



VELAN

Q2-FY2025 Investor Presentation

October 11, 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 August 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 October 10, 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 the board**
 - Bookings¹ increased 63.0% YoY to \$116.6M
 - Sales grew 22.8% YoY to \$98.6M
 - Improvement in net profitability with net income² of \$0.1M
 - Cash flow from operating activities improved to \$10.1M
- **Strong contribution from multiple sectors**
 - Nuclear power
 - Defense
 - Oil & gas
- **Leveraged diversified product portfolio, global reach and sustained differentiation in key markets**

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.



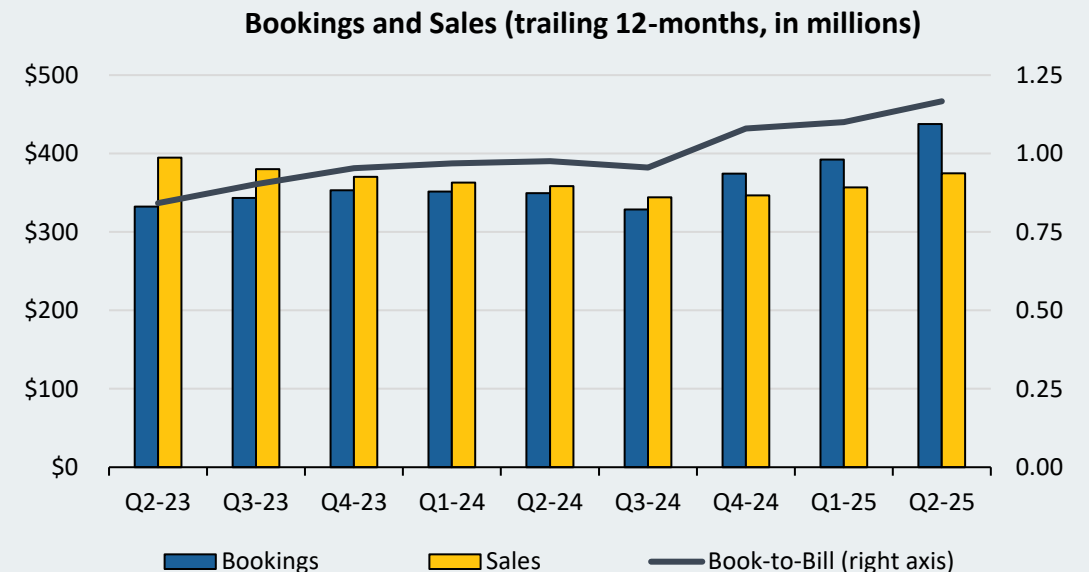
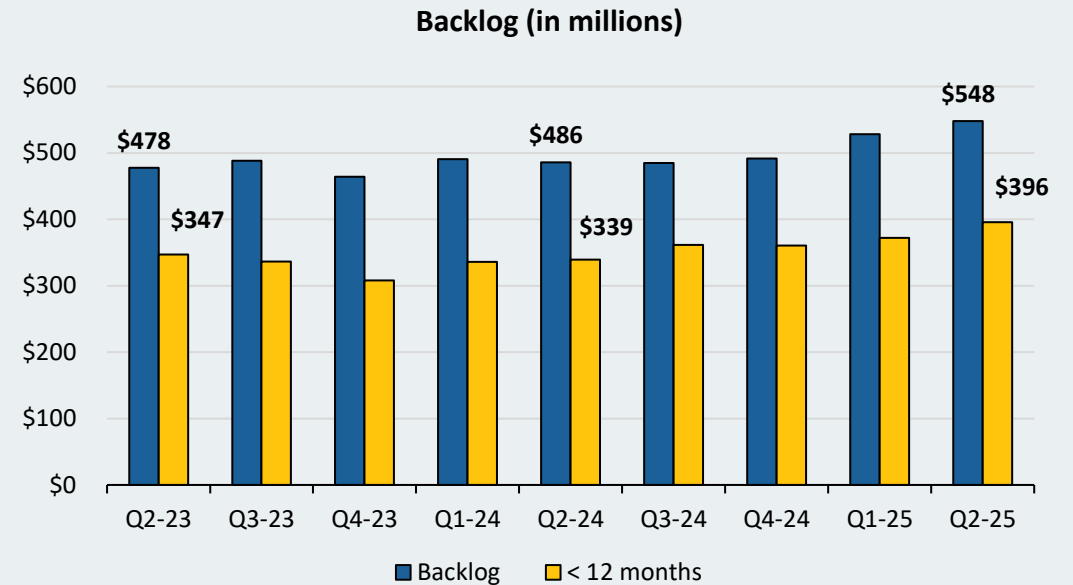
Sustained Momentum in Nuclear Power

- **Main Services Agreement with GEH SMR Technologies Canada Ltd.**
 - Provide certain proprietary products and services to develop a small modular reactor (SMR) for Ontario Power Generation Inc.
 - Selected as supplier for Darlington's New Nuclear Project
 - Provision for three additional units at Darlington by 2034
 - Advantage to supply future SMRs in Canada, the U.S. and globally
 - Well-positioned to shape the future of the nuclear energy landscape through SMR technology for all solution providers
- **Memorandum of Understanding with Westinghouse**
 - In support of nuclear new-build projects in Canada and around the world
- **Support the Canadians for CANDU campaign**
 - Promotes the global deployment of CANDU nuclear technology

Backlog¹ and Orders

- **Backlog of \$548.1M as at August 31, 2024**
 - \$395.9M to be delivered in the next 12 months
- **Bookings of \$116.6M in Q2, up 63.0% from a year ago**
 - Increased orders in North America driven by new projects for nuclear power and MRO
 - Higher bookings for oil refinery projects in Germany and nuclear power and defense markets in France
 - Partially offset by reduced oil & gas orders in Italy
- **Total bookings of \$437M in last 12 months**
- **Book-to-bill ratio¹ of 1.18 in Q2 and of 1.17 in the last 12 months**
 - Ratio of 1.29 for the first half of FY 2025

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





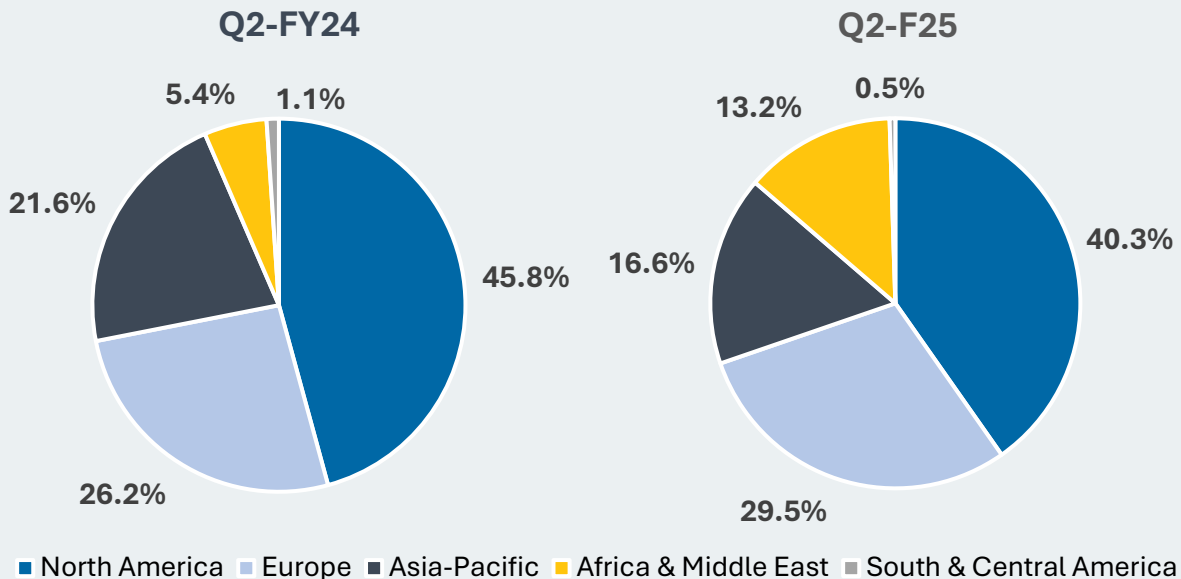
Rishi Sharma

Chief Financial and Administrative Officer

Sales (\$ US millions)

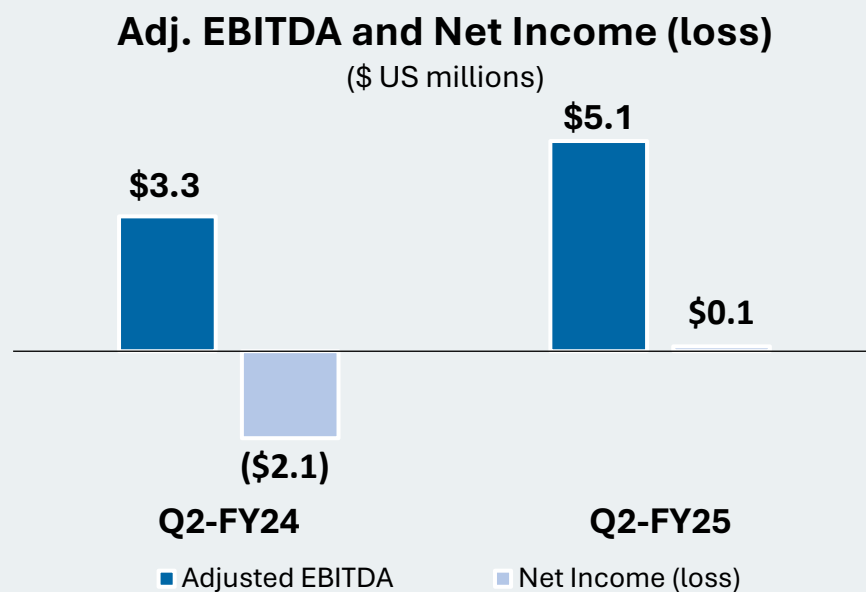
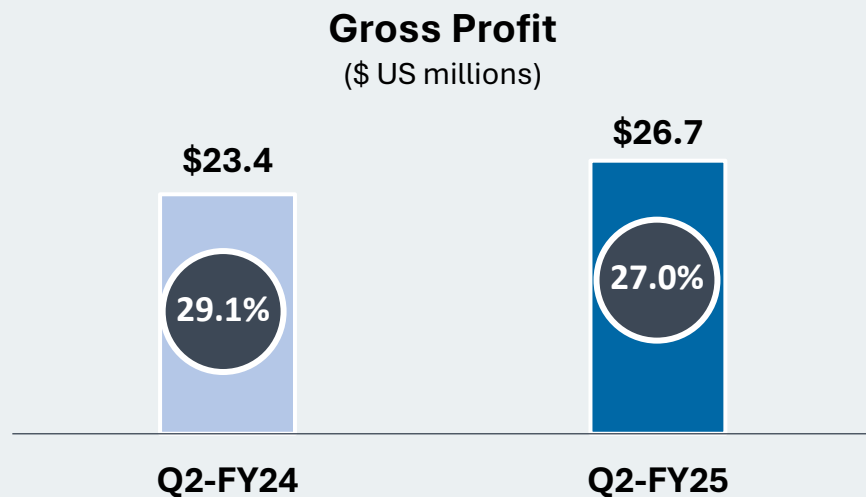


Sales distribution by customer geographic location



Second-Quarter Results

- **Sales of \$98.6M, up 22.8% YoY**
 - Higher shipments from diverse businesses:
 - Italian operations (oil & gas)
 - French operations (nuclear power)
 - North American operations (defense)
 - Non-recurring revenue gain of \$5.2 million (cancelled agreement)
 - Partially offset by:
 - Lower MRO shipments in North America
 - Slightly negative currency impact of \$0.6M



Second-Quarter Results

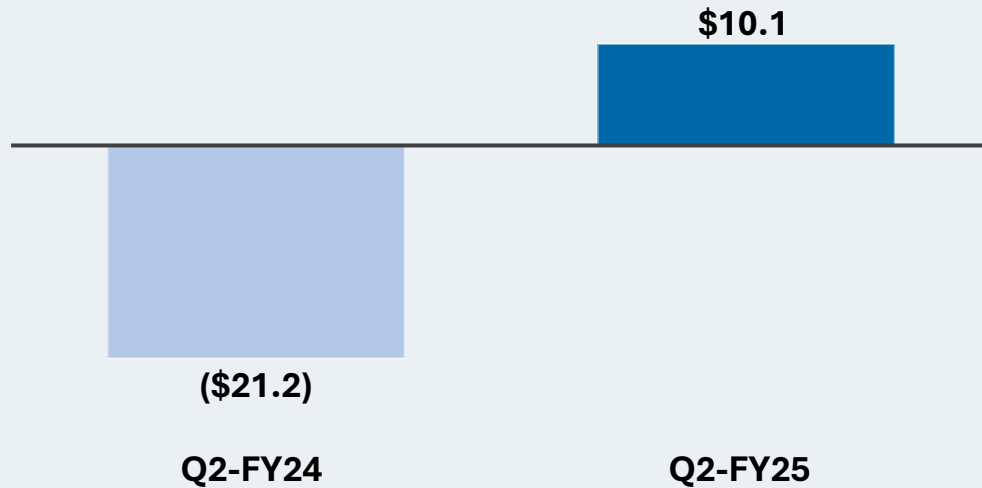
- **Gross profit of \$26.7M compared to \$23.4M in Q2-FY24**
 - Higher sales volume and favourable product mix, partially offset by increased inventory provisions
 - Excluding non-recurring revenue gain, gross profit as a percentage of sales would have reached 28.5%
- **Adjusted EBITDA¹ of \$5.1M versus \$3.3M in Q2-FY24**
 - Higher sales volume and improved gross profit, partially offset by increased administration costs
- **Turnaround in net profitability with net income² of \$0.1M, versus a net loss of \$2.1M in Q2-FY24**
 - Higher adjusted EBITDA

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

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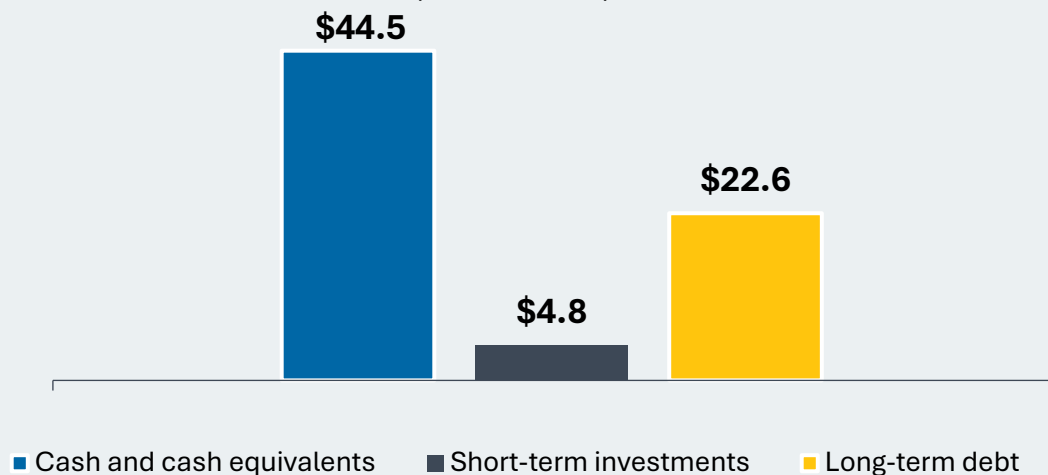
Cash Flow from Operations

(\$ US millions)



Financial Position as at August 31, 2024

(\$ US millions)



Cash Flow and Financial Position

- **Cash flow provided by operating activities of \$10.1M compared to \$21.2M used in Q2-FY24**
 - More favourable changes in non-cash working capital movements and higher EBITDA accounted for significant improvement
 - Enabled repayment of long-term debt
- **Strengthened financial position**
 - Positive net cash position
 - Supports investments in strategic growth areas
 - Creates sustained value for all shareholders



Outlook for FY 2025

- Strong first-half performance
- Highest order backlog in three years at \$548.1 million
- Expecting continued momentum in second half
- Maintaining sales growth outlook for fiscal year



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Thank you for attending our Q2-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

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.

	Three-month periods ended		Six-month periods ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
	\$	\$	\$	\$
<i>(in thousands, except amount per shares)</i>				
<i>Reconciliation of net income (loss) to adjusted net income (loss) and adjusted net income (loss) per share</i>				
Net income (loss)	121	(2,120)	(983)	(10,404)
<i>Adjustments for:</i>				
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)
<i>Reconciliation of net income (loss) to Adjusted EBITDA</i>				
Net income (loss)	121	(2,120)	(983)	(10,404)
<i>Adjustments for:</i>				
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)
<i>Adjustments for:</i>				
Restructuring costs	-	-	121	-
Proposed transaction related costs	-	329	-	838
Adjusted EBITDA	5,127	3,289	8,990	(1)

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