



VELAN

Q4 and FY2024 Investor Presentation

May 17, 2024

Disclaimer

The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for the quarter and fiscal year ended February 29, 2024. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the 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 May 16, 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
- **Highly encouraged by sequential increases in bookings¹ during the second half**
 - Year-end backlog¹ of \$491.5M
 - Nearly three-quarters to be shipped within a 12-month period
- **We expect Velan to return to growth mode in fiscal 2025**

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



The Strength of our Network

- **Extremely favourable perception of Velan**
 - Strength of our brand
 - Quality of our products
 - Positioning in the marketplace
- **A global company with HQ in Canada**
 - R&D centers in Canada, France, Italy, India
 - 12 manufacturing facilities around the world
 - Two distribution centers
- **Our network provides strong competitive advantages**
 - Diverse product portfolio
 - Scale
 - Cost efficiency



Key Growth Markets

- **Looking to increase our reach in key growth markets**
 - ★ Nuclear
 - ★ Oil & Gas
 - ★ Defense
 - ★ Liquefied Natural Gas (LNG)
- **Markets buoyed by energy transition trends**
 - Customers must meet stated carbon emission reduction targets
 - We have dedicated resources to environmentally driven solutions
- **Evolving sentiment around nuclear power**
- **Longstanding experience in defense markets**
 - Nuclear marine and aircraft
- **Extensive oil & gas customer base including most refineries in North America and a growing presence overseas**
- **Complete and technically advanced product line for LNG**



Focus on Cash Generation

- **With solid fundamentals, we are well positioned to drive sales and cash flow growth**
 - Leverage global scale of business
 - Maximize strategic procurement
 - Optimize inventory management
- **Solid financial position**
 - Concluded fiscal 2024 with a net cash position
 - On solid ground to actively seek growth opportunities



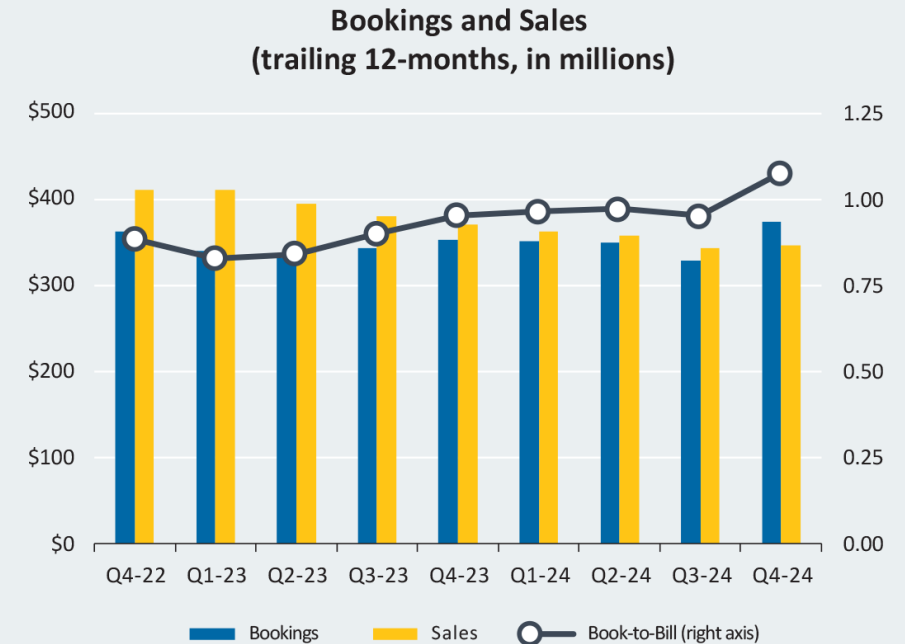
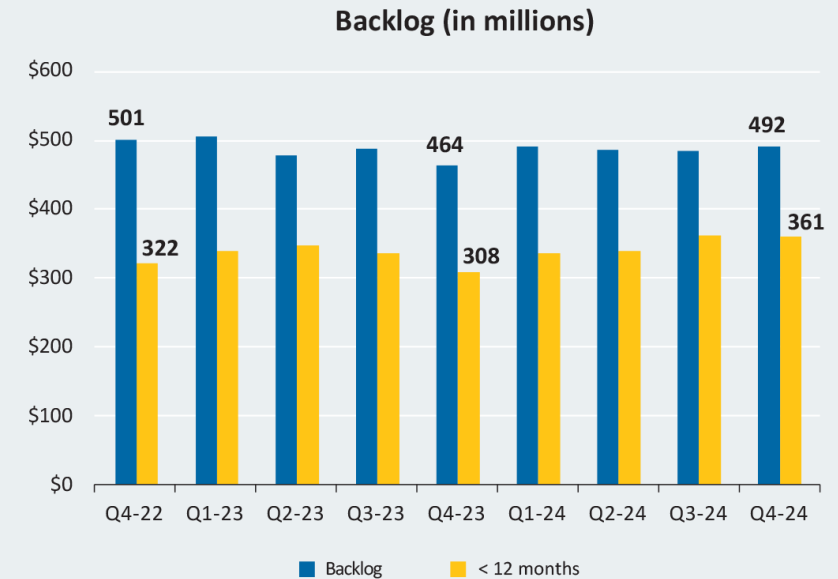
Rishi Sharma

Chief Financial and Administrative Officer

Backlog and Orders

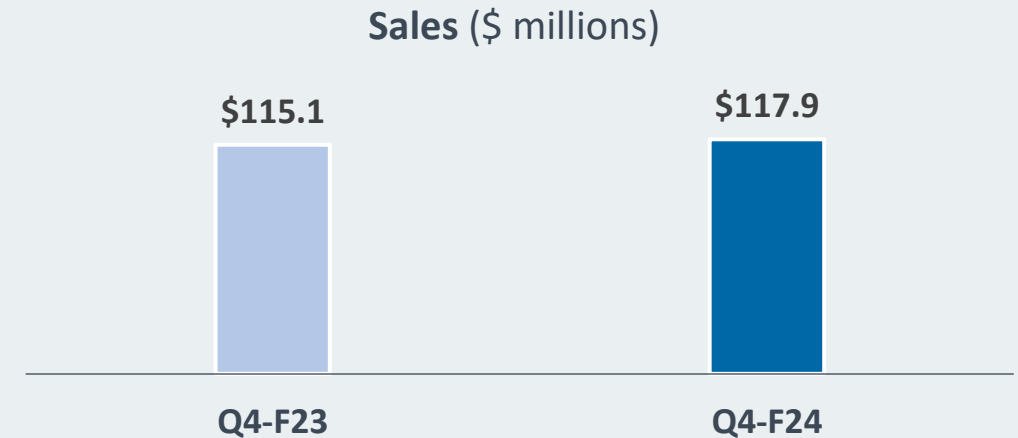
- **Year-end backlog of \$491.5M**
 - \$360.7M to be delivered in the next 12 months
- **Bookings of \$132.8M in the fourth quarter compared to \$87.1M a year ago**
 - Robust bookings for oil and gas orders in Italy
 - Higher orders by North American operations
 - Partially offset by the timing of orders in France following strong bookings in the prior year
- **Total bookings of \$374.5M in fiscal 2024**
- **Book-to-bill ratio¹ of 1.13 in Q4 and of 1.08 for the year**
 - Best ratio in over two years on a rolling 12-month basis

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

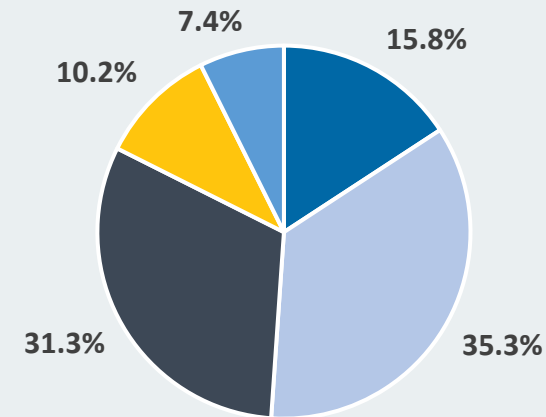


Fourth Quarter Results

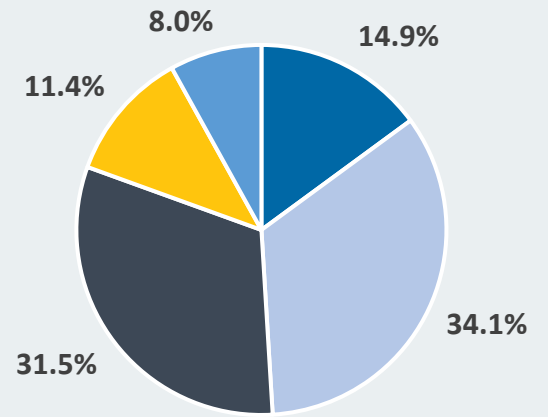
- Sales of \$117.9M for the quarter, up from \$115.1M a year ago
 - Strong shipments from international operations
 - Italy
 - China
 - Partially offset by:
 - Lower shipments from North American operations
 - Shipping delays due to the situation in the Red Sea



Q4-F2023 Geographical Sales



Q4-F2024 Geographical Sales



Canada United States France Italy Others

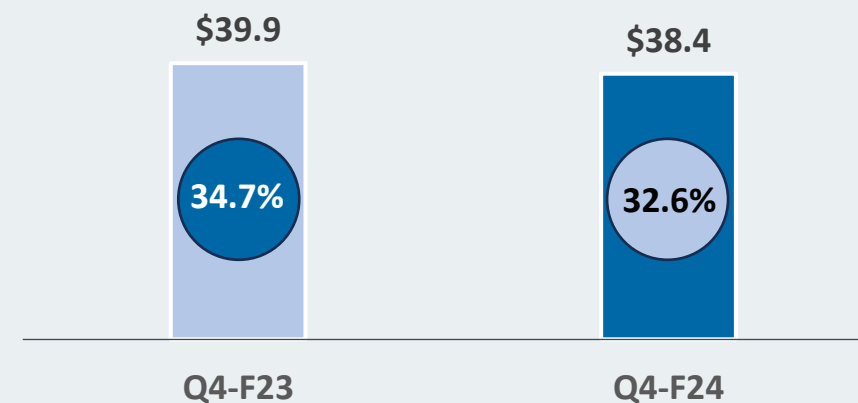
Fourth Quarter Results

- **Gross Profit of \$38.4M, versus \$39.9M**
 - Less favorable product mix due to the execution of low margin projects
- **Excluding items affecting comparability, administrative costs were \$21.7M, down from \$24.9M**
 - Excludes asbestos-related provisions of \$10.0 million in Q4-2024 and of \$56.0 million last year
 - Reduction reflects lower expenses in North America and cost reduction initiatives across the operations
- **Adjusted EBITDA¹ of \$19.9M, up from \$16.5M**
- **Adjusted net income² of \$8.9M, or \$0.41 per share, versus \$8.8M, or \$0.41 per share**

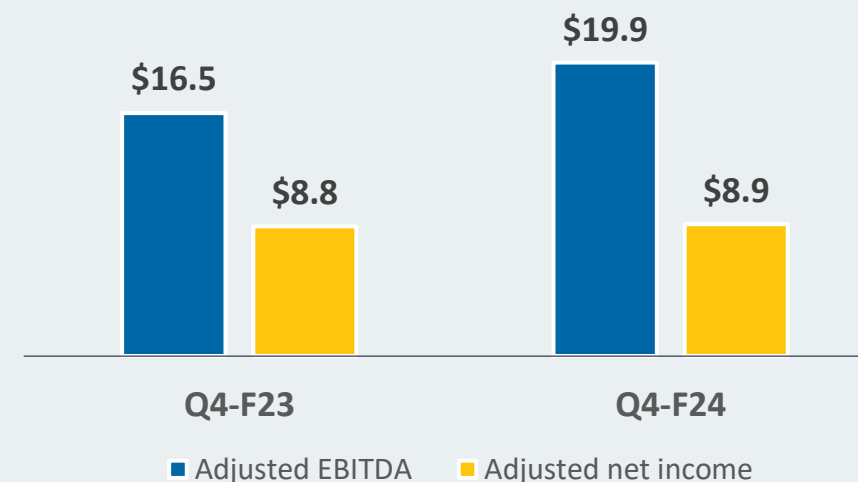
¹ Non-IFRS and supplementary financial measures - additional specifications at the end of this presentation.

² Net income or loss refers to net income or loss attributable to Subordinate and Multiple Voting Shares

Gross Profit (\$ millions)



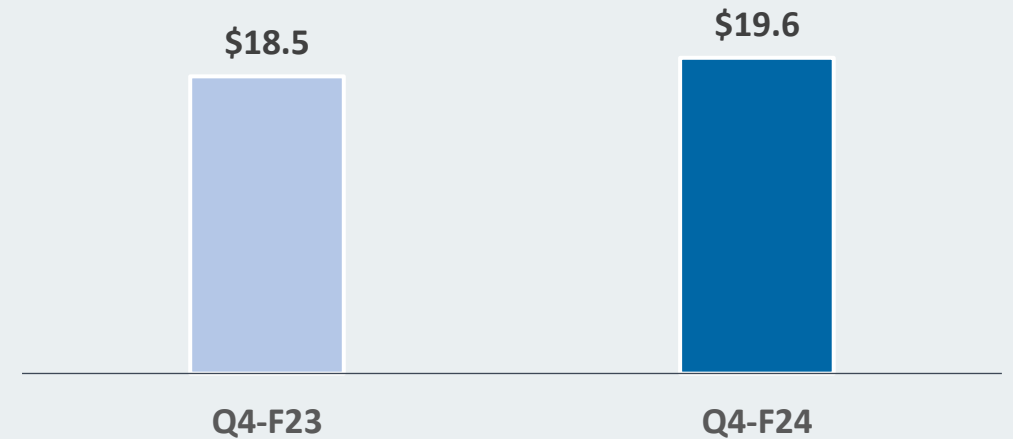
Adj. EBITDA and Adj. Net Income (\$ millions)



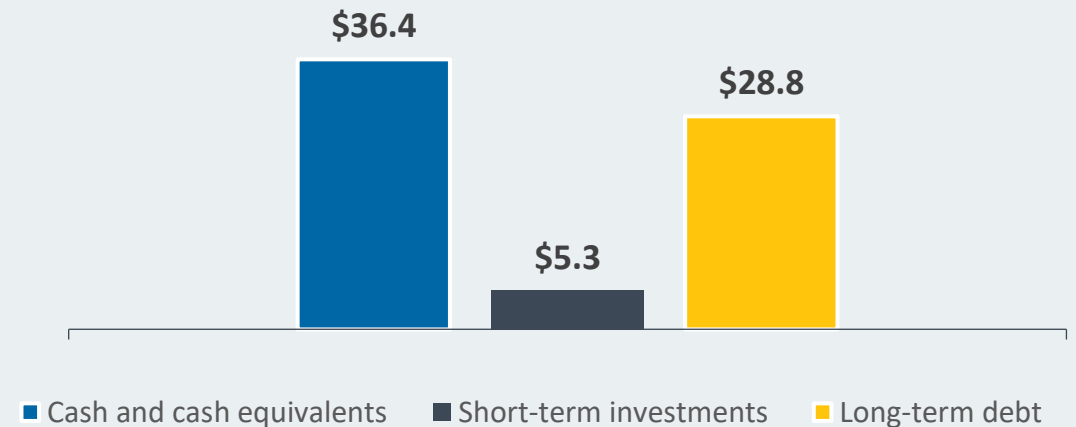
Fourth Quarter Cash Flows and Financial Position

- **Cash provided by operating activities of \$19.6M, up from \$18.5M last year**
 - Higher EBITDA 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

Cash Flows from Operating Activities
(\$ millions)



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





Looking Ahead to F2025

- Given our solid backlog, we expect fiscal 2025 sales to exceed those of fiscal 2024



**Thank you for attending our Q4-F2024
Financial Results Investor Call.**

We are happy to answer any questions.



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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 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.



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