

Q2-F2024
Investor Presentation
October 6th, 2023

VELAN



Disclaimer

The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for the quarter ended August 31, 2023. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the years ended February 28, 2023 and 2022. 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 October 5, 2023. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at www.sedar.com.

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.

Presenters

Thank you for attending our Q2-F2024 Financial Results Investor Call.
We will be happy to take questions at the end of the presentation.



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Our markets

Navy



Nuclear



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Severe Service



Oil & gas

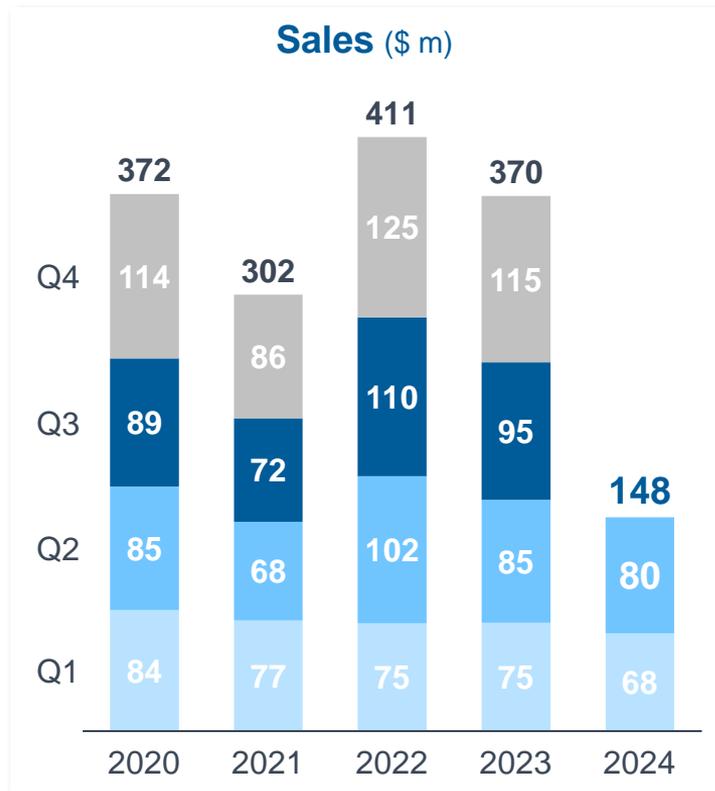


MRO & After-Market



Key Highlights – Q2-F2024

- **\$80.3 m** sales, an improvement of \$12.7 m or 18.7% vs Q1-F2024, a decrease of \$4.7 m or -5.6% vs Q2-F2023.
- **\$3.0 m** EBITDA² is \$1.6 m higher than last year. The increase is primarily attributable to a decrease in administration costs.
- **\$2.1 m** net loss¹ for the quarter.
- **\$485.7 m** backlog² → Increase since the beginning of the year of \$21.3 m.
- **\$39.4 m** net cash → Net cash decrease by \$19.3 m since the beginning of the quarter mainly due to temporary unfavorable movements in working capital as the Company prepares for its ramp-up in H2-F2024.
- Finally, as a result of Flowserve not obtaining the required regulatory approvals from France related to the acquisition of Velan, they have informed the Company that they intend to terminate the arrangement agreement on October 7th.

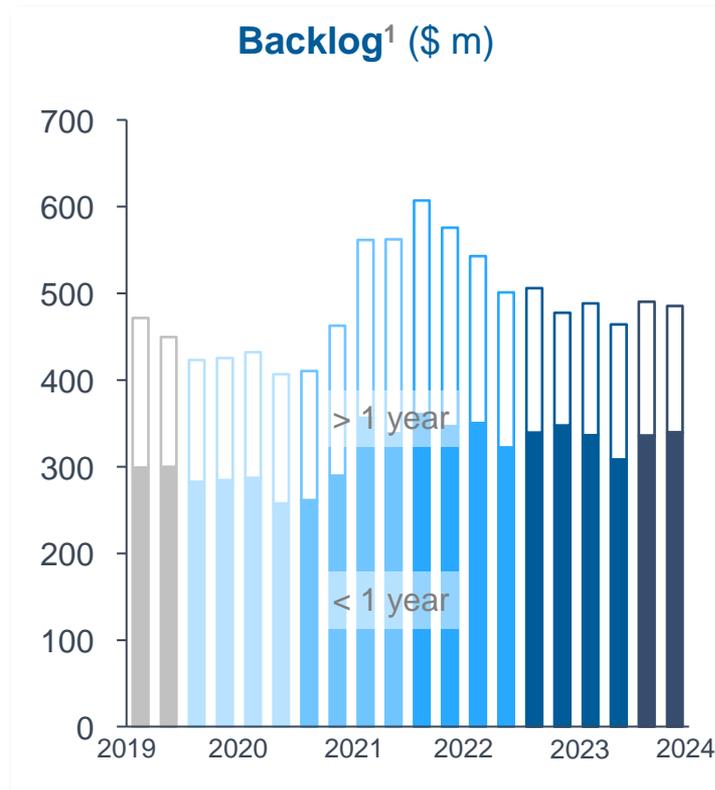


¹ Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares

² Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

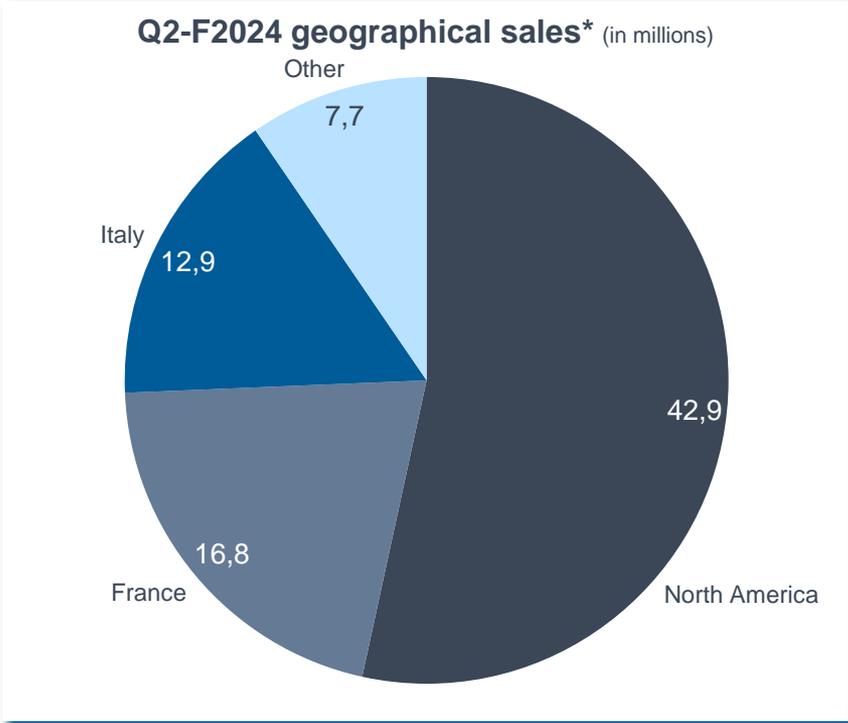
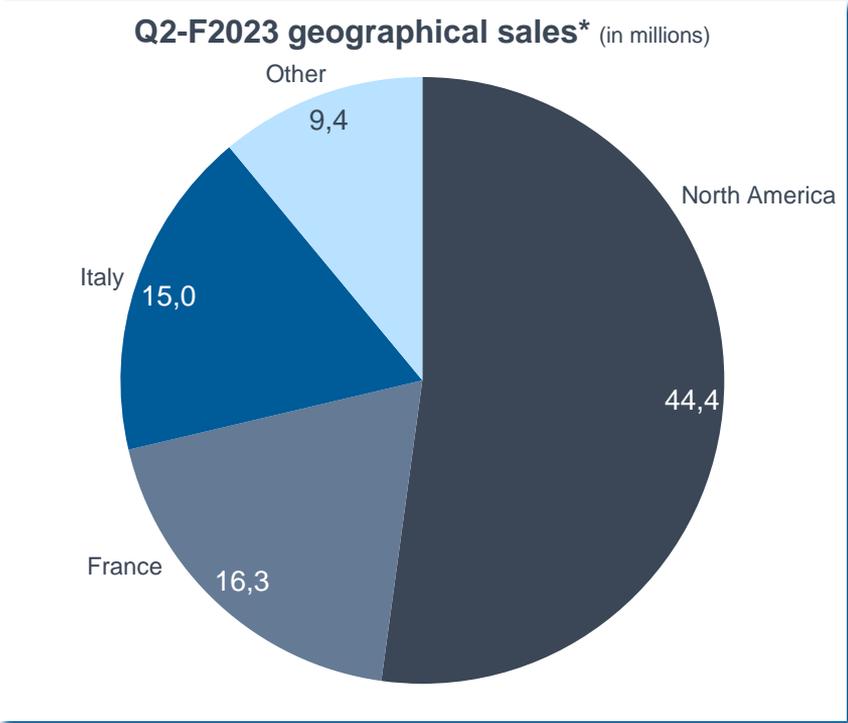
Backlog¹

- **\$485.7 m** backlog¹.
 - **\$339.4 m** shippable in the **next 12 months**.
- **1.10 book-to-bill ratio¹** for the half-year driven by changes in the profile of scheduled backlog¹ shipment dates.
- Within 12 months backlog¹ **comparable to previous year**.
- The backlog¹ was **favorably impacted by the strengthening of the euro spot rate against the U.S. dollar** since the beginning of the fiscal year which represented \$6.5 m.



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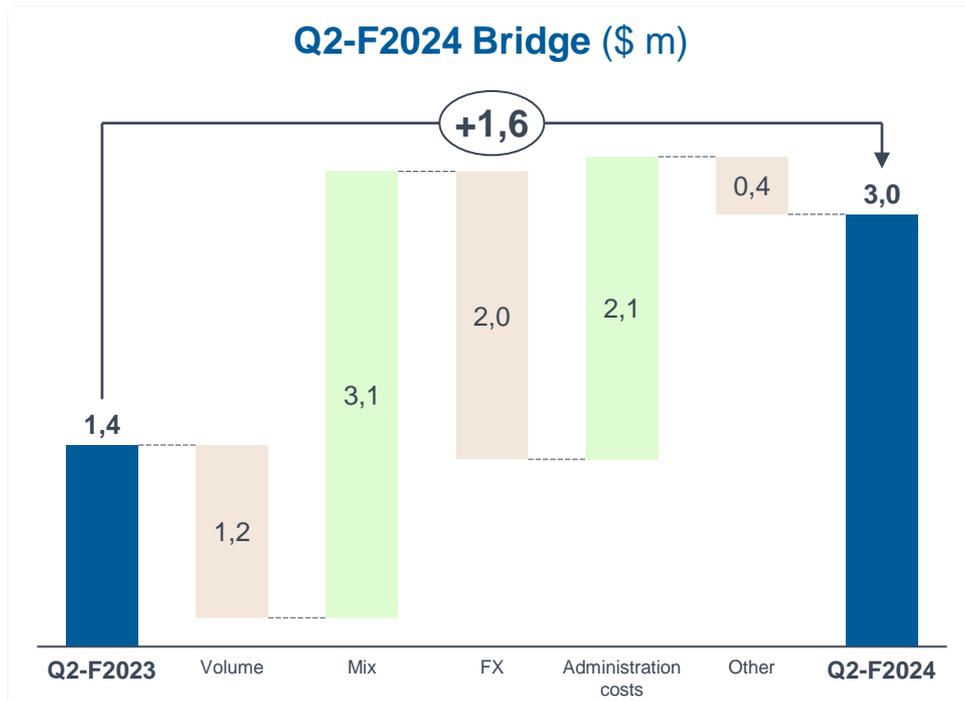
Sales – Decrease in sales for the quarter related to timing



- The decrease in sales for the quarter is primarily attributable to a shortage of deliverable orders in the Company’s Italian operations and delays on certain shipments this quarter caused by customer readiness issues.

*Geographical third-party sales are defined as the country where the sales was recorded.

EBITDA¹ evolution

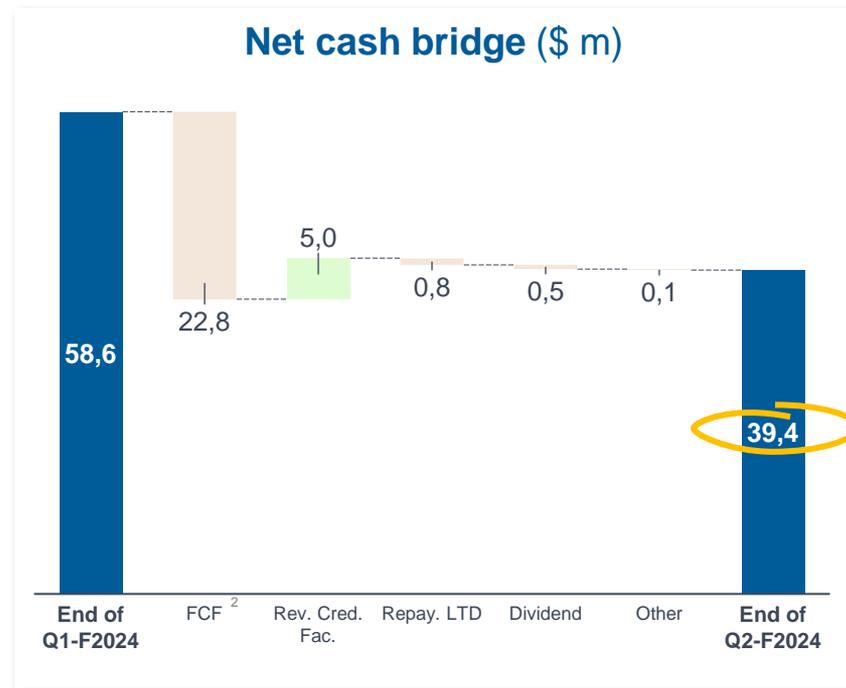
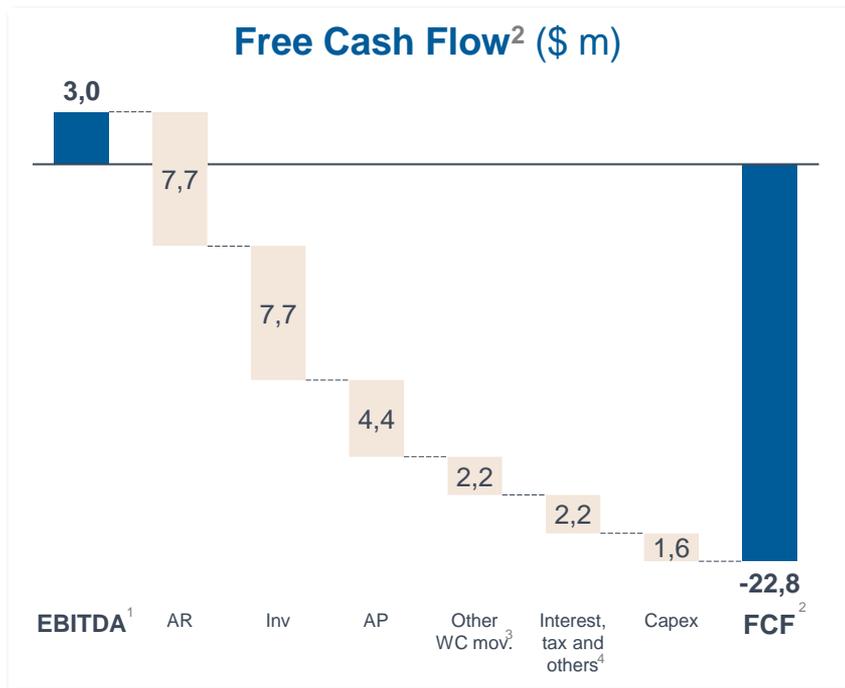


- Q2-F2024 gross profit negatively impacted by a lower sales volume and negative FX fluctuations compared to prior year, but positively impacted by an improved product mix.
- The slight decrease in gross profit was more than offset by lower administration costs, primarily related to asbestos settlements costs, which were provided for in Q4-F2023.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

² Primarily due to a \$9.6 m gain on the disposal of a plant. See MD&A for more details.

Net cash analysis



- Free Cash Flow usage driven primarily by sales occurring later in the quarter, inventory build-up and the timing of payments.
- Net cash and overall liquidity position (net cash + unused credit facilities) for the company remains strong at **\$39.4 m** and **\$122.1 m** respectively.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

² Free cash flow is defined as Cash provided (used) by operating activities less additions to property, plant and equipment (or Capex)

³ Includes net change in long-term provisions and customer deposits

⁴ Other adjustments are defined as loss (gain) on disposal of property, plant and equipment, minority interests, net change in derivative assets and liabilities and other long-term liabilities.

Closing Comments Q2-F2024

- Q2-F2024 was an improvement in terms of results when compared to Q2-F2023, as we partly recovered from some of the delays experienced at the start of the year. We are now focused on the ramp-up for H2-F2024. We continue to manage the business prudently, with specific focus around:
 - Executing on our **backlog**¹ of \$485.7 m, while working on a pipeline of opportunities.
 - **Improving** working capital by increasing our collections and reducing inventories following H1-E2024 investments in reaction to H2-F2024 ramp-up.
- Our North American commercial operations are tapping into **new and emerging** markets while we also continue to see **growth** in the nuclear business activities in France.
- Although we are obviously disappointed with the outcome of the intended transaction with Flowserve, we must now revisit our corporate strategy to ensure that **we maximize shareholder value**.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

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We are happy to answer any questions.



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NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

Adjusted earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA")

(in millions of USD)	2019		2020				2021				2022				2023				2024	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net income (loss) ¹	(0.2)	1.5	(5.8)	1.4	(0.8)	(11.1)	(1.9)	(5.1)	9.5	0.3	(5.1)	5.0	4.5	(25.6)	(7.4)	(3.7)	2.7	(47.2)	(8.3)	(2.1)
Depreciation of property, plant and equipment	2.6	3.5	2.6	2.6	2.9	2.8	2.5	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.2	2.0	2.1	2.5	2.1	2.2
Amortization of intangible assets and financing costs	0.4	0.7	0.4	0.5	0.5	0.7	0.6	0.6	0.7	0.7	0.7	0.5	0.6	0.8	0.6	0.6	0.6	0.6	0.5	0.5
Finance costs - net	0.1	0.0	0.3	(0.2)	0.7	0.5	0.3	0.0	0.2	0.3	0.5	0.5	0.6	0.7	0.2	0.4	0.4	0.5	1.2	1.4
Income taxes	0.5	(1.9)	(1.8)	0.9	(0.4)	9.9	1.1	(0.5)	0.9	(2.3)	0.6	2.3	5.2	38.3	1.5	2.1	0.3	4.1	0.7	1.0
Adjustment to legal provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.0	-	-
Adjusted EBITDA	3.4	3.8	(4.3)	5.2	2.9	2.8	2.6	(2.5)	13.8	1.6	(0.9)	10.7	13.3	16.6	(2.9)	1.4	6.1	16.5	(3.8)	3.0

The term "EBITDA" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus depreciation of property, plant & equipment, plus amortization of intangible assets and financing costs, plus net finance costs plus income tax provision. The terms "EBITDA per share" is obtained by dividing EBITDA by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this investor presentation are expressly qualified by this cautionary statement.

Definitions of 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" is obtained by dividing bookings by sales. The measure provides an indication of the Company's performance and outlook for a given period.

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Our Board of directors



James A. Mannebach
Chair of the Corporation
St. Louis, Missouri, USA
Director since: 2018



Suzanne Blanchet
La Prairie, Québec, Canada
Director since: 2021



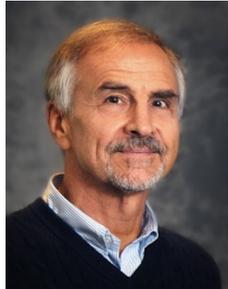
Bruno Carbonaro
Montréal, Québec, Canada
Director since: 2022



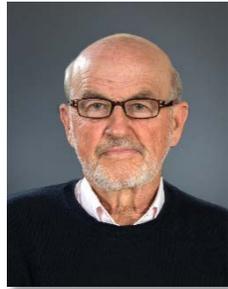
Dahra Granovsky
Toronto, Ontario, Canada
Director since: 2019



Edward Kernaghan
Toronto, Ontario, Canada
Director since: 2021



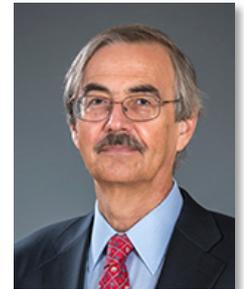
Ivan Velan
Montréal, Québec, Canada
Director since: 1970



Peter Velan
Montréal, Québec, Canada
Director since: 2022



Rob Velan
Vice-Chairman
Montréal, Québec, Canada
Director since: 2013



Tom Velan
Former Chairman
Montréal, Québec, Canada
Director since: 1976

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