



CORRECTION – Velan Inc. Reports Its Fiscal 2024 Fourth Quarter and Year-End Results

Strong new order inflow and higher backlog¹ entering fiscal 2025

MONTREAL, May 17, 2024 (GLOBE NEWSWIRE) -- In a release issued under the same headline on Thursday, May 16, 2024 by Velan Inc. (TSX: VLN), please note that the conference call access information has been updated. The toll-free call-in number should be 1-800-836-8184, not 1-888-660-6345 or 1-289-819-1450. The corrected release is as follows:

Velan Inc. (TSX: VLN) (“Velan” or the “Company”), a world-leading manufacturer of industrial valves, announced today its financial results for its fourth quarter and fiscal year ended February 29, 2024. All amounts are expressed in U.S. dollars unless indicated otherwise.

FOURTH QUARTER HIGHLIGHTS:

- ▮ Bookings¹ of \$132.8 million, up sharply from \$87.1 million last year and \$78.3 million in the third quarter.
- ▮ Book-to-bill¹ ratio of 1.13, versus 0.76 for the same period a year ago and 0.97 in the third quarter.
- ▮ Sales of \$117.9 million, up from \$115.1 million last year and up from \$80.9 million in the third quarter.
- ▮ Gross profit of \$38.4 million, or 32.6% of sales, compared to \$39.9 million, or 30.4% of sales, last year.
- ▮ Net loss² of \$2.1 million compared to a net loss of \$47.2 million last year.

YEAR-END HIGHLIGHTS:

- ▮ Order backlog¹ of \$491.5 million, up \$27.1 million from last year.
- ▮ Bookings of \$374.5 million, compared to \$353.2 million in fiscal 2023.
- ▮ Book-to-bill ratio of 1.08, versus 0.95 last year.
- ▮ Sales of \$346.8 million, compared to \$370.4 million in fiscal 2023.
- ▮ Gross profit of \$93.2 million, or 26.9% of sales, versus \$112.5 million, or 30.4% of sales, last year.
- ▮ Net loss of \$19.7 million, versus a net loss of \$55.5 million in the prior year.
- ▮ Cash and cash equivalents of \$36.4 million.

FINANCIAL RESULTS

(‘000s of U.S. dollars, excluding per share amounts)

	Three-month periods ended		Fiscal years ended	
	Feb. 29, 2024	Feb. 28, 2023	Feb. 29, 2024	Feb. 28, 2023
Sales	\$117,894	\$115,141	\$346,816	\$370,429
Gross profit	\$38,384	\$39,945	\$93,207	\$112,465
Gross margin	32.6%	34.7%	26.9%	30.4%
Net loss	(\$2,083)	(\$47,164)	(\$19,737)	(\$55,453)
per share - basic and diluted	(\$0.10)	(\$2.18)	(\$0.91)	(\$2.57)
Adjusted EBITDA	\$19,879	\$16,468	\$17,780	\$21,092
Adjusted net income (loss)	\$8,944	\$8,790	(\$7,918)	\$501
per share - basic and diluted	\$0.41	\$0.41	(\$0.37)	\$0.02
Weighted average share outstanding (‘000s)	21,586	21,586	21,586	21,586

“Velan concluded fiscal 2024 with strong fourth quarter results, marked by heightened sales volume and healthy profit margins on improved quality of execution,” said James A. Mannebach, Chairman and CEO of Velan. “In addition, robust bookings during the period further increased our backlog to \$491.5 million at year-end. Given the value of orders to be shipped over the next 12 months, we expect sales growth in fiscal 2025. As a supplier of critical equipment to essential industries, Velan is well positioned to capture growth opportunities driven by the ongoing energy transition and expand its reach in the flow control industry based on an agile workforce, global presence and strong brand recognition.”

“Fueled by a net cash position, Velan’s strong balance sheet will allow the Company to fund its current operations and pursue re-investment to expand its global reach. Over the longer term, we remain committed to building shareholder value through sales and cash flow growth,” added Rishi Sharma, Chief Financial and Administrative Officer of Velan.

BOOKINGS AND BACKLOG

(‘000s of U.S. dollars, excluding ratio)

	Three-month periods ended		Fiscal years ended	
	Feb. 29, 2024	Feb. 28, 2023	Feb. 29, 2024	Feb. 28, 2023
Backlog			\$491,525	\$464,337
for delivery within the next 12 months			\$360,669	\$307,991
Bookings	\$132,825	\$87,085	\$374,454	\$353,176
Book-to-bill ratio	1.13	0.76	1.08	0.95

As at February 29, 2024, the backlog stood at \$491.5 million, up \$27.2 million, or 5.9%, from \$464.3 million a year earlier reflecting strong

fourth quarter bookings. As at February 29, 2024, 73.4% of the backlog, representing orders of \$360.7 million, is deliverable in the next 12 months, versus 66.3% of last year's backlog. Currency movements had a positive effect of \$5.6 million on the backlog during the year.

Bookings for the fourth quarter of fiscal 2024 amounted to \$132.8 million, up 52.5% over bookings of \$87.1 million a year earlier. The increase is mainly attributable to strong oil and gas bookings recorded by the Company's Italian operations and to higher orders recorded by North American operations, partially offset by the timing of orders for the French subsidiary following strong bookings in the prior year. Currency movements had a positive effect of \$3.8 million on bookings during the quarter.

As a result of bookings outpacing sales, the Company's book-to-bill ratio was 1.13 in the fourth quarter of fiscal 2024, compared to 0.76 in the corresponding period of fiscal 2023.

Fiscal 2024 bookings reached \$374.5 million, an increase of \$21.3 million or 6.0% compared to the previous year. As a result of bookings outpacing sales for the fiscal year, the Company's book-to-bill ratio was 1.08 in fiscal 2024, compared with 0.95 in fiscal 2023.

FISCAL 2024 FOURTH QUARTER RESULTS

Sales reached \$117.9 million, up \$2.8 million or 2.4% from last year. The variation is mostly attributable to stronger shipments from the Company's International operations. These factors were partially offset by lower shipments from North American operations and shipping delays due to the situation in the Red Sea. Currency movements had a \$1.7 million positive effect on sales for the quarter.

Gross profit was \$38.4 million, versus \$39.9 million a year ago. The variation reflects a less favorable product mix this year compared to last due to the execution of certain low margin projects. Last year's gross profit also benefitted from a favorable revaluation of the inventory provision based on new estimates relating to changes in market demand. As a percentage of sales, gross profit was 32.6%, versus 34.7% last year.

Administration costs reached \$33.1 million, compared to \$80.8 million last year. This year's administration costs include a \$10.0 million asbestos provision adjustment and restructuring charges of \$1.3 million mostly consisting of severances. Last year's costs included a \$56.0 million charge to increase the Company's asbestos provision. Excluding these items, administration costs totaled \$21.7 million, or 18.4% of sales, in the fourth quarter of fiscal 2024, versus \$24.9 million, or 21.6% of sales, in the fourth quarter of fiscal 2023. The decrease is mostly due to lower expenses for the North American operations and cost reduction initiatives throughout the Company's operations.

EBITDA¹ reached \$8.5 million compared to negative \$39.5 million last year. Excluding asbestos and restructuring costs, adjusted EBITDA was \$19.9 million in the fourth quarter of fiscal 2024, compared to \$16.5 million a year earlier. This increase reflects lower administration costs and a \$1.7 million net reduction in other expenses, mainly related to a provision related to a commodity tax audit last year. These factors were partially offset by a lower gross profit.

Net loss was \$2.1 million, or \$0.10 per share, versus a net loss of \$47.2 million, or \$2.18 per share last year. Excluding the after-tax effect of asbestos and restructuring costs, adjusted net income was \$8.9 million, or \$0.41 per share, compared to \$8.8 million, or \$0.41 per share, last year. The variation is attributable to higher adjusted EBITDA partially offset by higher net finance costs and income tax expense.

YEAR-END RESULTS

For the fiscal year ended February 29, 2024, sales amounted to \$346.8 million, down from \$370.4 million last year. Gross profit was \$93.2 million, or 26.9% of sales, compared to \$112.5 million, or 30.4% of sales, last year. EBITDA stood at \$5.3 million, versus negative \$34.9 million a year ago, while adjusted EBITDA reached \$17.8 million compared to \$21.1 million last year. Net loss was \$19.7 million, or \$0.91 per share, compared to a net loss of \$55.5 million, or \$2.57 per share, a year ago, while adjusted net loss was \$7.9 million, or \$0.37 per share, compared to adjusted net income of \$0.5 million, or \$0.02 per share in the prior year.

FINANCIAL POSITION

As at February 29, 2024, Velan's financial position remained solid. The Company had cash and cash equivalents of \$36.4 million, as well as short-term investments of \$5.3 million, while long-term debt, including the current portion, amounted to \$28.8 million.

OUTLOOK

Velan aims to build on the momentum gained in the second half of fiscal 2024, concluding the year on a solid note with a growing order backlog and a book-to-bill ratio of 1.08. As at February 29, 2024, orders totaling \$360.7 million, representing 73.4% of a total backlog of \$491.5 million, are expected to be delivered in the next 12 months. Given these orders, the Company expects to deliver annual sales in fiscal 2025 above the level achieved in fiscal 2024.

CONFERENCE CALL NOTICE

Financial analysts, shareholders, and other interested individuals are invited to attend the fourth quarter conference call to be held on Friday, May 17, 2024, at 8:00 a.m. (EDT). The toll-free call-in number is 1-800-836-8184 or by RapidConnect URL: <https://empportal.ink/4aUSejk>. 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 24455.

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 approximately 1,641 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, Adjusted net income per share, Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA

<i>(thousands, except amount per shares)</i>	Three-month period ended		Fiscal years ended	
	Feb. 29, 2024	Feb. 28, 2023	Feb. 29, 2024	Feb. 28, 2023
	\$	\$	\$	\$
Reconciliation of net income (loss) to adjusted net income (loss) ² & adjusted net income (loss) per share				
Net income (loss)	(2,083)	(47,164)	(19,737)	(55,453)
<i>Adjustment for:</i>				
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)
<i>Adjustments for:</i>				
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)
<i>Adjustments for:</i>				
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

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 MD&A 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 MD&A 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.

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¹ Non-IFRS and supplementary financial measures. 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.

Consolidated Statements of Financial Position
(in thousands of U.S. dollars)

	February 29, 2024 \$	As at February 28, 2023 \$
Assets		
Current assets		
Cash and cash equivalents	36,445	50,513
Short-term investments	5,271	37
Accounts receivable	119,914	121,053
Income taxes recoverable	6,132	6,195
Inventories	208,702	202,649
Deposits and prepaid expenses	10,421	7,559
Derivative assets	125	107
	387,010	388,113
Non-current assets		
Property, plant and equipment	69,918	68,205
Intangible assets and goodwill	16,543	16,153
Deferred income taxes	5,193	4,663
Other assets	729	723
	92,383	89,744
Total assets	479,393	477,857
Liabilities		
Current liabilities		
Bank indebtedness	-	260
Accounts payable and accrued liabilities	88,230	79,408
Income taxes payable	1,568	2,832
Customer deposits	30,396	28,201
Provisions	14,129	16,485
Derivative liabilities	26	299
Current portion of long-term lease liabilities	1,607	1,298
Current portion of long-term debt	24,431	8,177
	160,387	136,960
Non-current liabilities		
Long-term lease liabilities	11,036	9,458
Long-term debt	4,346	21,719
Income taxes payable	2,325	933
Deferred income taxes	3,462	3,966

Customer deposits	35,082	27,937
Provisions	74,058	70,924
Other liabilities	5,438	5,125
	135,747	140,062
Total liabilities	296,134	277,022
Total equity	183,259	200,835
Total liabilities and equity	479,393	477,857

Consolidated Statements of Loss

(in thousands of U.S. dollars, excluding number of shares and per share amounts)

	Three-month periods ended		Fiscal years ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Sales	117,894	115,141	346,816	370,429
Cost of sales	79,510	75,196	253,609	257,964
Gross profit	38,384	39,945	93,207	112,465
Administration costs	33,121	80,841	98,744	156,759
Other expense (income)	(91)	1,700	448	1,568
Operating profit (loss)	5,354	(42,596)	(5,985)	(45,862)
Finance income	64	240	459	467
Finance costs	(2,419)	(758)	(6,805)	(2,019)
Finance costs – net	(2,355)	(518)	(6,346)	(1,552)
Income (loss) before income taxes	2,999	(43,114)	(12,331)	(47,414)
Income tax expense	5,088	4,102	7,471	8,045
Net loss for the period	(2,089)	(47,216)	(19,802)	(55,459)
Net income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	(2,083)	(47,164)	(19,737)	(55,453)
Non-controlling interest	(6)	(52)	(65)	(6)
Net loss for the period	(2,089)	(47,216)	(19,802)	(55,459)
Net loss per Subordinate and Multiple Voting Share				
Basic and diluted	(0.09)	(2.18)	(0.91)	(2.57)
Dividends declared per Subordinate and Multiple Voting Share				
	-	-	0.02	0.02
	(CA\$ -)	(CA\$ -)	(CA\$0.03)	(CA\$0.03)
Total weighted average number of Subordinate and Multiple Voting Shares				
Basic and diluted	21,585,635	21,585,635	21,585,635	21,585,635

Consolidated Statements of Comprehensive Loss
(in thousands of U.S. dollars)

	Three-month periods ended		Fiscal years ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Comprehensive loss				
Net loss for the period	(2,089)	(47,216)	(19,802)	(55,459)
Other comprehensive income (loss)				
Foreign currency translation	(719)	1,423	2,516	(8,985)
Comprehensive loss	(2,808)	(45,793)	(17,286)	(64,444)
Comprehensive income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	(2,802)	(45,741)	(17,221)	(64,438)
Non-controlling interest	(6)	(52)	(65)	(6)
Comprehensive loss	(2,808)	(45,793)	(17,286)	(64,444)

Other comprehensive loss is composed solely of items that may be reclassified subsequently to the consolidated statement of loss.

Consolidated Statements of Changes in Equity
(in thousands of U.S. dollars, excluding number of shares)

	Equity attributable to the Subordinate and Multiple Voting shareholders						Non-controlling interest	Total equity
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total			
Balance - February 28, 2022	72,695	6,260	(32,126)	217,995	264,824	686	265,510	
Net loss for the year	-	-	-	(55,453)	(55,453)	(6)	(55,459)	
Other comprehensive loss	-	-	(8,985)	-	(8,985)	-	(8,985)	
Comprehensive loss	-	-	(8,985)	(55,453)	(64,438)	(6)	(64,444)	
Acquisition of non-controlling interests	-	-	-	-	-	266	266	
Other	-	-	(97)	97	-	-	-	
Dividends								
Multiple Voting Shares	-	-	-	(366)	(366)	-	(366)	
Subordinate Voting Shares	-	-	-	(131)	(131)	-	(131)	
Balance - February 28, 2023	72,695	6,260	(41,208)	162,142	199,889	946	200,835	
Net loss for the year	-	-	-	(19,737)	(19,737)	(65)	(19,802)	
Other comprehensive loss	-	-	2,516	-	2,516	-	2,516	
Comprehensive loss	-	-	2,516	(19,737)	(17,221)	(65)	(17,286)	
Acquisition of non-								

controlling interests	-	-	-	-	-	201	201
Dividends							
Multiple Voting Shares	-	-	-	(354)	(354)	-	(354)
Subordinate Voting Shares	-	-	-	(137)	(137)	-	(137)
Non-controlling interest	-	-	-	-	-	-	-

Balance - February 29, 2024	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
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Consolidated Statements of Cash Flow
(in thousands of U.S. dollars)

	Three-month periods ended		Fiscal years ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Cash flows from				
Operating activities				
Net loss for the period	(2,089)	(47,216)	(19,802)	(55,459)
Adjustments to reconcile net loss to cash provided by operating activities	12,669	64,794	14,289	67,553
Changes in non-cash working capital items	9,069	911	9,814	(11,572)
Cash provided by operating activities	19,649	18,489	4,301	522
Investing activities				
Short-term investments	(5,254)	9,367	(5,232)	8,250
Additions to property, plant and equipment	(2,925)	(1,385)	(6,829)	(4,370)
Additions to intangible assets	(1,199)	(903)	(2,358)	(2,219)
Proceeds on disposal of property, plant and equipment	(127)	141	(45)	185
Net change in other assets	317	(117)	347	(87)
Cash provided (used) by investing activities	(9,198)	7,103	(14,127)	1,759
Financing activities				
Dividends paid to Subordinate and Multiple Voting shareholders	-	-	(491)	(497)
Acquisition of non-controlling interests	1	266	201	266
Net change in revolving credit facility	-	(5,373)	5,000	-
Increase in long-term debt	1,286	1,506	1,286	3,666
Repayment of long-term debt	(1,069)	(683)	(8,762)	(4,398)
Repayment of long-term lease liabilities	(603)	(566)	(1,895)	(1,657)
Cash provided (used) by financing activities	(385)	(4,850)	(4,661)	(2,620)
Effect of exchange rate differences on cash	17	200	679	(2,873)
Net change in cash during the period	10,083	20,942	(13,808)	(3,212)
Net cash – Beginning of the period	26,362	29,311	50,253	53,465
Net cash – End of the period	36,445	50,253	36,445	50,253
Net cash is composed of:				
Cash and cash equivalents	36,445	50,513	36,445	50,513
Bank indebtedness	-	(260)	-	(260)
Net cash – End of the period	36,445	50,253	36,445	50,253
Supplementary information				
Interest paid	(845)	(524)	(1,274)	(974)
Income taxes paid	(2,523)	(1,361)	(6,708)	(8,160)