



VELAN

Q3-FY2025 Investor Presentation

January 15, 2025

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 November 30, 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 January 14, 2025. 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

Chairman of the Board and CEO



General Overview of the Quarter from Continuing Operations

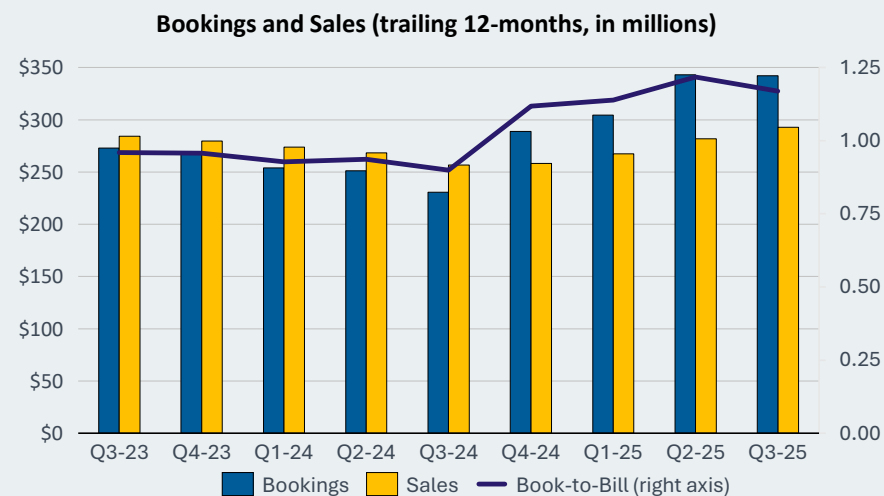
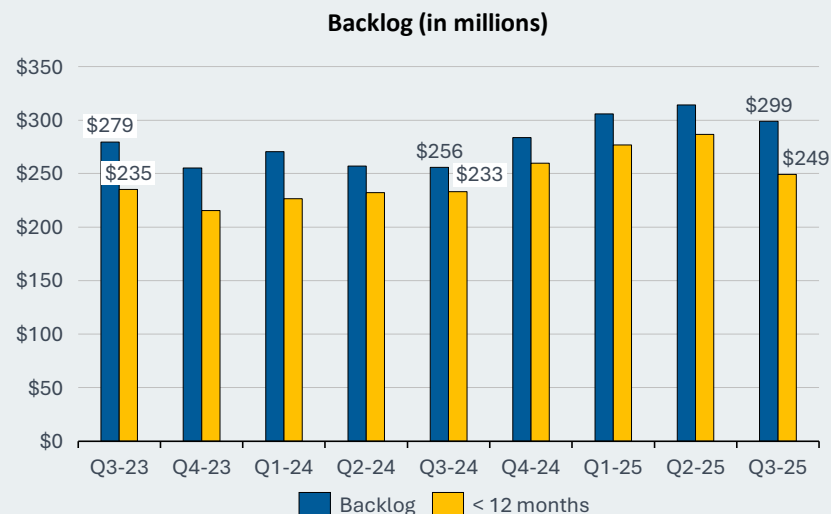
- **Maintained profitable growth momentum in Q3-FY25**
 - Sales grew 18.1% to \$73.4M
 - Adjusted Net Income¹ of \$8.5M
 - Cash flow from operating activities of (\$0.1M), after nine months we have generated \$20.0M
- **Announcement of transactions position Velan for sustainable long-term growth**
 - Reducing operating and financial risk and strengthening our balance sheet
 - Invest for future growth
 - Deliver improved shareholder value
- **Looking ahead, improved cash position will support investments in key growth opportunities**

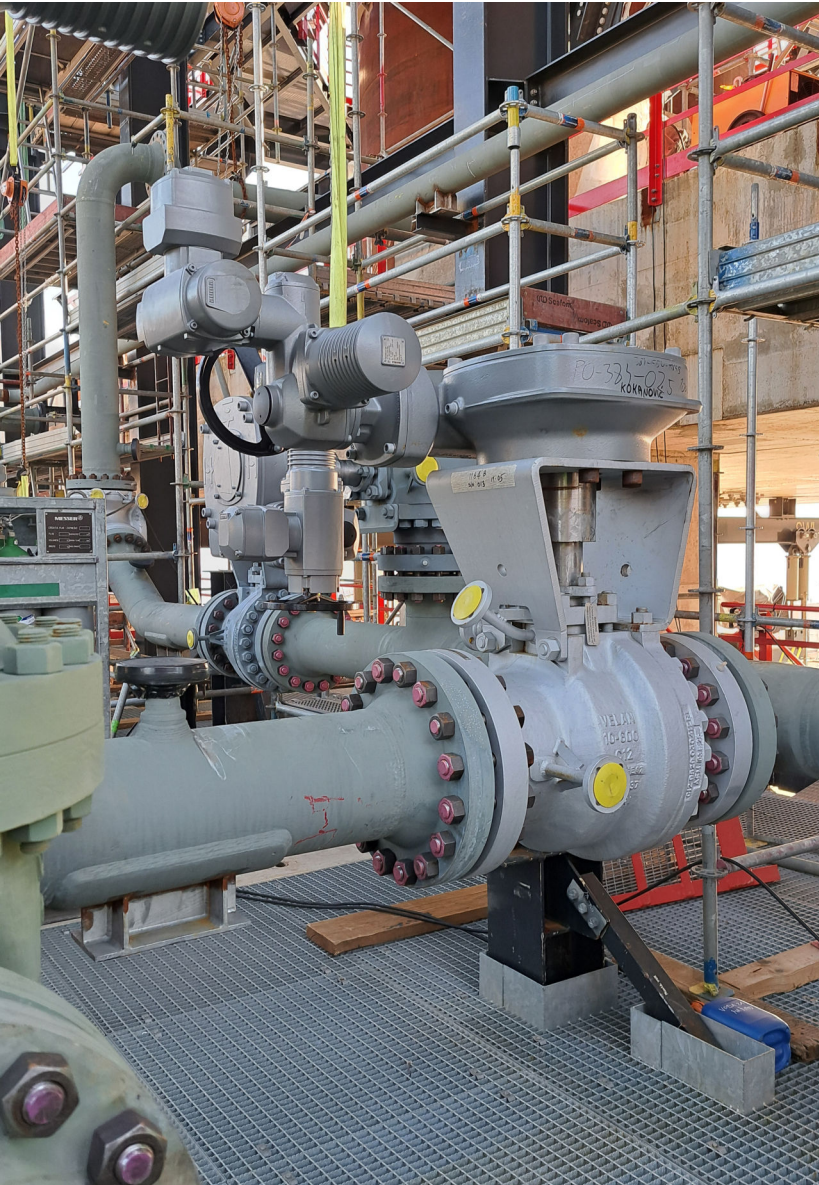
¹ Net income or loss refers to net income or loss attributable to subordinate and multiple voting shares.

Backlog¹ and Orders

- **Backlog up 5.3% since beginning of FY25 to \$298.7M as at November 30, 2024**
 - \$249.1M to be delivered in the next 12 months
- **Bookings¹ slightly down to \$59.1M in Q3-FY25 due to timing of orders**
 - Strong booking activity in H1-FY25
 - Delays in certain projects targeted by our Italian operations
 - Partly offset by higher bookings for MRO in North America and oil refinery projects in Germany
- **Book-to-bill ratio¹ of 0.81 in Q3-25**
 - Ratio of 1.17 in the last 12 months

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





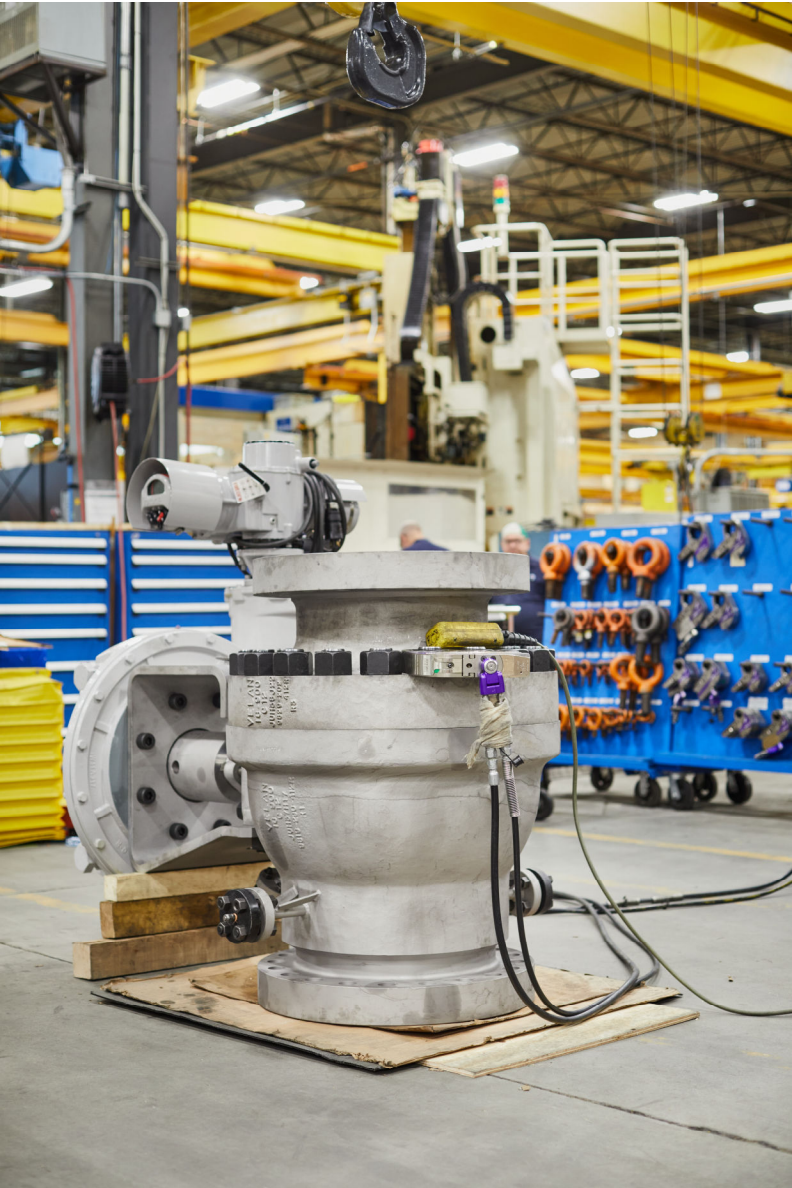
Divestiture of Asbestos-Related Liabilities

- **Agreement with an affiliate of Global Risk Capital, a company specialized in acquiring and managing legacy corporate liabilities**
 - Provision of \$78M for asbestos-related claims at last fiscal year end
- **Removes all asbestos liabilities from financial statements and indemnifies Velan for all legacy liabilities**
- **Strategic rationale:**
 - Derisks Velan from potential asbestos claims
 - Allows management to focus on sustainable growth through investments in operations
 - Enhances value proposition for shareholders



Sale of French Subsidiaries

- **Exclusive negotiations with Framatome SAS, an international leader in nuclear energy**
- **Our subsidiaries: Segault SAS and Velan France SAS**
 - Main suppliers to EDF and the French Navy
 - Transaction valued at 192.5M euros
- **Velan shareholders' meeting to approve the transaction**
 - Controlling shareholder supports the transaction
- **Win-win scenario**
 - Preserve French sovereignty over these assets
 - Eliminates a potential obstacle if a future strategic opportunity arises
 - Offers a more compelling value proposition to shareholders



Velan Outlook Post Transactions

- **Velan will remain a leader in flow control solutions driven by:**
 - A strong brand
 - High-quality products
 - Superior market positioning
- **Well-positioned for multi-year, nuclear power growth cycle**
 - Proprietary valves for Small Modular Reactors (SMRs)
 - Extensive global installed base of valves at existing reactors
 - Recent exclusive agreements and alliances with leading players
- **Benefit from transition trends in other energy-related markets**
 - Support customers in reaching their net-zero objectives
 - Extensive market penetration in North America's oil refineries
 - Expanding international presence



In Summary

- Strong momentum continued in the third quarter
- Confident to deliver sales growth year over year and enhanced profitability for FY 2025
- Remain focused on maximizing profitable growth
- Committed to rewarding shareholders over the long term




Rishi Sharma

Chief Financial and Administrative Officer

Third-Quarter Results

Sales

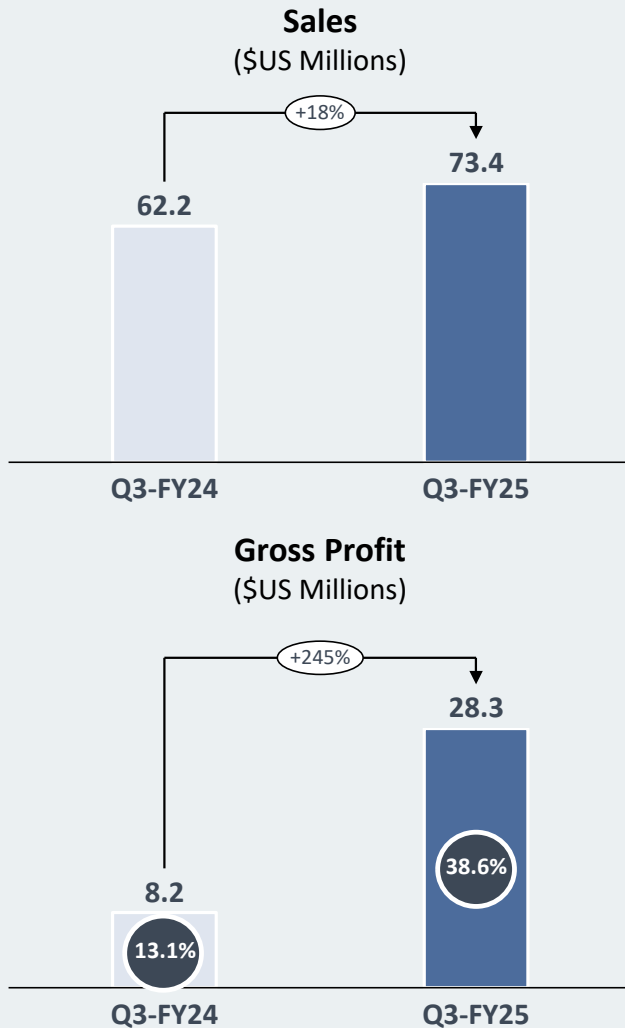
\$73.4M  **\$18.1% vs Prior Year**
\$62.2M

- Higher shipments from Italian and Chinese operations; partially offset by lower sales in other international markets
- Stable sales from North American operations

Gross Profit

\$28.3M/38.6%  **\$20.1M vs Prior Year**
\$8.1M/13.1%

- Higher sales volume in Italy and China
- Favourable product mix yields +2550 bps
- Reduced exposure to an onerous contract
- Efficiency gains




Third-Quarter Results

Adjusted EBITDA

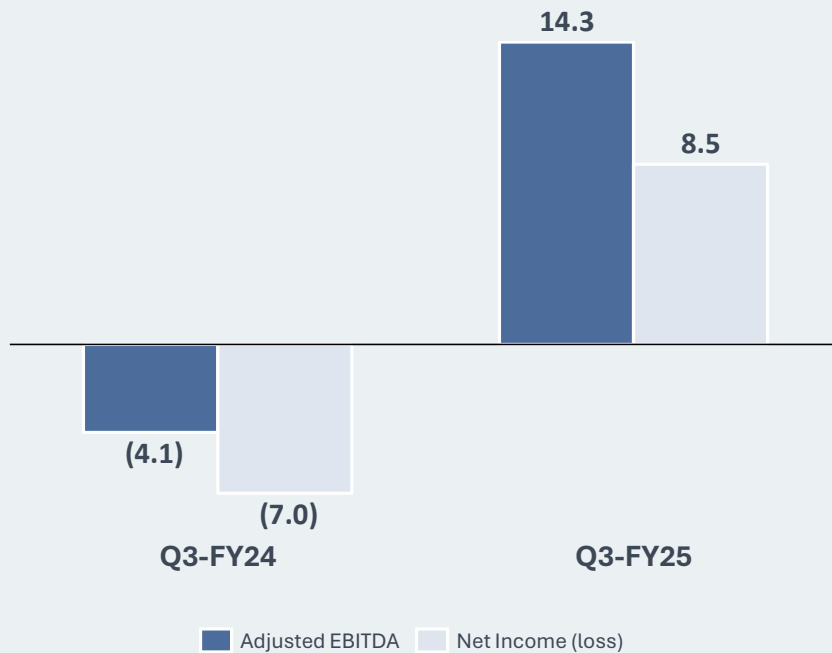
\$14.3M  **\$18.4M vs Prior Year**
(\$4.1M)

- Higher sales and improved gross profit, partially offset by increased administration costs
- Adjusted EBITDA excludes \$69.1M of asbestos related costs
- Other transaction related costs of \$5.4M

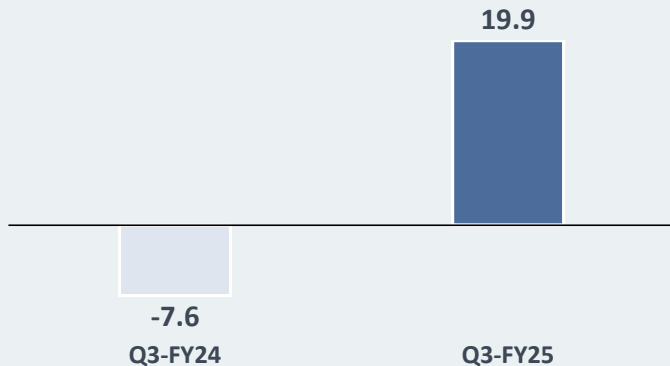
Adjusted Net Income (Loss)

\$8.5M  **\$15.5M vs Prior Year**
(\$7.0M)

Adj. EBITDA and Net Income (Loss)
(\$US Millions)



YTD Cash Flow from Operations (\$US Millions)



Financial Position as at November 30, 2024 (\$US Millions)



Cash Flow and Financial Position

YTD Cash from Operations

\$19.9M ↑ **\$27.5M vs Prior Year**
(\$7.6M)

- YTD strong cash flow from operating activities from improved profitability and working capital initiatives
- Cash from operating activities includes asbestos related costs and transaction related costs of \$10.3M, post transactions these are non-recurring cash items

Strengthened financial position post transactions

- Positive net cash position to support investments in growth opportunities

Board of Directors has reinstated dividend payment

- \$0.03 CAD per share payable on February 28, 2025



Financial Impact of the Transactions

Divestiture of asbestos-related liabilities

- **Sale of our U.S. subsidiary Velan Valve Corp. capitalized with:**
 - \$143M from Velan
 - \$7M from the buyer
- **Use available cash, partial proceeds from French transaction to fund the divestiture and/or other financing options**
- **Will continue to service the U.S. market under a newly created subsidiary**
- **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.**



Financial Impact of the Transactions

Sale of French subsidiaries

- Velan UK, a wholly-owned subsidiary, has entered a memorandum of understanding relating to the sale of 100% of the share capital and voting rights of its French subsidiaries, Segault SAS and Velan S.A.S. to Framatome SAS
- Purchase price of \$179.8M, with the forgiveness of an intercompany loan of \$23.8M, for total consideration to the Company of \$203.6 million
- **French subsidiaries key financials:**
 - LTM sales of \$98M¹
 - Combined backlog of \$219M¹
- **Continuing operations key financials:**
 - LTM sales of \$293M¹
 - Backlog of \$299M¹
- **Pro forma balance sheet**
 - Net cash proceeds of \$30M-32M from the two transactions
 - Provides from transactions clear majority of existing debt
 - \$65M¹ in pro forma cash and cash equivalents

¹ As at November 30, 2024

Transactions to Redefine Cash Deployment Strategy on Three Pillars

**Net Proceeds of
\$30M - \$32M from
both Transactions**

**Healthy Balance
Sheet with minimal
debt**

**Opportunity to
invest in growth
opportunities**

Post Sale of French subsidiaries and Asbestos liability, Expect Balanced Capital Allocation Between Reinvestment and Returning Value to Shareholders



Thank you for attending our Q3-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

	Three-month periods ended		Nine-month periods ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
<i>(in thousands, except amount per shares)</i>	\$	\$	\$	\$
<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	69,064	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	69,064	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)

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 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 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 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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