



VELAN

Q1-FY2025 Investor Presentation

July 12, 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 ended May 31, 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 July 11, 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 of the Quarter

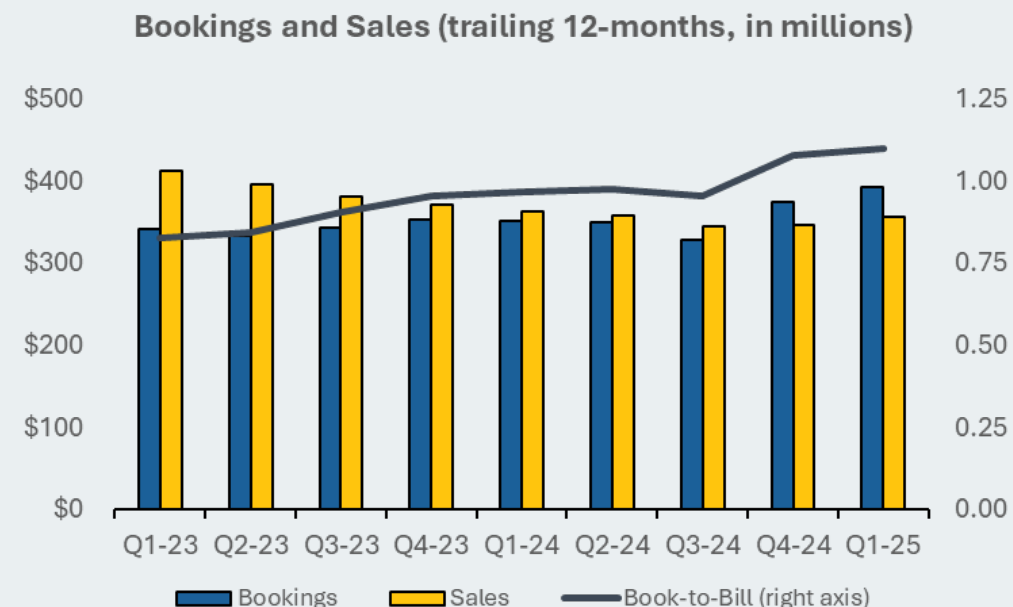
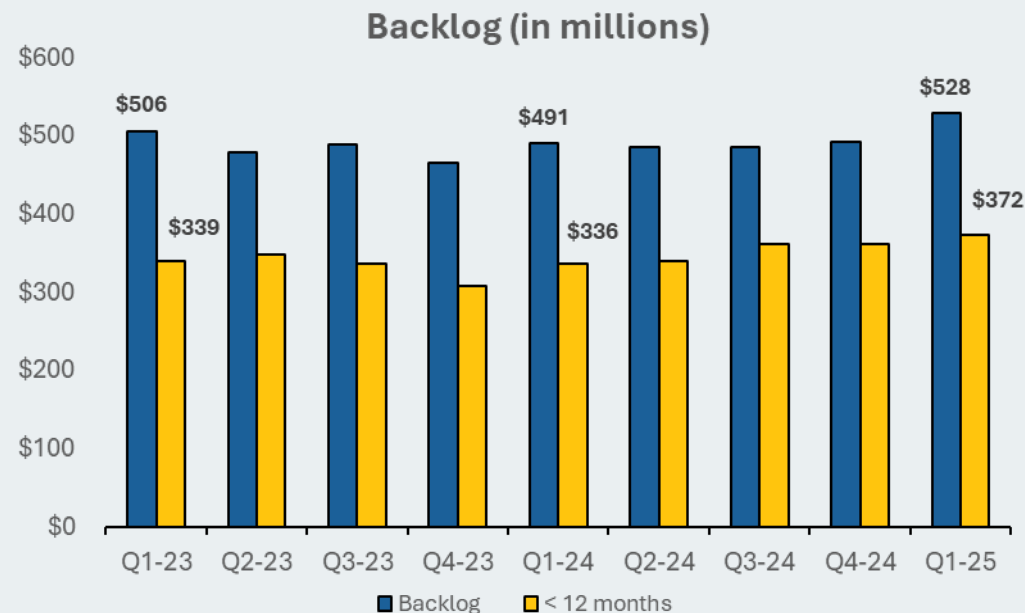
- **Robust performance across core markets**
 - Sales growth of 14.5% YoY to \$77.5M
 - Order backlog¹ increased to \$528.3M
 - Gross profit improved to 30.7% of sales
- **Strong contributions from North American and Italian operations**
 - Major project deliveries and solid MRO sales in North America
 - Leveraged strong backlog in Italy
- **Excited about growth opportunities in nuclear sector**
 - Heightened interest for SMRs throughout globally
 - Nuclear power deployments fast-tracked in the U.S. through passing of a bipartisan bill in the Senate
 - Anticipate 10-year growth cycle on a global basis
 - Announcement of \$50-million alliance agreement with Bruce Power reflects strong demand for nuclear power in Canada

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

Backlog and Orders

- **Backlog¹ of \$528.3M as at May 31, 2024**
 - \$372.3M to be delivered within next 12 months
- **Bookings¹ of \$109.8M in the first quarter, up 19.6% from \$91.8M a year ago**
 - Robust order increase in North America driven by new projects and MRO business
 - Higher bookings for oil refinery projects in Germany and nuclear power in France
 - Partially offset by reduced oil and gas orders in Italy
- **Total bookings of \$392M in last 12 months**
- **Book-to-bill ratio¹ of 1.42 in Q1 and 1.10 in last 12 months**
 - Best ratio in nearly three years on a rolling 12-month basis

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

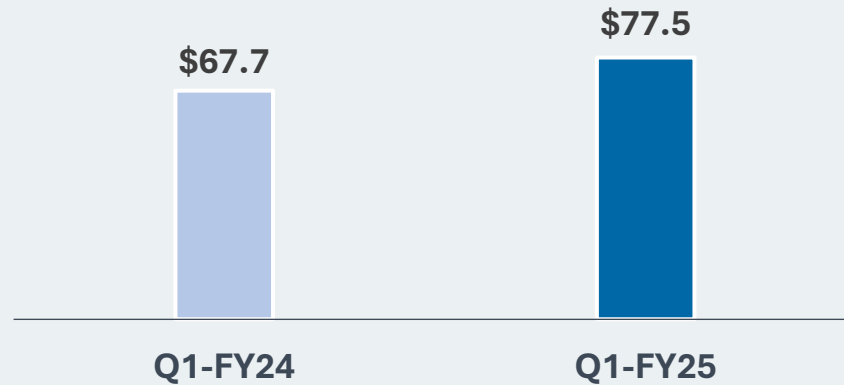




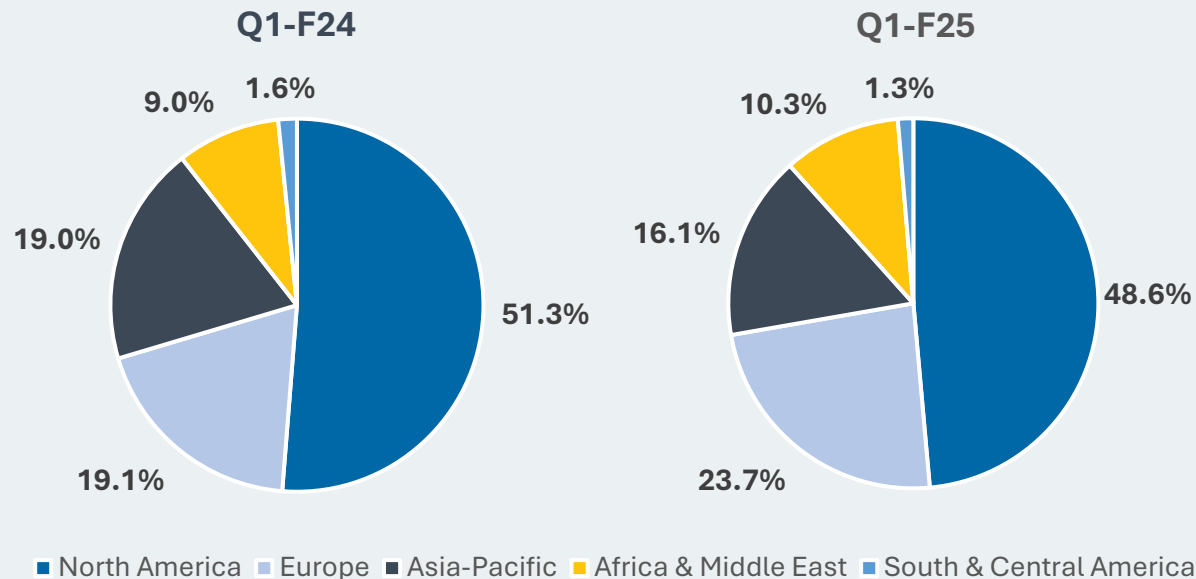
Rishi Sharma

Chief Financial and Administrative Officer

Sales (\$ US millions)

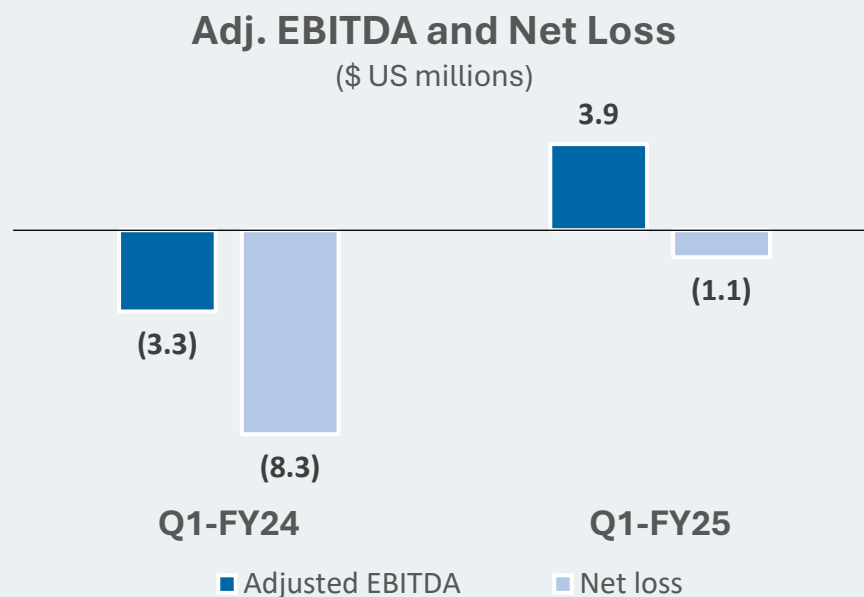
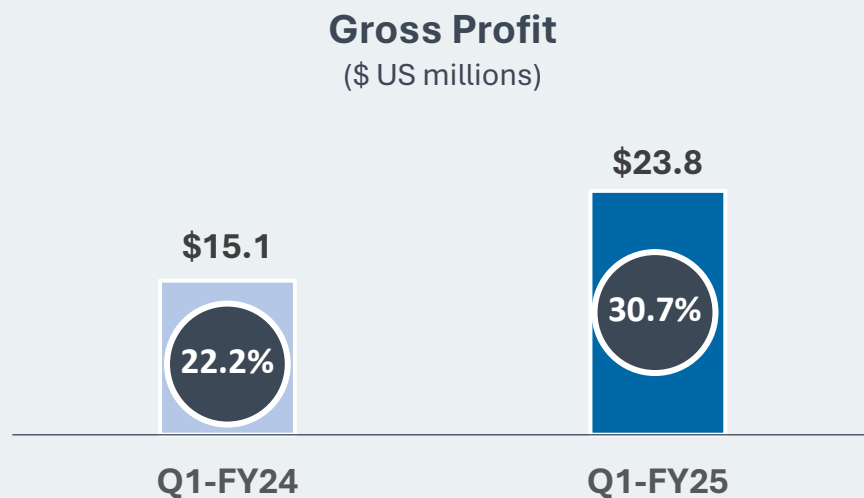


Sales distribution by customer geographic location



First-Quarter Results

- Sales of \$77.5M for the quarter, up 14.5% year-over-year
 - Increased shipments in North America
 - Important project deliveries
 - Solid MRO business
 - Robust oil and gas sales in Italy
 - Leveraged strong backlog
 - Partially offset by shipping delays due to supply-chain issues



First-Quarter Results

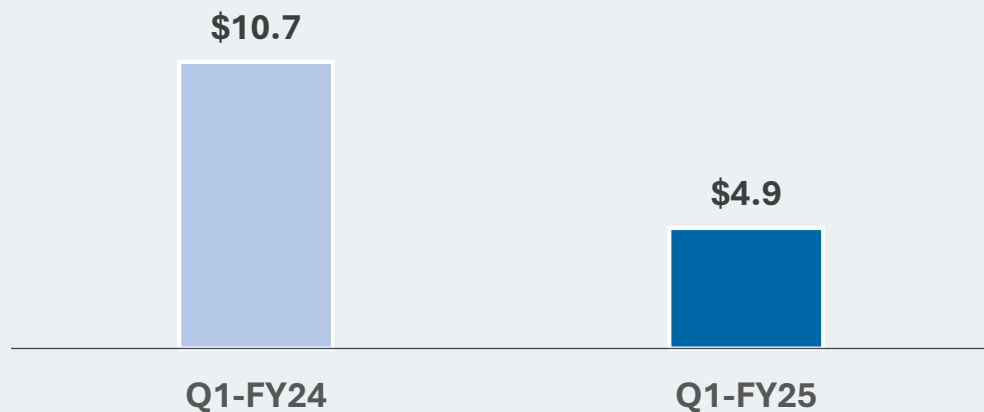
- **Gross profit of \$23.8M compared to \$15.1M in Q1-FY24**
 - Higher sales volume, favourable mix and production efficiency gains
- **Adjusted EBITDA¹ of \$3.9M versus negative \$3.3M in Q1-FY24**
 - Greater sales volume combined with significant improvement in gross profit
- **Net loss² of \$1.1M, or \$0.05 per share, versus a loss of \$8.3M, or \$0.38 per share, in Q1-FY24**
 - Higher adjusted EBITDA, partially offset by greater net finance costs and income tax expense

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

² Net income or loss refers to net income or loss attributable to subordinate and multiple voting shares.

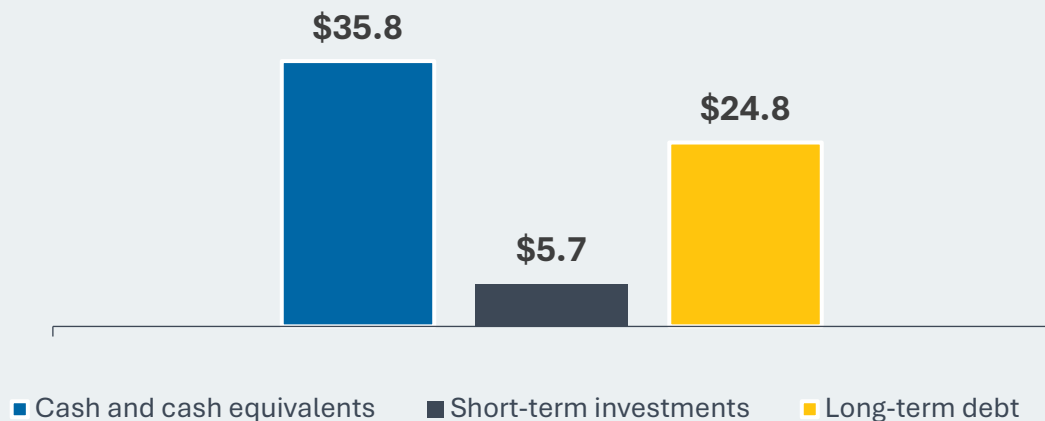
Cash Flow from Operations

(\$ US millions)



Financial Position as at May 31, 2024

(\$ US millions)



Cash Flow and Financial Position

- **Cash flow from operations of \$4.9M compared to \$10.7M in Q1-FY24**
 - Declined mainly due to less favourable positive changes in non-cash working capital movements
 - Partially offset by increased EBITDA
- **Healthy financial position**
 - Cash and cash equivalents of \$35.8M
 - Short-term investments of \$5.7M
 - Long-term debt of \$24.8M



Outlook for FY 2025

- Strong Q1-FY25 performance
- Increased order backlog to \$528.3 million
- Reiterating sales growth expectations for FY 2025



Thank you for attending our Q1-FY2025 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	
	May 31, 2024	May 31, 2023
<i>(in thousands, except amount per shares)</i>	\$	\$
<i>Reconciliation of net loss to adjusted net loss and adjusted net loss per share</i>		
Net loss	(1,104)	(8,284)
<i>Adjustments for:</i>		
Restructuring costs	89	-
Proposed transaction related costs	-	374
Adjusted net loss	(1,015)	(7,910)
per share – basic and diluted	(0.05)	(0.37)
<i>Reconciliation of net loss to Adjusted EBITDA</i>		
Net loss	(1,104)	(8,284)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	1,685	2,066
Amortization of intangible assets and financing costs	771	563
Finance costs – net	1,341	1,205
Income taxes	1,048	651
EBITDA	3,741	(3,799)
<i>Adjustments for:</i>		
Restructuring costs	121	-
Proposed transaction related costs	-	509
Adjusted EBITDA	3,862	(3,290)

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 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 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 restructuring and to the proposed transaction. 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 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.

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