loss) income	(9,303)	1,794	1,205	(6,304)
Balance as at June 30, 2019	\$ 9,963	\$ 22	\$ (5,787)	\$ 4,198

NOTE 13. NET CHANGE IN NON-CASH ITEMS

The net change in non-cash items were as follows:

	Three months ended June 30,	
	2020	2019
Accounts receivable	\$ 34,767	\$ 14,623
Income tax receivable	451	(87)
Inventories	(17,972)	(10,719)
Other current and long-term assets	846	(3,245)
Accounts payable and accrued liabilities and other liabilities	(9,662)	(9,038)
Provisions	3,373	(1,048)
Customer advances and progress billings	(2,648)	(577)
Income tax payable	821	(243)
Effect of changes in exchange rates	(4,946)	(2,924)
	\$ 5,030	\$ (13,258)