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 SECOND QUARTER RESULTS FOR FISCAL 2025

Solid execution on strong order backlog[1] and sustained momentum in bookings[1] driven by robust demand from clean energy markets

MONTREAL, Quebec, October 10, 2024 – Velan Inc. (TSX: VLN) ("Velan" or the "Company"), a world-leading manufacturer of industrial valves, announced today financial results for its second quarter ended August 31, 2024. All amounts are expressed in U.S. dollars unless indicated otherwise.

SECOND-QUARTER HIGHLIGHTS AND RECENT EVENTS

- Strong order backlog of $548.1 million, up $56.6 million since the beginning of the year; highest backlog in three years.
- Bookings of $116.6 million, up significantly from $71.5 million in the second quarter of fiscal 2024.
- Book-to-bill ratio[1] of 1.18 versus 0.89 in the same period last year.
- Sales of $98.7 million, up 22.8% from $80.3 million in the second quarter of fiscal 2024.
- Gross profit of $26.7 million, or 27.0% of sales, versus $23.4 million, or 29.1% of sales, last year.
- Improvement of $2.2 million in net profitability, resulting in net income[2] of $0.1 million.
- Solid cash flows from operating activities of $10.1 million, versus negative $21.2 million last year.
- Net cash and cash equivalents of $41.3 million, versus $36.4 million at the beginning of the year.
- On September 2, Velan announced a Main Services Agreement with GEH SMR Technologies Canada Ltd. to provide certain proprietary products and services required for the development of a small modular reactor to Ontario Power Generation Inc.
- On October 10, the Company and union members at the Williston, Vermont plant, signed a new three-year collective agreement. Employees will return to work on October 14.

FINANCIAL RESULTS ('000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Six-month periods ended	
	August 31, 2024	**August 31, 2023**	**August 31, 2024**	**August 31, 2023**
Sales	$98,647	$80,318	$176,147	$147,977
Gross profit	$26,668	$23,385	$50,480	$38,437
Gross margin	27.0%	29.1%	28.7%	26.0%
Net income (loss)	$121	($2,120)	($983)	($10,404)
per share - basic and diluted	$0.01	($0.10)	($0.05)	($0.48)
EBITDA[1]	$5,127	$2,960	$8,869	($839)
Adjusted EBITDA[1]	$5,127	$3,289	$8,990	($1)
Adjusted net income[1] (loss)	$121	($1,878)	($894)	($9,788)
per share - basic and diluted	$0.01	($0.09)	($0.04)	($0.45)
Weighted average share outstanding ('000s)	21,586	21,586	21,586	21,586

"Velan's strong momentum continued in the second quarter of fiscal 2025 with bookings and sales growing more than 60% and 20% year-over-year, respectively," said James A. Mannebach, Chairman of the Board and CEO of

[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.

Velan. "This dual growth was driven by our diversified portfolio, global reach and sustained differentiation in key market segments. At quarter-end, we announced a contractual agreement with GEH SMR Technologies Canada Ltd. for the provision of high-quality products and services to supply a stand-alone small modular reactor (SMR) for Ontario Power Generation Inc. Given Velan's development of proprietary valve technology, which is critical to the deployment of SMR technology, this initial booking bodes well for larger follow-on orders with GEH and other solution providers in the rapidly expanding nuclear sector. Looking ahead to the second half, we are reiterating our sales growth outlook for the full fiscal year."

"We are pleased with the robust increase in cash flow from operations, which reached $10.1 million in the second quarter and $15.0 million after six months," added Rishi Sharma, Chief Financial and Administrative Officer of Velan. "At the beginning of the year, we pledged to improve cash flow generation by leveraging the global scale of our business, maximizing strategic procurement and optimizing inventory management. We are highly encouraged by quality of execution to this end, as it enabled us to further reduce our debt. Our net cash position of $41.3 million at the end of the quarter offers Velan the flexibility to invest in growth areas and continue to create sustained value for all shareholders."

BACKLOG ('000s of U.S. dollars)	As at August 31, 2024	As at Feb. 29, 2024
Backlog	$548,116	$491,525
for delivery within the next 12 months	$395,873	$360,669

BOOKINGS ('000s of U.S. dollars, excluding ratios)	Three-month periods ended		Six-month periods ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Bookings	$116,596	$71,545	$226,364	$163,356
Book-to-bill ratio	1.18	0.89	1.29	1.10

As at August 31, 2024, the backlog stood at $548.1 million, up $56.6 million, or 11.5%, since the beginning of the fiscal year, reflecting strong bookings during the first half of the year. As at August 31, 2024, 72.2% of the backlog, representing orders of $395.9 million, is deliverable in the next 12 months. Currency movements had a $7.4 million positive effect on the value of the backlog for the first six months of fiscal 2025.

Bookings for the second quarter of fiscal 2025 were $116.6 million, versus $71.5 million for the same period last year. This increase reflects higher bookings in North America driven by new projects for the nuclear power market, including the strategic Main Services Agreement with GEH SMR Technologies Canada Ltd., and MRO business. The variation is also due to higher bookings in Germany for oil refinery projects and in France for the nuclear power and defense markets. These factors were partially offset by lower oil and gas bookings in Italy due to large orders recorded in the corresponding period of fiscal 2024. Currency movements had a $6.3 million positive effect on the value of bookings for the quarter.

For the first six months of fiscal 2025, bookings reached $226.4 million, up from $163.4 million in the first six months of fiscal 2024. The increase is attributable to higher bookings in North America, Germany and France, partially offset by reduced bookings in Italy. Currency movements had a $7.4 million positive effect on the value of bookings for the period.

As bookings outpaced sales, the Company's book-to-bill ratio was 1.18 and 1.29, respectively, for the three- and six-month periods ended August 31, 2024.

SECOND QUARTER RESULTS

Sales reached $98.6 million, up $18.3 million or 22.8% from the same period last year. The increase is mainly attributable to higher shipments from Italian operations for the oil and gas market, from French operations for the nuclear power market and from North American operations for the defense market. The variation also reflects non-recurring revenue of $5.2 million related to a cancelled agreement with a customer on which no gross profit was recognized in the second quarter of fiscal 2025. These factors were partially offset by lower MRO shipments in North America. Currency movements had a $0.6 million negative effect on sales for the quarter.

Gross profit totaled $26.7 million, up from $23.4 million last year. The increase is primarily attributable to higher sales which positively impacted the absorption of fixed production overhead costs, and a more favorable product mix this year compared to last, partially offset by higher inventory provisions and learning curve effects in the early phase of certain projects for the nuclear power market. Currency movements had a $0.1 million negative effect on gross profit compared to the same period last year. As a percentage of sales, gross profit was 27.0%, compared to 29.1% last year. Excluding the effect of non-recurring revenue of which no gross profit was recognized, this year's gross profit as a percentage of sales was 28.5%.

Administration costs totaled $24.8 million, or 25.1% of sales, compared to $22.6 million, or 28.1% of sales a year ago. Last year's costs included $0.3 million in expenses related to the proposed transaction with Flowserve Corporation. The year-over-year increase is mainly attributable to higher sales commissions due to higher business volume.

EBITDA[1] amounted to $5.1 million, compared to $3.0 million last year. Excluding expenses related to the proposed transaction, last year's second quarter adjusted EBITDA was $3.3 million. The year-over-year increase is attributable to higher volume and resulting higher gross profit, partially offset by higher administration costs.

Net income amounted to $0.1 million, or $0.01 per share, compared to a net loss of $2.1 million or $0.10 per share last year. The improvement is primarily attributable to higher EBITDA. Excluding the after-tax effect of expenses related to the proposed transaction, last year's adjusted net loss was $1.9 million, or $0.09 per share.

SIX-MONTH RESULTS

Sales totaled $176.1 million, compared to $148.0 million for the same period last year. Gross profit reached $50.5 million, compared to $38.4 million a year ago. As a percentage of sales, gross profit was 28.7%, compared to 23.0% last year. Excluding the effect of non-recurring revenue, this year's gross profit as a percentage of sales was 29.5%.

EBITDA was $8.9 million, compared to negative $0.8 million last year, while adjusted EBITDA stood at $9.0 million, up from breakeven in the first half of fiscal 2024.

Net loss amounted to $1.0 million, or $0.05 per share, compared to a net loss of $10.4 million or $0.48 per share last year. Adjusted net loss was $0.9 million, or $0.04 per share, versus an adjusted net loss of $9.8 million, or $0.45 per share, last year.

FINANCIAL POSITION

As at August 31, 2024, the Company held cash and cash equivalents of $44.5 million and short-term investments of $4.8 million. Bank indebtedness stood at $3.2 million, while long-term debt, including the current portion, amounted to $22.6 million.

OUTLOOK

As at August 31, 2024, orders amounting to $395.9 million, representing 72.2% of a total backlog of $548.1 million, are expected to be delivered in the next 12 months. Given these orders, the Company anticipates that sales in the second half the year will continue to support its expectations to deliver sales growth in fiscal 2025.

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

DIVIDEND

The Company opted to declare no dividend this quarter.

CONFERENCE CALL NOTICE

Financial analysts, shareholders, and other interested individuals are invited to attend the second quarter conference call to be held on Friday, October 11, 2024, at 8:00 a.m. (EDT). The toll-free call-in number is 1-888-510-2154 or by RapidConnect URL: https://emportal.ink/3XgWfJ1. 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 48139.

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 1,618 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

('000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Six-month periods ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
	$	$	$	$
Reconciliation of net income (loss) to adjusted net income (loss) & adjusted net income (loss) per share				
Net income (loss)	121	(2,120)	(983)	(10,404)
Adjustments for:				
Restructuring costs	-	-	89	-
Proposed transaction related costs	-	242	-	616
Adjusted net income (loss)	**121**	**(1,878)**	**(894)**	**(9,788)**
per share - basic and diluted	0.01	(0.09)	(0.04)	(0.45)
Reconciliation of net income (loss) to Adjusted EBITDA				
Net income (loss)	121	(2,120)	(983)	(10,404)
Adjustments for:				
Depreciation of property, plant and equipment	2,612	2,154	4,297	4,220
Amortization of intangible assets and financing costs	250	514	1,021	1,077
Finance costs – net	1,472	1,391	2,813	2,596
Income taxes	672	1,021	1,721	1,672
EBITDA	**5,127**	**2,960**	**8,869**	**(839)**
Adjustments for:				
Restructuring costs	-	-	121	-
Proposed transaction related costs	-	329	-	838
Adjusted EBITDA	**5,127**	**3,289**	**8,990**	**(1)**

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 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

VELAN

Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	As at	
	August 31, 2024	February 29, 2024
	$	$
Assets		
Current assets		
Cash and cash equivalents	44,480	36,445
Short-term investments	4,791	5,271
Accounts receivable	114,869	119,914
Income taxes recoverable	7,017	6,132
Inventories	225,325	208,702
Deposits and prepaid expenses	9,035	10,421
Derivative assets	431	125
	405,948	387,010
Non-current assets		
Property, plant and equipment	69,590	69,918
Intangible assets and goodwill	15,851	16,543
Deferred income taxes	5,860	5,193
Other assets	752	729
	92,053	92,383
Total assets	498,001	479,393
Liabilities		
Current liabilities		
Bank indebtedness	3,213	-
Accounts payable and accrued liabilities	94,954	88,230
Income taxes payable	1,094	1,568
Customer deposits	38,692	30,396
Provisions	16,595	14,129
Derivative liabilities	2	26
Current portion of long-term lease liabilities	1,606	1,607
Current portion of long-term debt	3,234	24,431
	159,390	160,387
Non-current liabilities		
Long-term lease liabilities	10,965	11,036
Long-term debt	19,329	4,346
Income taxes payable	1,252	2,325
Deferred income taxes	4,314	3,462
Customer deposits	43,187	35,082
Provisions	71,700	74,058
Other liabilities	5,433	5,438
	156,180	135,747
Total liabilities	315,570	296,134
Total equity	182,431	183,259
Total liabilities and equity	498,001	479,393

VELAN

Consolidated Statements of Income (loss)

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

	Three-month periods ended		Six-month periods ended	
	August 31, 2024 $	August 31, 2023 $	August 31, 2024 $	August 31, 2023 $
Sales	98,647	80,318	176,147	147,977
Cost of sales	71,979	56,933	125,667	109,540
Gross profit	26,668	23,385	50,480	38,437
Administration costs	24,760	22,571	46,567	44,070
Other expense (income)	(322)	525	453	512
Operating income (loss)	2,230	289	3,460	(6,145)
Finance income	151	136	262	271
Finance costs	(1,623)	(1,527)	(3,075)	(2,867)
Finance costs – net	(1,472)	(1,391)	(2,813)	(2,596)
Net income (loss) before income taxes	758	(1,102)	647	(8,741)
Income tax expense	672	1,021	1,721	1,672
Net income (loss) for the period	86	(2,123)	(1,074)	(10,413)
Net income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	**121**	**(2,120)**	**(983)**	**(10,404)**
Non-controlling interest	(35)	(3)	(91)	(9)
Net income (loss) for the period	86	(2,123)	(1,074)	(10,413)
Net income (loss) per Subordinate and Multiple Voting Share				
Basic and diluted	0.01	(0.10)	(0.05)	(0.48)
Dividends declared per Subordinate and Multiple Voting Share	- (CA$ -)	- (CA$ -)	- (CA$ -)	0.02 (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

VELAN

Consolidated Statements of Comprehensive Loss

(in thousands of U.S. dollars)

	Three-month periods ended		Six-month periods ended	
	August 31, 2024 $	**August 31, 2023 $**	**August 31, 2024 $**	**August 31, 2023 $**
Comprehensive loss				
Net income (loss) for the period	86	(2,123)	(1,074)	(10,413)
Other comprehensive income (loss)				
Foreign currency translation	(2,270)	1,696	246	3,104
Comprehensive loss	(2,184)	(427)	(828)	(7,309)
Comprehensive income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	(2,149)	(424)	(737)	(7,300)
Non-controlling interest	(35)	(3)	(91)	(9)
Comprehensive loss	(2,184)	(427)	(828)	(7,309)

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

VELAN

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						
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total	Non-controlling interest	**Total equity**
Balance - February 28, 2023	72,695	6,260	(41,208)	162,142	199,889	946	200,835
Net loss for the period	-	-	-	(10,404)	(10,404)	(9)	(10,413)
Other comprehensive income	-	-	3,104	-	3,104	-	3,104
Comprehensive income (loss)	-	-	3,104	(10,404)	(7,300)	(9)	(7,309)
Acquisition of non-controlling interests	-	-	-	-	-	-	-
Dividends							
Multiple Voting Shares	-	-	-	(354)	(354)	-	(354)
Subordinate Voting Shares	-	-	-	(137)	(137)	-	(137)
Balance - August 31, 2023	72,695	6,260	(38,104)	151,247	192,098	937	193,035
Balance - February 29, 2024	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
Net loss for the period	-	-	-	(983)	(983)	(91)	(1,074)
Other comprehensive income	-	-	246	-	246	-	246
Comprehensive income (loss)	-	-	246	(983)	(737)	(91)	(828)
Balance - August 31, 2024	72,695	6,260	(38,446)	140,931	181,440	991	182,431

Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

	Three-month periods ended		Six-month periods ended	
	August 31, 2024 $	**August 31, 2023 $**	**August 31, 2024 $**	**August 31, 2023 $**
Cash flows from				
Operating activities				
Net income (loss) for the period	86	(2,123)	(1,074)	(10,413)
Adjustments to reconcile net loss to cash used by operating activities	11,011	2,246	10,836	3,080
Changes in non-cash working capital items	(952)	(21,283)	5,283	(3,133)
Cash used by operating activities	10,145	(21,160)	15,045	(10,466)
Investing activities				
Short-term investments	1,023	1	567	20
Additions to property, plant and equipment	(1,796)	(1,605)	(3,469)	(2,714)
Additions to intangible assets	658	(390)	(294)	(774)
Proceeds on disposal of property, plant and equipment, and intangible assets	138	39	146	53
Net change in other assets	(298)	5	(293)	33
Cash used by investing activities	(275)	(1,950)	(3,343)	(3,382)
Financing activities				
Dividends paid to Subordinate and Multiple Voting shareholders	-	(491)	-	(491)
Net change in revolving credit facility	-	5,000	-	5,000
Increase in long-term debt	584	-	584	-
Repayment of long-term debt	(3,120)	(778)	(6,936)	(1,704)
Repayment of long-term lease liabilities	90	(390)	(293)	(752)
Cash provided (used) by financing activities	(2,446)	3,341	(6,645)	2,053
Effect of exchange rate differences on cash	(176)	511	(235)	914
Net change in cash during the period	7,248	(19,258)	4,822	(10,881)
Net cash – Beginning of the period	34,019	58,630	36,445	50,253
Net cash – End of the period	41,267	39,372	41,267	39,372
Net cash is composed of:				
Cash and cash equivalents	44,480	41,474	44,480	41,474
Bank indebtedness	(3,213)	(2,102)	(3,213)	(2,102)
Net cash – End of the period	41,267	39,372	41,267	39,372
Supplementary information				
Interest received (paid)	901	(53)	56	(102)
Income taxes paid	(623)	(939)	(3,146)	(3,549)