



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 May 31, 2022. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the years ended February 28, 2022 and 2021. 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 approved by the Board of Directors of the Company on July 7, 2022. 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.

Presenters

Thank you for your attendance to our Q1 FY23 Financial Results Investor Call.
We will be happy to take questions at the end of the presentation.



Bruno Carbonaro
CEO and President
+1 438 817-7593
bruno.carbonaro@velan.com



Rishi Sharma
Chief Financial Officer
+1 438 817-4430
rishi.sharma@velan.com



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Our markets

Navy



Nuclear



Process & Power



Severe Service



Oil & gas



MRO & After-Market



Our Board of directors (as of July 7, 2022 AGM)



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



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



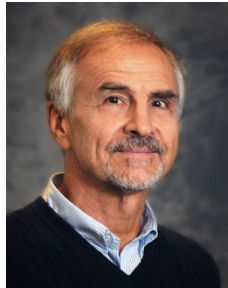
Bruno Carbonaro
Montréal, Québec, Canada
Director since: 2022



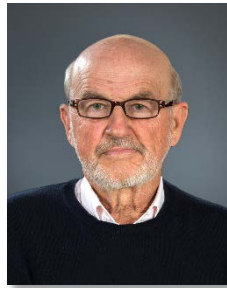
Dahra Granovsky
Toronto, Ontario, Canada
Director since: 2019



Edward Kernaghan
Toronto, Ontario, Canada
Director since: 2021



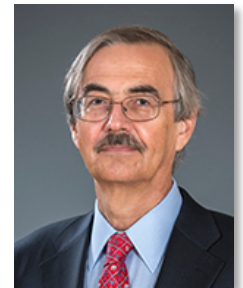
Ivan Velan
Montréal, Québec, Canada
Director since: 1970



Peter Velan
Montréal, Québec, Canada
Director since: 2022



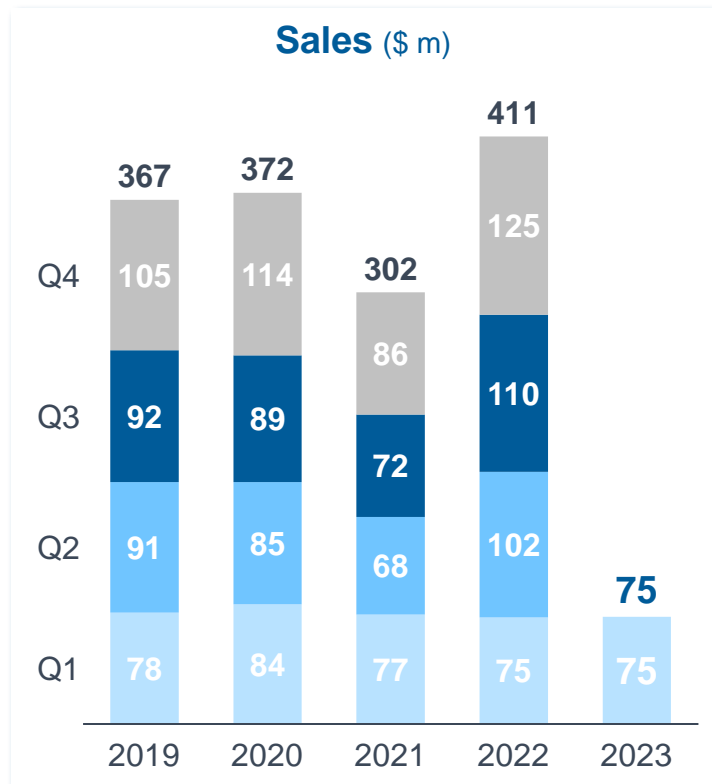
Rob Velan
Vice-Chairman
Montréal, Québec, Canada
Director since: 2013



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

Key Highlights – Q1

- **\$75.0 m** sales +0.6% vs Q1-F2022
- **\$(2.9) m** EBITDA² is lower than the \$(0.9) m achieved last year. The main driver is the higher administration costs driven by increases in outgoing freight costs
- **\$7.4 m** net loss¹ for the quarter
- **\$506.0 m** backlog² → 1.25 book-to-bill ratio² for the quarter
- **\$47.7 m** net cash → The decrease for the quarter is due to the EBITDA² loss combined with an increase in inventory, primarily in WIP and finished goods due to the shifting of some orders to subsequent quarters

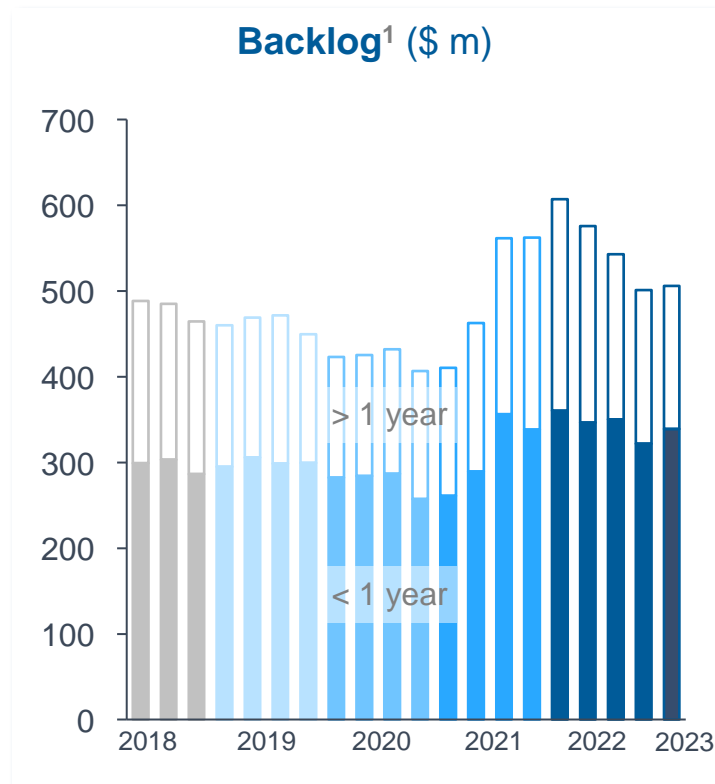


¹ Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares

² Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

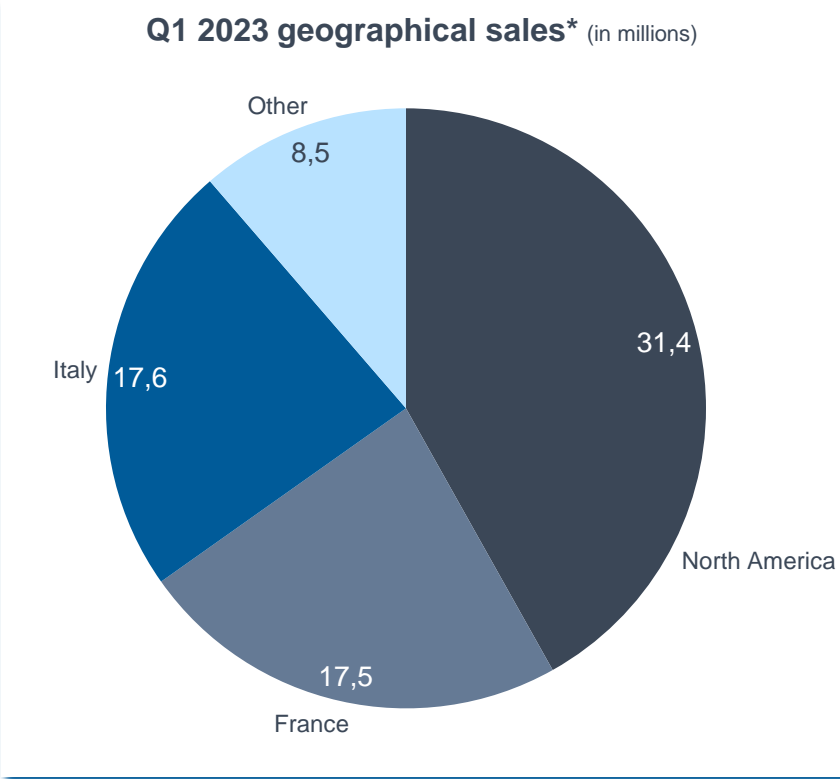
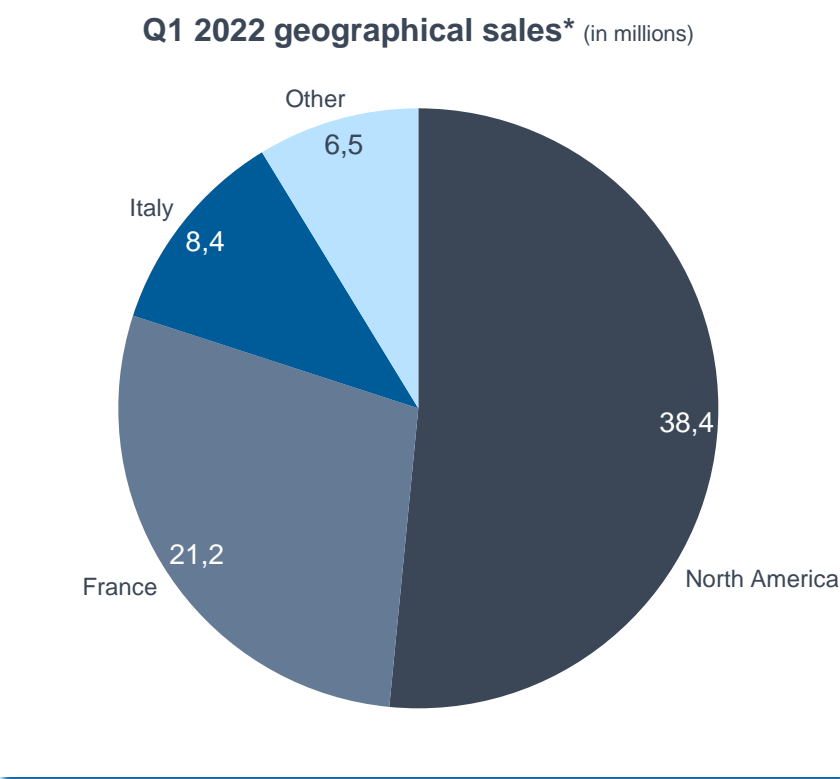
Backlog¹

- \$506.0 m backlog¹
 - \$339.2 m shippable in the next 12 months
- 1.25 book-to-bill ratio¹
- Within 12 months backlog¹ increased compared to year-end due to delays in the delivery of some orders
- The backlog¹ was negatively impacted by the weakening of the euro spot rate against the U.S. dollar since the beginning of the fiscal year which represented \$12.8 m at the end of the quarter.



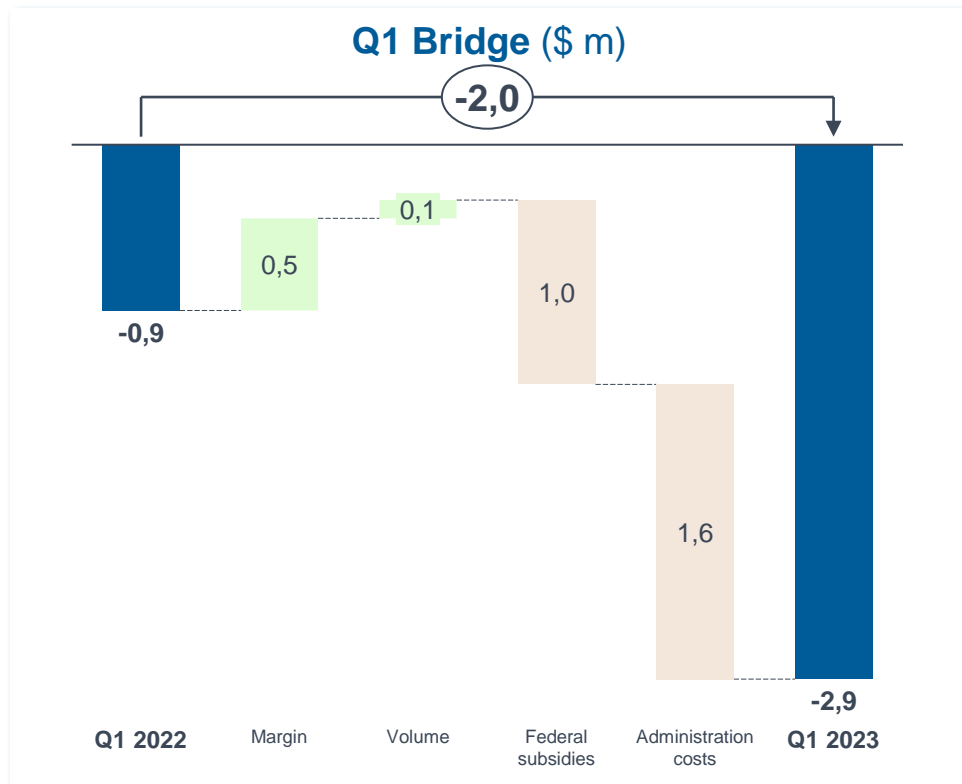
¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

Sales – Comparable sales from last year despite phasing of deliveries in North America from Q1 to the rest of the fiscal year



*Geographical third-party sales are defined as the country where the sales was recorded.

EBITDA¹ evolution

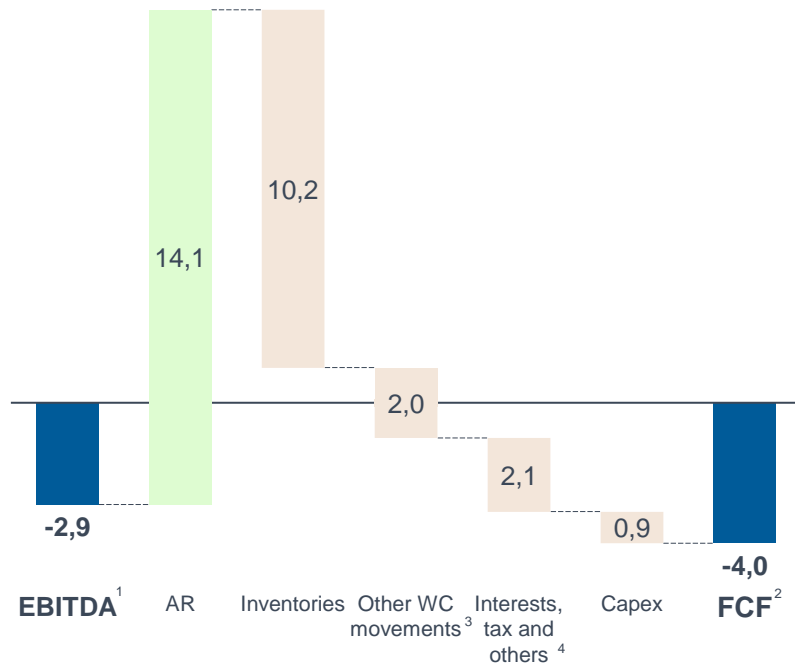


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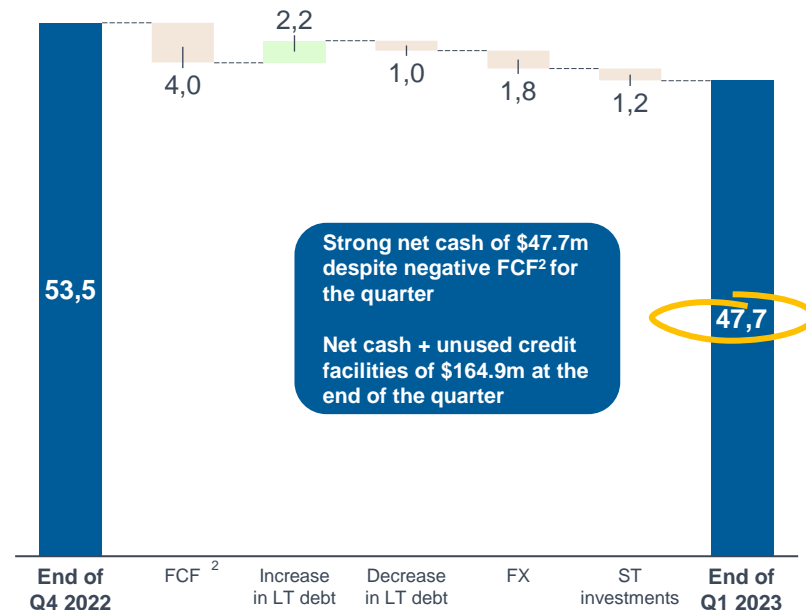
² Primarily due to a \$9.6 m gain on the disposal of a plant. See MD&A for more details.

Net cash analysis

Free Cash Flow² (\$ m)



Net cash bridge (\$ m)



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

² Free cash flow is defined as Cash provided (used) by operating activities less additions to property, plant and equipment (or Capex)

³ Includes net change in long-term provisions and customer deposits

⁴ Other adjustments are defined as loss (gain) on disposal of property, plant and equipment, minority interests, net change in derivative assets and liabilities and other long-term liabilities.

Closing Comments FY23 Q1

- **Execution** remains our **top priority**, and we continue to work closely with all stakeholders to ensure we improve and meet our on time delivery
- We remain confident in our ability to **deliver a strong Q2 and FY23**
- We continue to **diligently navigate** through the volatility of the economy (i.e. inflation) and geopolitical uncertainties
- We enjoy a **solid backlog** and a strong pipeline of opportunities
- We aim at preserving our **strong Liquidity and Cash base** through active working capital management

Presenters

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We are happy to answer any questions.



Bruno Carbonaro
CEO and President
+1 438 817-7593
bruno.carbonaro@velan.com



Rishi Sharma
Chief Financial Officer
+1 438 817-4430
rishi.sharma@velan.com



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NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

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

(in millions of USD)	2018			2019				2020				2021				2022				2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net income (loss) ¹	(5.6)	0.3	(8.2)	(3.7)	(2.4)	(0.2)	1.5	(5.8)	1.4	(0.8)	(11.1)	(1.9)	(5.1)	9.5	0.3	(5.1)	5.0	4.5	(25.6)	(7.4)
Depreciation of property, plant and equipment	2.8	2.8	2.8	2.6	2.9	2.6	3.5	2.6	2.6	2.9	2.8	2.5	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.2
Amortization of intangible assets	0.4	0.5	0.5	0.4	0.4	0.4	0.7	0.4	0.5	0.5	0.7	0.6	0.6	0.7	0.7	0.7	0.5	0.6	0.8	0.6
Finance costs - net	0.0	0.0	0.1	0.0	0.6	0.1	0.0	0.3	(0.2)	0.7	0.5	0.3	0.0	0.2	0.3	0.5	0.5	0.6	0.7	0.2
Income taxes	(1.7)	(0.2)	3.7	(0.8)	(0.1)	0.5	(1.9)	(1.8)	0.9	(0.4)	9.9	1.1	(0.5)	0.9	(2.3)	0.6	2.3	5.2	38.3	1.5
EBITDA	(4.1)	3.4	(1.1)	(1.5)	1.4	3.4	3.8	(4.3)	5.2	2.9	2.8	2.6	(2.5)	13.8	1.6	(0.9)	10.7	13.3	16.6	(2.9)

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, plus net finance costs plus income tax provision. The terms "EBITDA per share" is obtained by dividing EBITDA by the total amount of subordinate and multiple voting shares. 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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