



VELAN

FY 2024 Annual Meeting

July 11, 2024

Disclaimer

The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for fiscal 2024 ended February 29, 2024. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal years ended February 29, 2024, and February 28, 2023. The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The significant accounting policies upon which these consolidated financial statements have been prepared are detailed in Note 2 of the Company’s audited consolidated financial statements. All foreign currency transactions, balances and overseas operations have been converted to U.S. dollars, the Company’s reporting currency. This investor presentation was reviewed by the Board of Directors of the Company on July 10, 2024. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR+ at www.sedarplus.ca.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this investor presentation, the Company has presented measures of performance or financial condition which are not defined under IFRS (“non-IFRS measures”) and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are used by management in assessing the operating results and financial condition of the Company and are reconciled with the performance measures defined under IFRS. Reconciliations of these amounts can be found at the end of this presentation. The Company has also presented supplementary financial measures which are defined at the end of this presentation.

FORWARD-LOOKING INFORMATION

This investor presentation may include forward-looking statements, which generally contain words like “should”, “believe”, “anticipate”, “plan”, “may”, “will”, “expect”, “intend”, “continue” or “estimate” or the negatives of these terms or variations of them or similar expressions, all of which are subject to risks and uncertainties. These risks and uncertainties are disclosed in the Company’s filings with the appropriate securities commissions. While these statements are based on management’s assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that it believes are reasonable and appropriate in the circumstances, no forward-looking statement can be guaranteed and actual future results may differ materially from those expressed herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise, except as required by the applicable securities laws. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.



James A. Mannebach

CEO and Chairman of the Board



General Overview

- **Fiscal 2024 was a less-than-optimal year**
 - Challenging economic environment
 - Disruptions from proposed company sale
 - Adjusted EBITDA¹ of \$17.8M on sales of \$346.8M
- **Highly encouraged by sequential increases in bookings¹ during second half**
 - Year-end backlog¹ of \$491.5M
 - Nearly three-quarters to be shipped within a 12-month period
- **Expecting return to growth mode in fiscal 2025**

¹Non-IFRS measure – see Non-IFRS and Supplementary Financial Measures in the Appendix of this presentation.

Strength of our Network

Global company with headquarters in Canada

- R&D centres in Canada, France, Italy, India
- 12 manufacturing facilities around the world
- Two distribution centres

Network provides strong competitive advantages

- Diverse product portfolio
- Scale
- Cost efficiency

North America

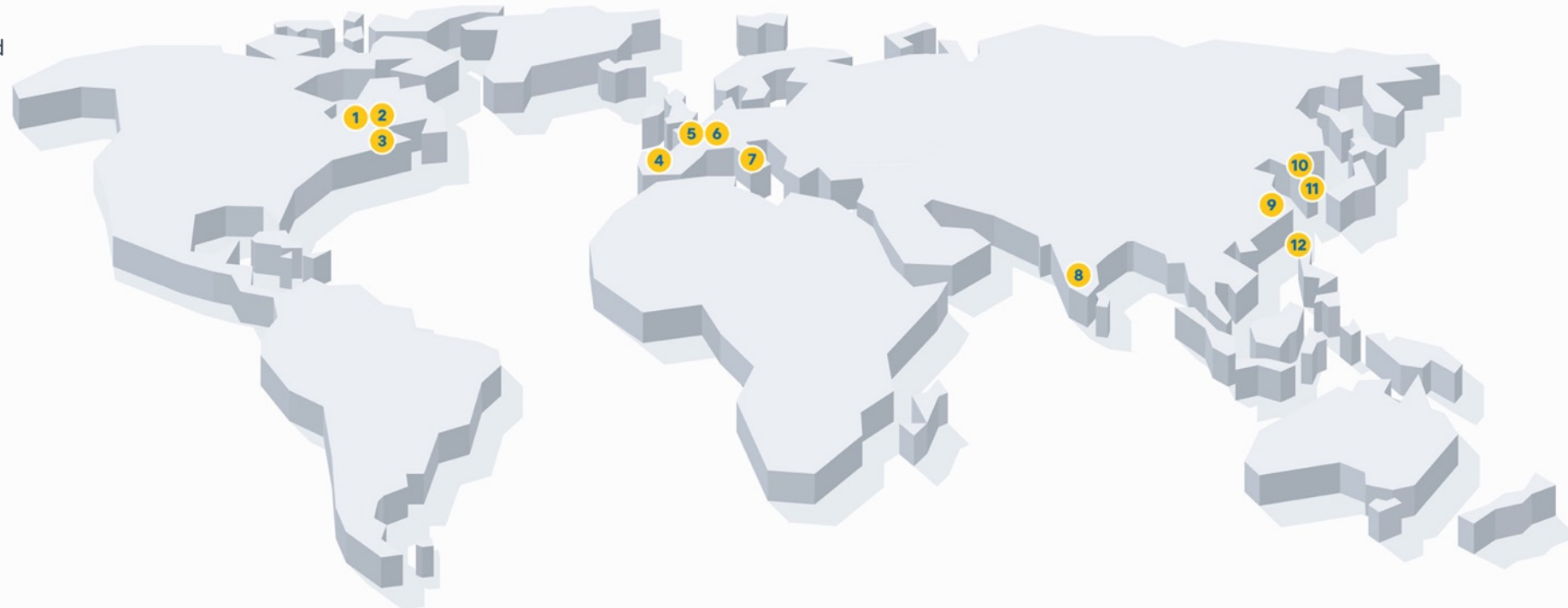
- 1 **Velan Head Office**
Montreal, Canada
- 2 **Velan Inc.**
Granby, Canada
- 3 **Velan Valve Corp.**
Williston, U.S.A.

Europe

- 4 **Válvulas Industriais, Lda.**
Lisbon, Portugal
- 5 **Velan SAS**
Lyon, France
- 6 **Segault SAS**
Mennecy, France
- 7 **Velan ABV S.r.l.**
Lucca, Italy

Asia

- 8 **Velan Valves India Pvt. Ltd.**
Coimbatore, India
- 9 **Velan Valve (Suzhou) Co., Ltd.**
Suzhou, China
- 10 11 **Velan Ltd.**
Ansan City, South Korea
- 12 **Velan-Valvac**
Taichung, Taiwan



Key Growth Markets

Looking to increase reach in markets with sustained differentiation

NUCLEAR



- Benefitting from evolving global sentiment
- Clean source of energy
- Ten-year growth cycle
- Leading valve supplier for all nuclear technologies

DEFENSE



- Longstanding experience in nuclear marine and aircraft propulsion markets
- Ideally suited to address SMR niche

OIL & GAS



- Leveraging majority of NA's oil refineries and growing presence overseas
- Providing most reliable engineered valves and steam traps on the market

LIQUEFIED NATURAL GAS



- Cleanest of fossil fuels
- Offering most complete and technically advanced product line for LNG

MARKETS BUOYED BY ENERGY TRANSITION TRENDS



Focus on Cash Flow Generation

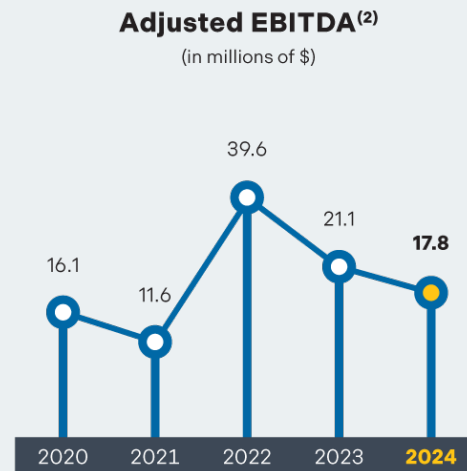
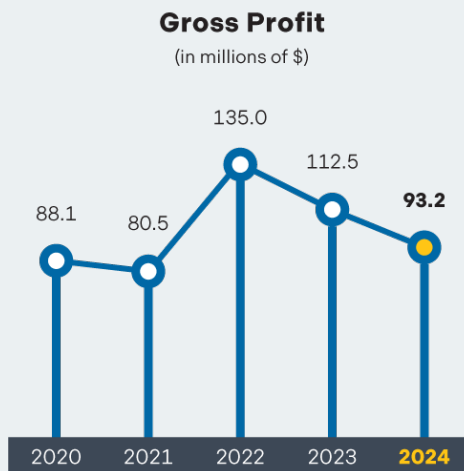
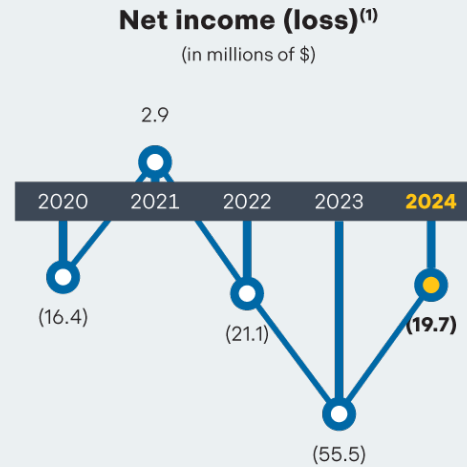
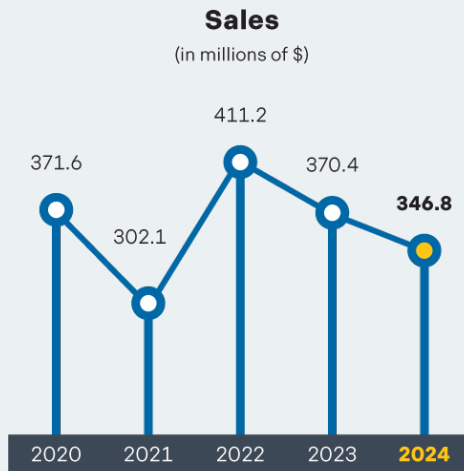
- **Well-positioned to increase cash flow from operations in fiscal 2025**
 - Leverage global scale of business
 - Maximize strategic procurement
 - Optimize inventory management
- **Solid financial position**
 - Closed fiscal 2024 with a positive net cash position



Rishi Sharma

Chief Financial and Administrative Officer

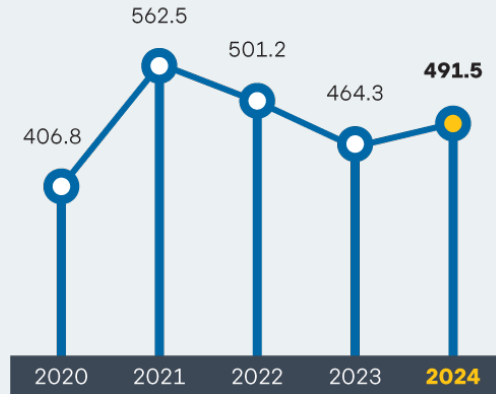
Financial Overview of Fiscal 2024



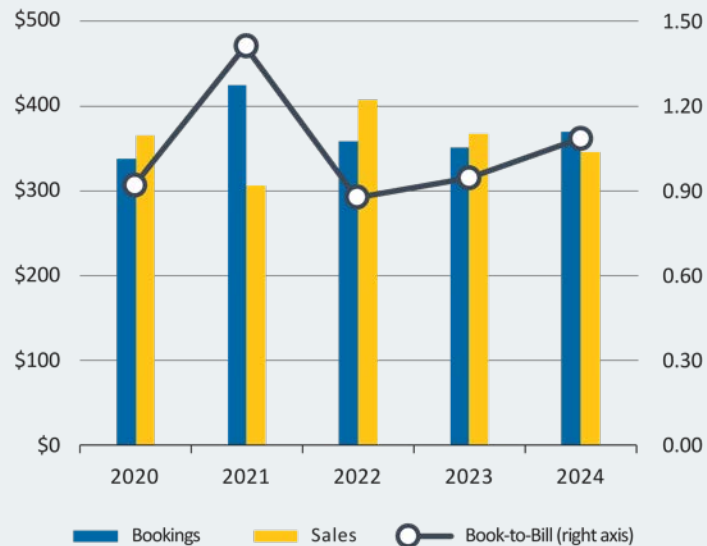
- Sales reached \$346.8M
- Gross profit attained \$93.2M (26.9% of sales)
- Net loss¹ totaled \$19.7M
- Adjusted EBITDA² amounted to \$17.8M

(1) Net income or loss refers to net income or loss attributable to subordinate and multiple voting shares.
 (2) Non-IFRS measure – see Non-IFRS and Supplementary Financial Measures in the Appendix of this presentation.

Backlog at Period End
(in millions of \$)



Bookings and Sales
(in millions of \$)



Financial Overview of Fiscal 2024 (continued)

- **Year-end backlog of \$491.5M**
 - \$360.7M to be delivered in the next 12 months
- **Total bookings of \$374.5M**
 - Up \$21.3M year-over-year, or 6.0%
- **Book-to-bill ratio¹ of 1.08**
 - Best ratio in over two years on a rolling 12-month basis

¹ Non-IFRS measure – see Non-IFRS and Supplementary Financial Measures in the Appendix of this presentation.

Cash Flow and Financial Position—FY 2024

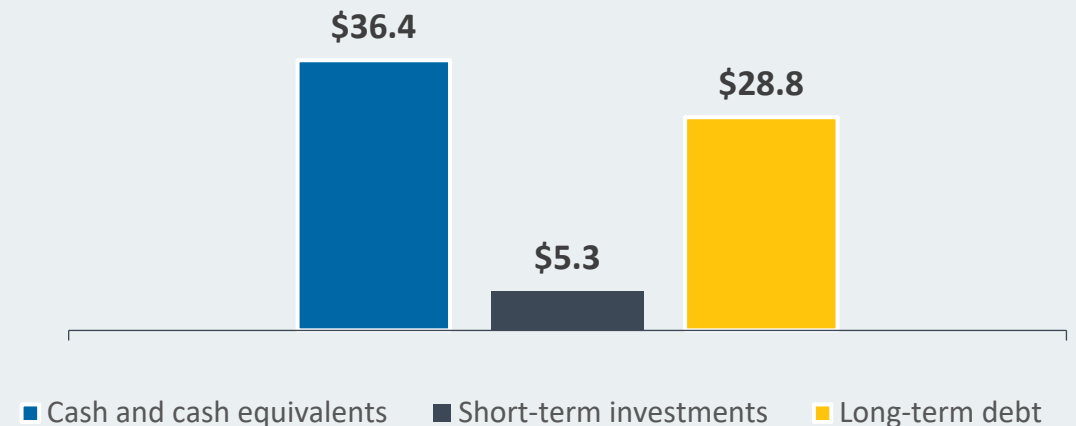
- Cash flow from operations of \$4.3M, up from \$0.5M last year
 - Higher EBITDA¹ and positive changes in non-cash working capital movements
 - Partially offset by unfavourable movements in long-term provisions
- Excellent financial position
 - Cash and cash equivalents of \$36.4M
 - Short-term investments of \$5.3M
 - Long-term debt of \$28.8M

¹ Non-IFRS measure – see Non-IFRS and Supplementary Financial Measures in the Appendix of this presentation.

Cash Flow from Operations
(in millions of \$)



Financial Position as at February 29, 2024
(in millions of \$)





James A. Mannebach

CEO and Chairman of the Board



Looking Ahead to Fiscal 2025

- Strong bookings momentum in the second half of 2024
- Order backlog totaled \$491.5 million at year-end
- Expecting return to sales growth in FY 2025



Appendix

Additional Information

Non-IFRS and Supplementary Financial Measures

Adjusted net income, Adjusted net income per share, Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA

	Three-month periods ended		Fiscal years ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
<i>(thousands, except amount per shares)</i>	\$	\$	\$	\$
Reconciliation of net income (loss) to adjusted net income (loss) & adjusted net income (loss) per share				
Net income (loss)	(2,083)	(47,164)	(19,737)	(55,453)
Adjustment for:				
Proposed transaction related costs	108	-	900	-
Restructuring costs	919	-	919	-
Adjustment to asbestos provision	10,000	55,954	10,000	55,954
Adjusted net income (loss)	8,944	8,790	(7,918)	501
per share - basic and diluted	0.41	0.41	(0.37)	0.02
Reconciliation of net income (loss) to Adjusted EBITDA				
Net income (loss)	(2,083)	(47,164)	(19,737)	(55,453)
Adjustments for:				
Depreciation of property, plant and equipment	2,472	2,452	8,930	8,722
Amortization of intangible assets and financing costs	650	608	2,296	2,272
Finance costs – net	2,355	516	6,346	1,552
Income taxes	5,088	4,102	7,471	8,045
EBITDA	8,482	(39,486)	5,306	(34,862)
Adjustments for:				
Proposed transaction related costs	147	-	1,224	-
Restructuring costs	1,250	-	1,250	-
Adjustment to asbestos provision	10,000	55,954	10,000	55,954
Adjusted EBITDA	19,879	16,468	17,780	21,092

Non-IFRS measures

The term "Adjusted net income (loss)" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus adjustment, net of income taxes, for costs related to the proposed transaction, restructuring, and asbestos provision. The terms "Adjusted net income (loss) per share" is obtained by dividing Adjusted net income (loss) by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

The term "EBITDA" is defined as adjusted net income plus depreciation of property, plant & equipment, plus amortization of intangible assets, plus net finance costs, plus income tax provision. The term "Adjusted EBITDA" is defined as EBITDA plus adjustment for costs related to the proposed transaction, restructuring, and asbestos provision. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Supplementary financial measures

The term "Net new orders" or "bookings" is defined as firm orders, net of cancellations, recorded by the Company during a period. Bookings are impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the Company's sales operation performance for a given period, as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "backlog" is defined as the buildup of all outstanding bookings to be delivered by the Company. The Company's backlog is impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the future operational challenges of the Company as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "book-to-bill ratio" is obtained by dividing bookings by sales. The measure provides an indication of the Company's performance and outlook for a given period.

VELAN

www.velan.com