

VELAN

Q3-F2024 Investor Presentation

January 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 November 30, 2023. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the years ended February 28, 2023 and 2022. 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 11, 2024. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at www.sedar.com.

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

Interim CEO and Chairman of the Board



General Overview

- **Renewing our focus**
 - Strengthening the organization
 - Growing the business

- **Anticipate sustained demand for our products**
 - Driven by energy transition trends
 - Proven ability to meet demanding applications

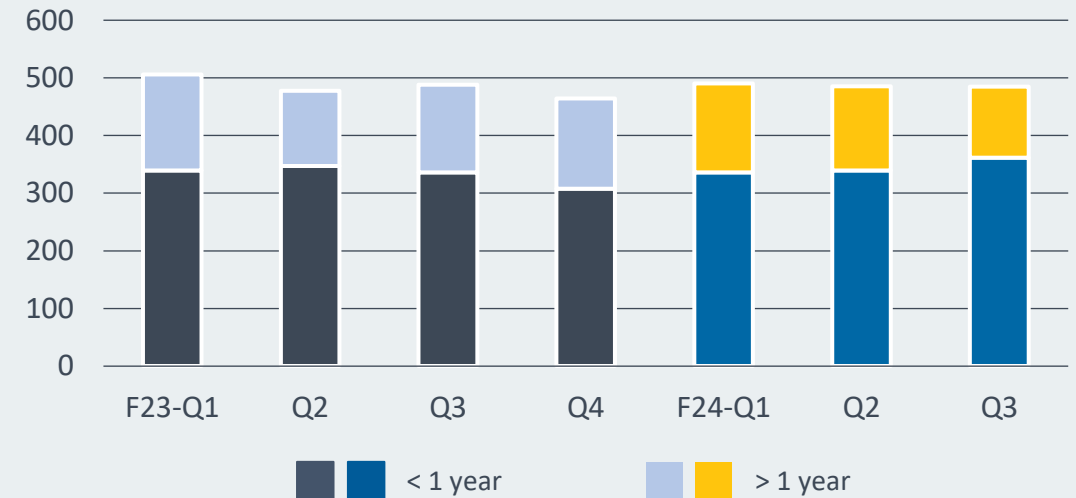
- **New management appointments**
 - Chairman of the Board, James A. Mannebach, named interim CEO
 - Rishi Sharma promoted to role of Chief Financial and Administrative Officer

Orders and Backlog¹

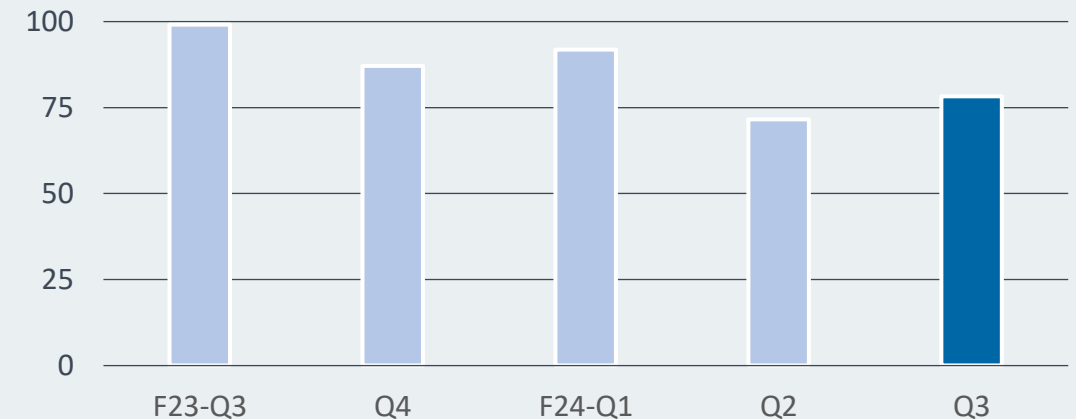
- **Backlog¹ of \$485.0M at quarter end**
 - \$361.5M shippable in the next 12 months
- **Bookings¹ of \$78.3M for the quarter compared to \$99.2M a year ago**
 - Large marine orders in last year's Q3
 - Robust bookings for oil and gas orders in Italy
 - 10% sequential increase from Q2
- **Recently signed large-scale orders in Italy**
 - Record for our subsidiary

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

Backlog (\$ millions)



Bookings (\$ millions)



Financial Highlights

- **Reduced business activity in North America**
 - Contrasts with large order shipments in the same period last year
- **Sales growth in other international markets**
- **Lower gross profit due to reduced volume and the execution of a low margin project**

\$80.9M

Sales

\$16.4M

Gross Profit

(\$2.3M)

EBITDA¹

(\$7.3M)

Net Loss²

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

² Net income or loss refers to net income or loss attributable to Subordinate and Multiple Voting Shares



Looking Ahead

- **Anticipate shipments to accelerate in Q4**
 - Execution of large-scale projects
- **Strong backlog and higher bidding and booking activity provide comfort about projected sales for next year**
- **Global presence, diversified customer base, and focus on critical applications are key competitive advantages**
- **Resuming our focus on growth**
- **Confident about our future opportunities worldwide**



Rishi Sharma

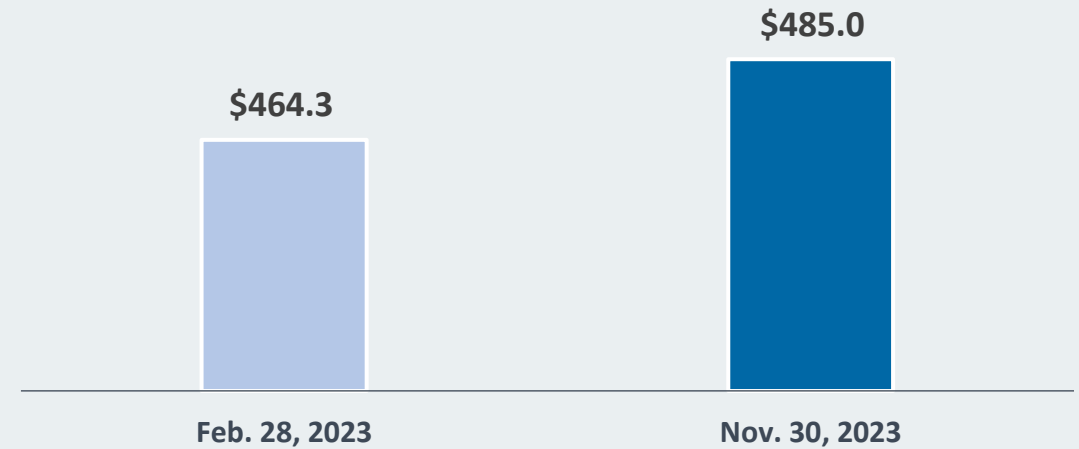
Chief Financial and Administrative Officer

Operating Performance

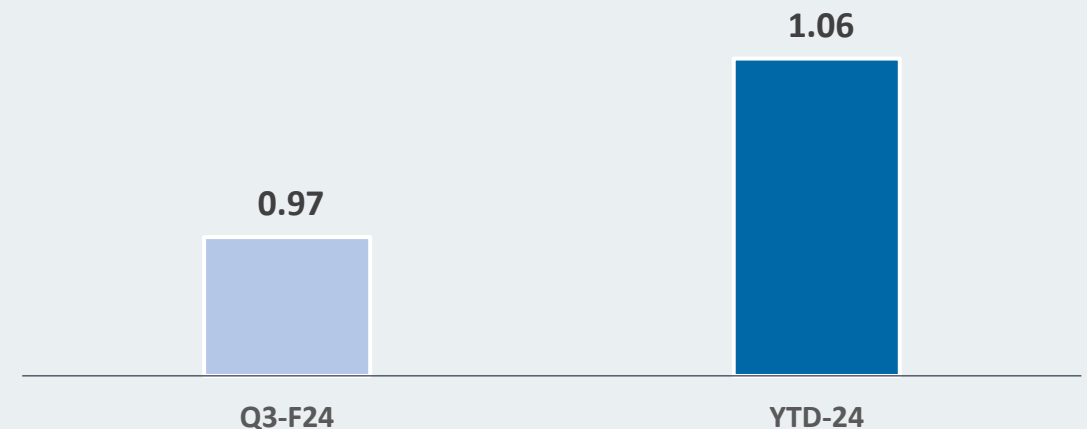
- **4.5% backlog¹ increase since the beginning of the fiscal year**
 - Book-to-bill ratio of 1.06 year to date and of 0.97 in the third quarter
- **Sequentially, the backlog¹ remained steady and bookings increased**
 - Robust commercial activity in the nuclear sector in France and in oil & gas in Italy

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

Backlog (\$ millions)



F24 Book-to-Bill Ratio



Third Quarter Results

- Sales of \$80.9M for the quarter compared to \$95.2M a year ago
 - Lower North American sales due to last year's shipment of a large order
 - Lower MRO contracts reflecting extended transit times through the Panama Canal
 - Partially offset by a positive \$1.9 million impact from a stronger y/y euro average rate vs. the U.S. dollar

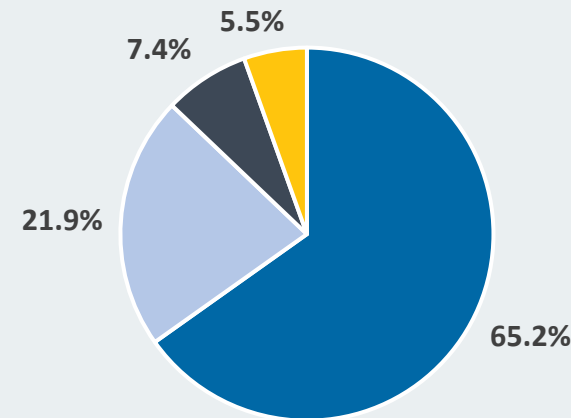
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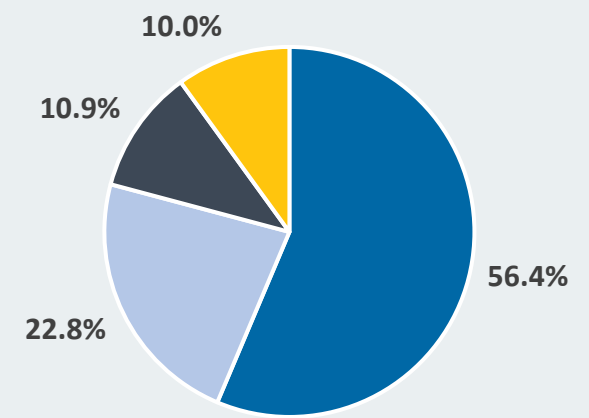
Sales (\$ millions)



Q3-F23 Geographical Sales



Q3-F24 Geographical Sales



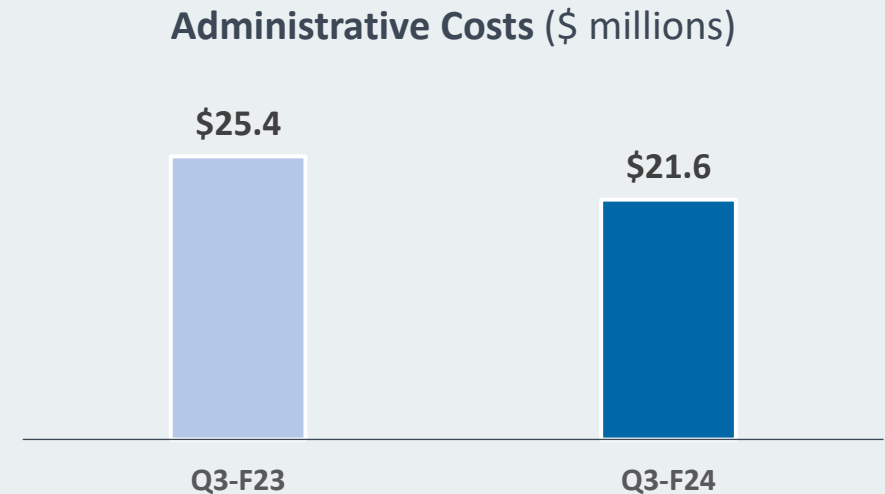
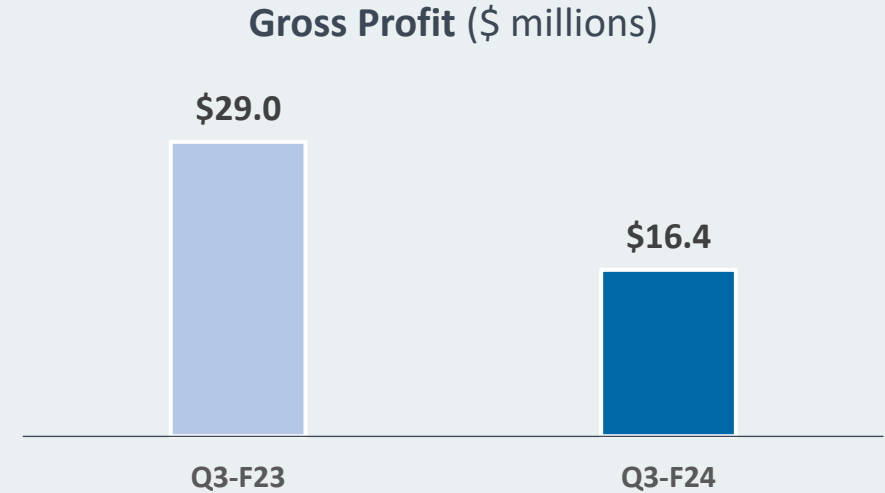
■ North America ■ France ■ Italy ■ Others

Third Quarter Results

- **Gross Profit of \$16.4M, versus \$29.0M**
 - Lower business volume
 - Execution of a low margin project
- **Administrative costs of \$21.6M, down from \$25.4M last year**
 - \$3.0 million asbestos-related provision last year
 - Lower freight costs due to reduced sales volume
- **EBITDA¹ of (\$2.3M), versus \$6.1M**
- **Net loss² of (\$7.3M), compared to net income of \$2.7M**

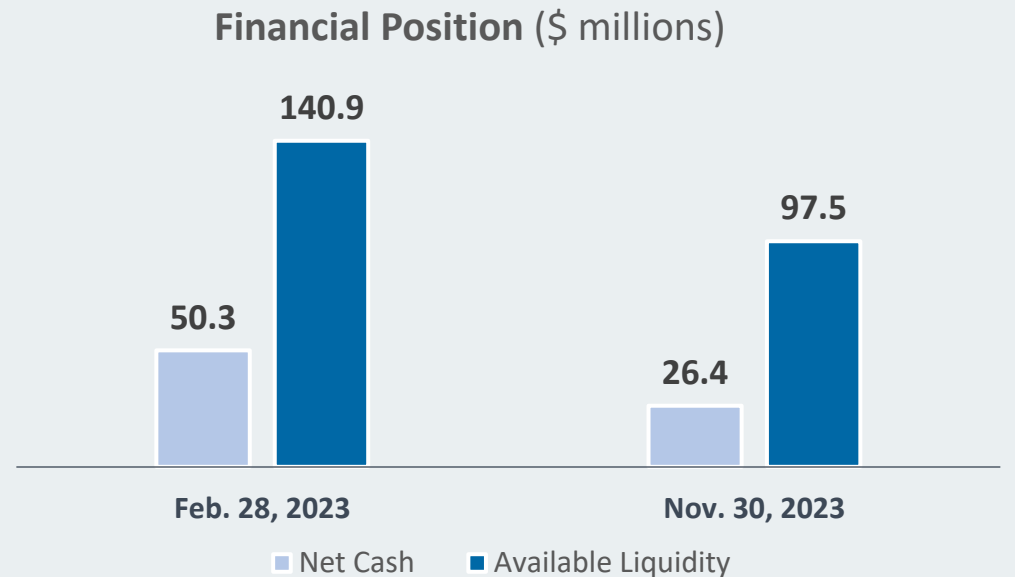
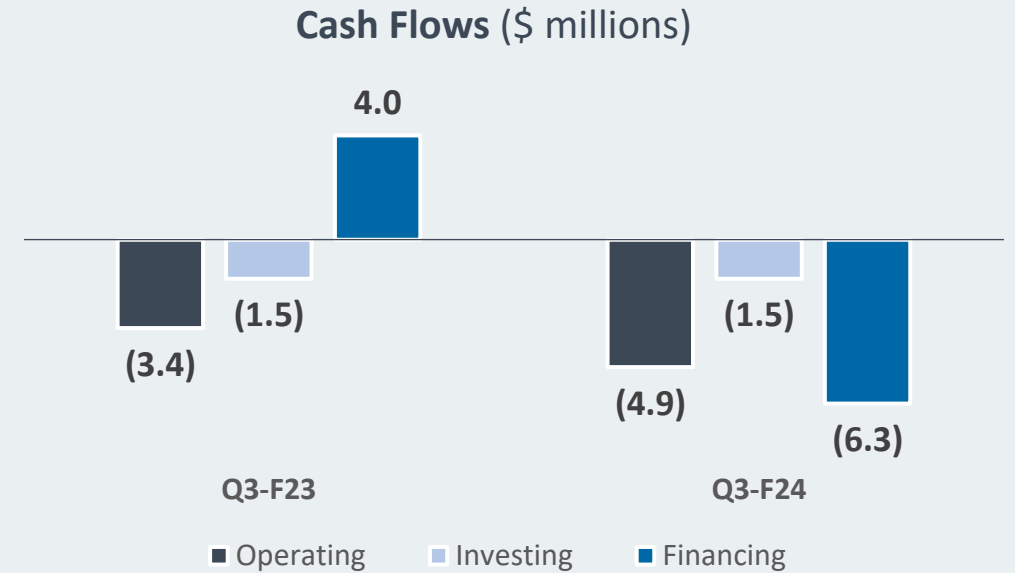
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Cash Flows and Financial Position

- **Cash used by operating activities of \$4.9M, compared to \$3.4M last year**
 - Lower EBITDA partially offset by favourable movements in non-cash working capital items
- **Financing activities reflect the acquisition of the remaining 25% minority interest in Segault S.A.S. for \$5.0 million**
- **Net cash of \$26.4M**
- **Available liquidity of \$97.5M**
 - Sufficient to meet all financial obligations and projected working capital requirements
 - Allows Velan to execute its business strategy





**Thank you for attending our Q3-F2024
Financial Results Investor Call.**

We are happy to answer any questions.



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Appendix

Additional Information

Non-IFRS and Supplementary Financial Measures

Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA")

(in millions of USD)	Three-month periods ended		Nine-month periods ended	
	Nov. 30, 2023	Nov. 30, 2022	Nov. 30, 2023	Nov. 30, 2022
Net income (loss) ¹	(7.3)	2.7	(17.7)	(8.3)
Depreciation of property, plant and equipment	2.3	2.1	6.5	6.3
Amortization of intangible assets and financing costs	0.6	0.6	1.6	1.7
Finance costs - net	1.4	0.4	4.0	1.0
Income taxes	0.7	0.3	2.4	3.9
EBITDA	(2.3)	6.1	(3.2)	4.6

The term "EBITDA" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus depreciation of property, plant & equipment, plus amortization of intangible assets and financing costs, plus net finance costs plus income tax provision. The forward-looking statements contained in this investor presentation 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.

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¹ Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares ■

Board of Directors



James A. Mannebach
Chair of the Corporation
St. Louis, Missouri, USA
Director since: 2018



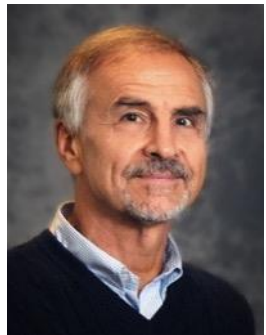
Suzanne Blanchet
La Prairie, Québec, Canada
Director since: 2021



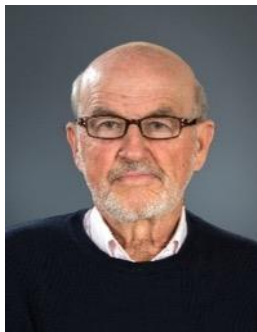
Dahra Granovsky
Toronto, Ontario, Canada
Director since: 2019



Edward Kernaghan
Toronto, Ontario, Canada
Director since: 2021



Ivan Velan
Montréal, Québec, Canada
Director since: 1970



Peter Velan
Montréal, Québec, Canada
Director since: 2022



Rob Velan
Vice-Chairman
Montréal, Québec, Canada
Director since: 2013



Tom Velan
Former Chairman
Montréal, Québec, Canada
Director since: 1976



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