



Velan Inc.

7007 Côte de Liesse, Montreal, QC H4T 1G2 Canada
Tel: (514) 748-7743 Fax: (514) 748-8635 www.velan.com

PRESS RELEASE
FOR IMMEDIATE RELEASE

VELAN INC. REPORTS STRONG FISCAL 2025 THIRD QUARTER RESULTS

Significant profitability improvement driven by solid execution on robust order backlog¹

MONTREAL, Quebec, January 14, 2025 – Velan Inc. (TSX: VLN) (“Velan” or the “Company”), a world-leading manufacturer of industrial valves, announced today financial results for its third quarter ended November 30, 2024. All amounts are expressed in U.S. dollars unless indicated otherwise.

On January 14, 2025, the Company announced that it has entered into an agreement (the “Asbestos Divestiture Agreement”) with an affiliate of Global Risk Capital (the “Buyer”) to permanently divest its asbestos-related liabilities (the “Asbestos Divestiture Transaction”). Global Risk Capital is a long-term liability management company specializing in the acquisition and management of legacy corporate liabilities. The Asbestos Divestiture Transaction will be achieved by Velan Inc. transferring its assets and liabilities into a new subsidiary and selling its existing U.S. subsidiary, Velan Valve Corp, which will have been capitalized with \$143 million (subject to certain adjustments) from Velan Inc. and \$7 million from the Buyer. The Asbestos Divestiture Transaction will permanently remove all asbestos-related liabilities and obligations from Velan Inc.’s balance sheet and will indemnify Velan for all legacy asbestos liabilities.

The Company also announced that its wholly-owned subsidiary, Velan UK, has entered into a memorandum of understanding (the “Memorandum of Understanding”) relating to the sale of 100% of the share capital and voting rights of its French subsidiaries, Segault SAS (“Segault”) and Velan SAS (“Velan France”), to Framatome SAS (“Framatome”), a world leader in nuclear energy, for a total consideration of US\$198.4 million (€192.5 million) (the “France Transaction”).

The sale of the French businesses met the criteria, at November 30, 2024 of assets held for sale and discontinued operations. As a result, the consolidated balance sheet as at November 30, 2024 has been adjusted to present the disposal group as asset held for sale, and the consolidated income statement and cash flows have been retrospectively adjusted to present only the results from continuing operations.

¹ Non-IFRS and supplementary financial measure. Refer to the Non-IFRS and Supplementary Financial Measures section for definitions and reconciliations.

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



THIRD-QUARTER HIGHLIGHTS FROM CONTINUING OPERATIONS NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Solid order backlog² of \$298.7 million, up \$15.0 million or 5.3% since the beginning of the year.
- Bookings² of \$59.1 million, versus \$60.1 million last year, representing a book-to-bill ratio² of 0.81.
- Adjusted net income from continuing operations of \$8.5 million, versus an adjusted net loss of \$7.0 million in the corresponding quarter, mainly due to higher sales and gross profit.
- Adjusted net income per share from continuing operations of \$0.39, compared to an adjusted net loss per share of \$0.32 last year.
- Adjusted EBITDA from continuing operations of \$14.3 million, compared to negative \$4.1 million last year. The increase is mainly attributable to higher sales and gross profit.

IFRS MEASURES CONSIDERING SIGNIFICANT TRANSACTIONS

- Sales of \$73.4 million, up \$11.2 million or 18.1% compared to the same quarter last year.
- Gross profit of \$28.3 million or 38.6% of sales, up significantly from \$8.2 million, or 13.1% of sales, last year.
- Net loss² from continuing operations of \$47.8 million, versus a net loss of \$9.5 million last year reflecting restructuring costs of \$74.5 million before income taxes.
- Net loss per share from continuing operations of \$2.22, compared to a net loss per share of \$0.44 last year.
- Cash flows from operating activities was breakeven, versus \$0.1 million last year.
- Net cash of \$32.1 million at the end of the quarter, versus \$36.4 million at the beginning of the fiscal year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES (From continuing operation, in '000s of U.S. dollars, excluding per share	Three-month periods ended		Nine-month periods ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
Adjusted EBITDA ¹	\$14,260	(\$4,148)	\$24,337	(\$5,824)
Adjusted net income ¹ (loss) per share - basic and diluted	\$8,502 \$0.39	(\$7,011) (\$0.32)	\$11,857 \$0.55	(\$14,728) (\$0.68)

FINANCIAL RESULTS (From continuing operation, in '000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Nine-month periods ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
Sales	\$73,404	\$62,160	\$211,998	\$177,458
Gross profit	\$28,305	\$8,165	\$65,087	\$31,871
Gross margin	38.6%	13.1%	30.7%	18.0%
Restructuring expenses	74,468	2,274	81,301	6,846
Net income (loss) per share - basic and diluted	\$(47,835) \$(2.22)	(\$9,461) (\$0.44)	\$(50,632) \$(2.35)	(\$22,366) (\$1.04)
Weighted average share outstanding ('000s)	21,586	21,586	21,586	21,586

“Velan’s strong operating performance in the third quarter produced sales growth of 18% and a significant improvement in profitability,” said James A. Mannebach, Chairman of the Board and CEO of Velan. “Driven by its strong brand, high-quality products and proven expertise in delivering solutions for critical applications, Velan is well-positioned to benefit from robust momentum in the clean energy sector. We are particularly excited with opportunities in the global nuclear market, which is undergoing a multi-year growth cycle. Recent alliances with



leading players for our proprietary products at small modular reactors bode well for the long term, while our large installed base at existing reactors holds solid potential from life-extension projects and maintenance. Given current dynamics, we expect nuclear activities to generate new orders in the near future. Looking ahead, we are confident to conclude fiscal 2025 with sales growth year over year.

I am happy to announce that we have entered into an agreement with an affiliate of Global Risk Capital, a long-term liability management company specializing in the acquisition and management of legacy corporate liabilities, for the divestiture of our asbestos-related liabilities. The transaction will eliminate the Company’s asbestos-related liabilities.

We have also entered into a memorandum of understanding (MoU) with Framatome, an international leader in nuclear energy, for the sale of our French subsidiaries — Segault and Velan France — for a purchase price of US\$175.2 million (€170 million), with the benefit of the transfer of an intercompany loan of US\$23.2 million (€22.5 million), for total consideration to the Company of US\$198.4 million (€192.5 million). In accordance with French laws, Segault, Velan France, and Framatome must inform and consult their employee representative bodies before any definitive agreement is entered into between the parties. Once a definitive agreement has been signed, a meeting of Velan’s shareholders will be called to approve the transaction. Our controlling shareholder, Velan Holding, has already pledged its support in favour of the transaction. The Company continues to review options to maximize value for our shareholders.”

“Solid execution and higher business volume has yielded robust profit margins so far this year, while a strong operating cash flow enabled us to further reduce our long-term debt,” added Rishi Sharma, Chief Financial and Administrative Officer of Velan. “A strong financial position offers Velan the flexibility to invest in growth opportunities to leverage its brand and know-how. We remain firmly committed to deliver sustained profitable growth and to create lasting value for all shareholders. These transactions would meet two key financial objectives, namely the reduction of risk and resolution of our asbestos-related liabilities through the divestiture transaction and the strengthening of our balance sheet”

BACKLOG (‘000s of U.S. dollars)	As at	
	November 30, 2024	February 29, 2024
Backlog	\$298,685	\$283,647
for delivery within the next 12 months	\$249,144	\$259,662

BOOKINGS (‘000s of U.S. dollars, excluding ratios)	Three-month periods ended		Nine-month periods ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
Bookings	\$59,096	\$60,076	\$230,474	\$177,054
Book-to-bill ratio	0.81	0.97	1.09	1.00

As at November 30, 2024, the backlog from continuing operations stood at \$298.7 million, up \$15.0 million, or 5.3%, since the beginning of the fiscal year due to bookings exceeding shipments in the first nine months of fiscal 2025. As at November 30, 2024, 83.4% of the backlog, representing orders of \$249.1 million, is deliverable in the next 12 months. Currency movements had a \$2.5 million negative effect on the value of the backlog for the first nine months of fiscal 2025 mainly due to the weakening of the euro versus the U.S. dollar.

Bookings from continuing operations for the third quarter of fiscal 2025 were \$59.1 million, versus \$60.1 million for the same period last year. This slight decrease reflects the timing of orders following strong bookings in the first half of fiscal 2025 and delays in certain targeted projects in Italy. These factors were partially offset by higher MRO bookings in North America and higher bookings in Germany for oil refinery projects. Currency movements had a \$0.6 million negative effect on the value of bookings for the quarter.



For the first nine months of fiscal 2025, bookings from continuing operations totaled \$230.5 million, up from \$177.1 million in fiscal 2024. The increase reflects higher bookings in North America and Germany, partially offset by lower bookings in Italy. Currency movements had a \$1.7 million negative effect on the value of bookings for the period.

As sales outpaced bookings, the book-to-bill ratio was 0.81 for the quarter ended November 30, 2024, while the ratio for the nine-month period ended November 30, 2024, was 1.09 as bookings, driven mainly by nuclear activities in North America, outpaced sales.

THIRD QUARTER RESULTS

Sales from continuing operations reached \$73.4 million, up \$11.2 million or 18.1% from the same period last year. The increase mainly reflects higher shipments from Italian operations for the oil and gas market and from China for the petrochemical sector. These factors were partially offset by lower sales in other international markets, while sales from North American operations remained relatively stable. Currency movements had a \$0.5 million positive effect on sales for the quarter.

Gross profit from continuing operations totaled \$28.3 million, up from \$8.2 million last year. The increase is attributable to higher sales, which positively impacted the absorption of fixed production overhead costs, a more favorable product mix, reduced exposure to an onerous contract and efficiency gains. Currency movements had a \$0.2 million positive effect on gross profit for the quarter compared to the same period last year. As a percentage of sales, gross profit was 38.6%, compared to 13.1% last year.

Administration costs from continuing operations totaled \$17.0 million, or 23.2% of sales, compared to \$15.5 million, or 24.9% of sales a year ago. The year-over-year increase is mainly attributable to higher sales commissions due to higher business volume, higher freight costs and the impact of a significant increase in the market value of the Company's shares on its long-term incentive plan.

For the three-month period ended November 30, 2024, the Company incurred restructuring expenses of \$74.5 million consisting of asbestos-related costs of \$69.1 million and transaction-related costs of \$5.4 million. In the three-month period ended November 30, 2023, restructuring expenses were \$2.3 million in connection with asbestos-related costs.

EBITDA from continuing operations for the third quarter of fiscal 2025 amounted to negative \$60.2 million, compared to negative \$6.7 million last year. Excluding asbestos-related costs and transaction-related costs, this year's third quarter adjusted EBITDA from continuing operations was \$14.3 million, while last year's adjusted EBITDA was negative \$4.1 million. The year-over-year increase is due to higher sales and gross profit, partially offset by higher administration costs.

The net loss from continuing operations was \$47.8 million, or \$2.22 per share, compared to a net loss of \$9.5 million, or \$0.44 per share last year. Adjusted net income from continuing operations was \$8.5 million, or \$0.39 per share, versus an adjusted net loss of \$7.0 million, or \$0.32 per share, last year. The variation is primarily attributable to higher adjusted EBITDA.

Net loss from discontinued operations amounted to \$14.3 million, or \$0.66 per share, versus net income from discontinued operations of \$2.2 million, or \$0.10 per share, last year. As a result, the net loss was \$62.1 million, or \$2.88 per share, versus a net loss of \$7.3 million, or \$0.34 per share, last year.

NINE-MONTH RESULTS

Sales from continuing operations totaled \$212.0 million, compared to \$177.5 million for the same period last year. Gross profit from continuing operations reached \$65.1 million, compared to \$31.9 million a year ago. As a percentage of sales, gross profit was 30.7%, compared to 18.0% last year. Excluding the effect of non-recurring



revenue in the second quarter for which no gross profit was recognized, this year's gross profit as a percentage of sales was 31.5%.

EBITDA from continuing operations was negative \$56.9 million, compared to negative \$13.8 million last year, while adjusted EBITDA from continuing operations stood at \$24.3 million, up from negative \$5.9 million in the first nine months of fiscal 2024.

The net loss from continuing operations was \$50.6 million, or \$2.35 per share, compared to a net loss of \$22.4 million or \$1.04 per share last year. Adjusted net income from continuing operations was \$11.9 million, or \$0.55 per share, versus an adjusted net loss of \$14.7 million, or \$0.68 per share, last year. Net loss from discontinued operations amounted to \$12.4 million, or \$0.57 per share, versus net income from discontinued operations of \$4.7 million, or \$0.22 per share, last year. As a result, the net loss was \$63.1 million, or \$2.92 per share, versus a net loss of \$17.7 million, or \$0.82 per share, last year.

FINANCIAL POSITION

As at November 30, 2024, the Company held cash and cash equivalents of \$35.1 million and short-term investments of \$0.4 million. Bank indebtedness stood at \$3.0 million, while long-term debt, including the current portion, amounted to \$19.5 million.

OUTLOOK

As at November 30, 2024, orders amounting to \$249.1 million, representing 83.4% of a total backlog of \$298.7 million, are expected to be delivered in the next 12 months. Given current orders, the Company anticipates concluding fiscal 2025 with a growth year over year in sales from continuing operations.

DIVIDEND

The Board of Directors of Velan has declared a dividend of CA\$0.03 per common share payable on February 28, 2025, to shareholders of record as at February 14, 2025. Given the improved financial performance of the Company, the Board believes it is appropriate to reinstate the dividend payment. The Board will revisit its dividend policy following the closing of the above noted transactions.

CONFERENCE CALL NOTICE

Financial analysts, shareholders, and other interested individuals are invited to attend the third quarter conference call to be held on Wednesday, January 15, 2025, at 8:00 a.m. (EST). The toll-free call-in number is 1-888-510-2154 or by RapidConnect URL: <https://emportal.ink/3B0rDEL>. The material that will be referenced during the conference call will be made available shortly before the event on the company's website under the *Investor Relations* section (https://www.velan.com/en/company/investor_relations). A recording of this conference call will be available for seven days at 1-289-819-1450 or 1-888-660-6345, access code 76543.

ABOUT VELAN

Founded in Montreal in 1950, Velan Inc. (www.velan.com) is one of the world's leading manufacturers of industrial valves, with sales of US\$346.8 million in its last reported fiscal year. The Company employs 1,617 people and has manufacturing plants in 9 countries. Velan Inc. is a public company with its shares listed on the Toronto Stock Exchange under the symbol VLN.

SAFE HARBOUR STATEMENT

This news release 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, which 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 news release are expressly qualified by this cautionary statement.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this press release, 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. The Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below.

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

<i>(in thousands, except amount per shares)</i>	Three-month periods ended		Nine-month periods ended	
	November 30, 2024 \$	November 30, 2023 \$	November 30, 2024 \$	November 30, 2023 \$
<i>Reconciliation of net income (loss) from continuing operations to adjusted net income (loss) from continuing operations and adjusted net income (loss) from continuing operations per share</i>				
Net income (loss) from continuing operations	(47,835)	(9,461)	(50,632)	(22,366)
<i>Adjustments for:</i>				
Asbestos-related costs	69,084	2,274	73,545	6,846
Deferred tax assets related to the transactions	(16,699)	-	(16,699)	-
Other restructuring costs	-	-	89	-
Transaction costs	3,972	176	5,554	792
Adjusted net income (loss) from continuing operations	8,502	(7,011)	11,857	(14,728)
per share – basic and diluted	0.39	(0.32)	0.55	(0.68)
<i>Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations</i>				
Net income (loss) from continuing operations	(47,835)	(9,461)	(50,632)	(22,366)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,545	1,803	5,091	5,203
Amortization of intangible assets and financing costs	570	529	1,558	1,520
Finance costs – net	442	391	1,091	1,064
Income taxes	(14,930)	77	(13,993)	832
EBITDA	(60,208)	(6,661)	(56,885)	(13,747)
<i>Adjustments for:</i>				
Other restructuring costs	-	-	121	-
Asbestos-related costs	69,084	2,274	73,545	6,846
Transaction-related costs	5,404	239	7,556	1,077
Adjusted EBITDA	14,260	(4,148)	24,337	(5,824)

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 restructuring and to the proposed transaction. 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 press release 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 restructuring and to the proposed transaction. The forward-looking statements contained in this press release 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.

The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Contact:

Rishi Sharma, Chief Financial and Administrative Officer
Velan Inc.
Tel: (438) 817-4430

Martin Goulet, M.Sc., CFA
MBC Capital Markets Advisors
Tel.: (514) 731-0000, ext. 229