

**Q4-F2023**  
**Investor Presentation**  
May 18<sup>th</sup>, 2023

**VELAN**



# Disclaimer

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The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for the quarter ended February 28, 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 approved by the Board of Directors of the Company on May 17, 2023. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at [www.sedar.com](http://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 Q4 F23 Financial Results Investor Call.



**Bruno Carbonaro**  
CEO and President  
+1 438 817-7593  
[bruno.carbonaro@velan.com](mailto:bruno.carbonaro@velan.com)



**Rishi Sharma**  
Chief Financial Officer  
+1 438 817-4430  
[rishi.sharma@velan.com](mailto:rishi.sharma@velan.com)



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# Our markets

**Navy**



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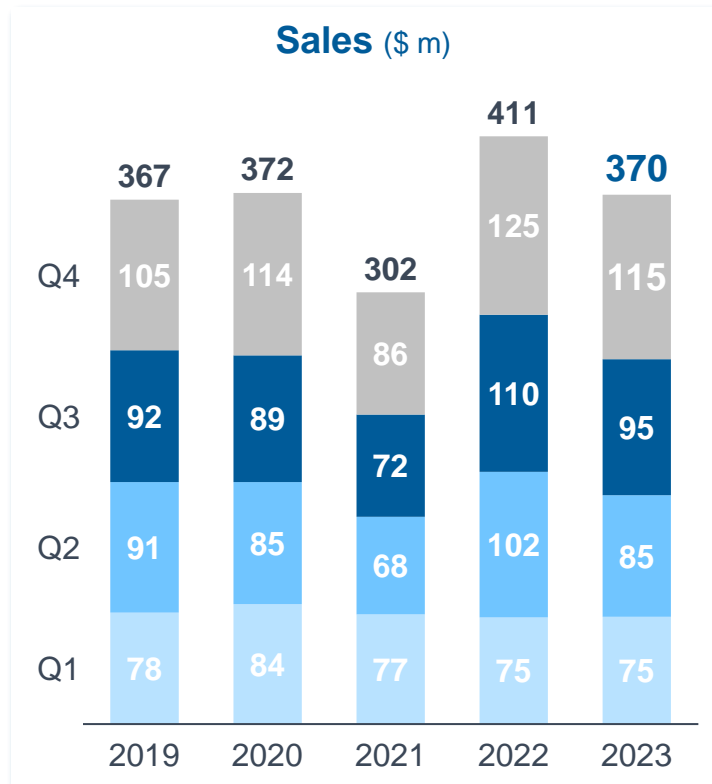


**MRO & After-Market**



# Key Highlights – Q4

- **\$115.1 m** sales, improvement of \$19.9 m or +20.9% vs Q3-F2023, however, a decrease of \$9.7 m or -7.8% vs Q4-F2023. Prior year included a \$8.8m positive adjustment to provision for performance guarantees.
- **\$16.5 m** Adjusted EBITDA<sup>2</sup> is better than the \$6.1 m posted in the previous quarter and similar to the \$16.6 m achieved last year
- **\$47.2 m** net loss<sup>1</sup> and **\$8.8 m** Adjusted net income<sup>2</sup> for the quarter
- **\$464.3 m** backlog<sup>2</sup> → Decrease partly due to the EUR/USD foreign exchange impact
- **\$50.3 m** net cash → Cash generation of \$20.9 m, mostly from operations, in the last quarter of the fiscal year
- The Board declared an eligible quarterly dividend of **CA\$0.03** per share, payable on June 30, 2023, to all shareholders of record as at June 16, 2023

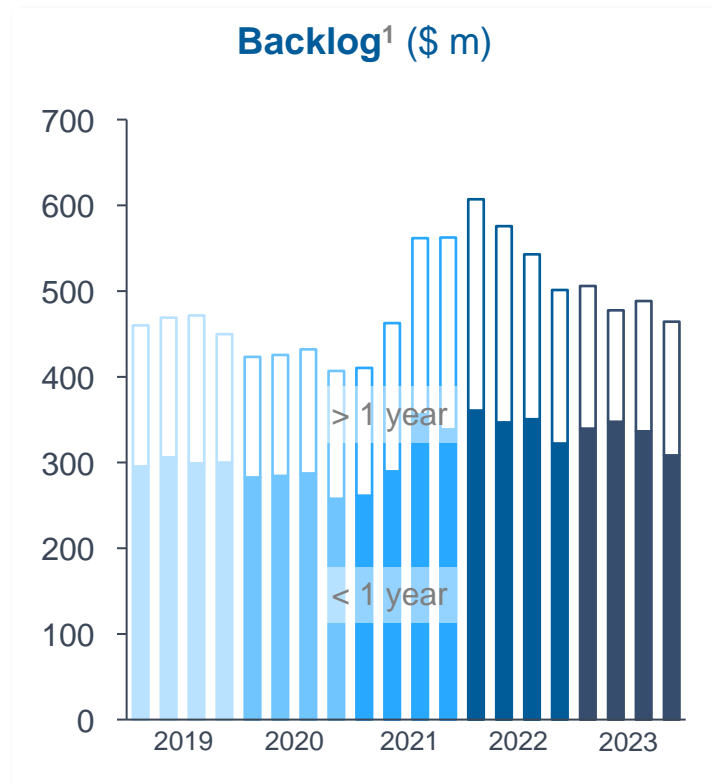


<sup>1</sup> Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares

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

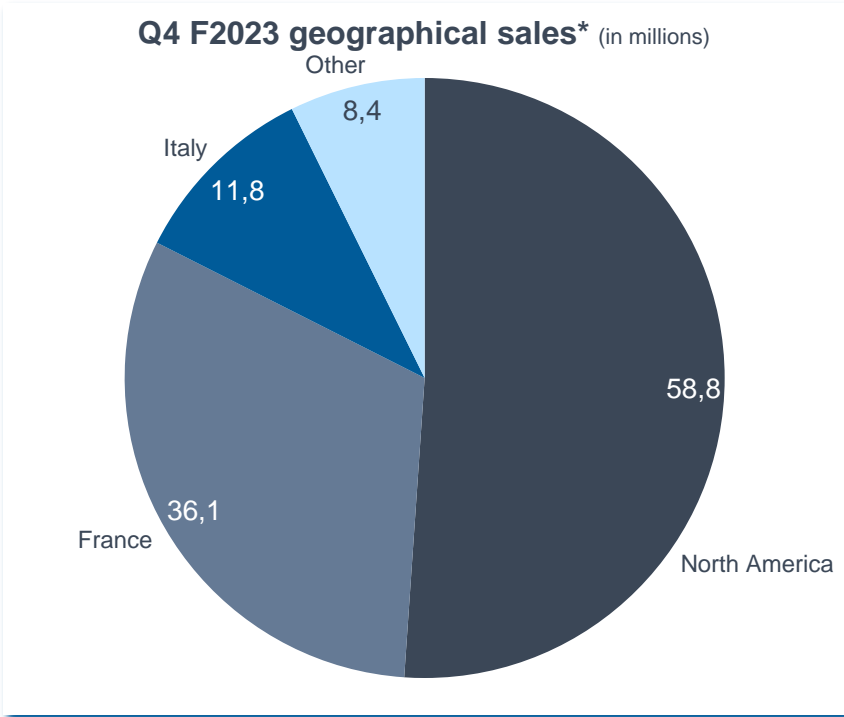
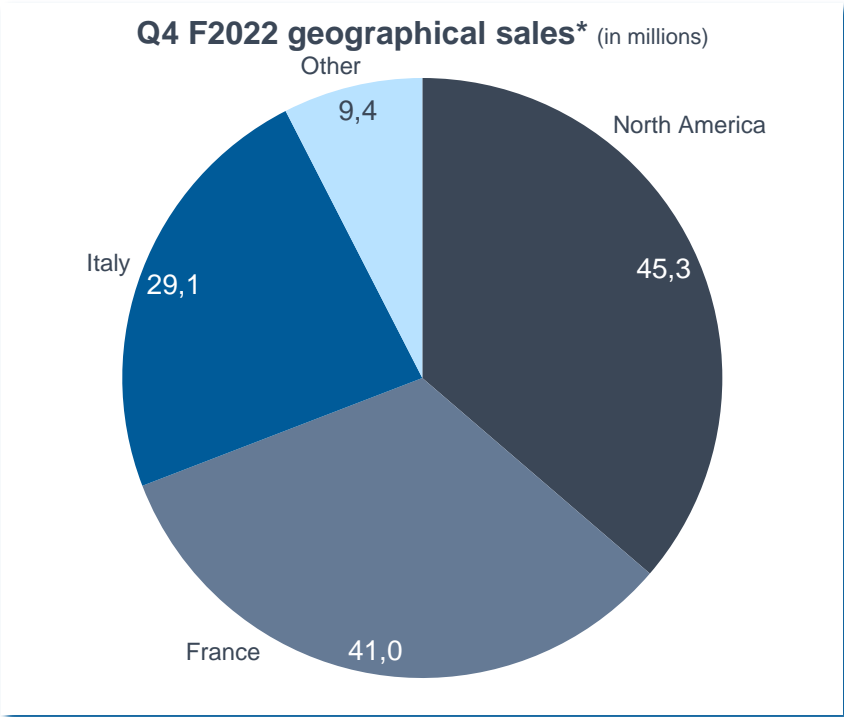
# Backlog<sup>1</sup>

- **\$464.3 m** backlog<sup>1</sup>
  - **\$308.0 m** shippable in the **next 12 months**
- **0.76 book-to-bill ratio<sup>1</sup>** for the quarter despite higher bookings than last year
- Within 12 months backlog<sup>1</sup> **comparable to previous year**
- The backlog<sup>1</sup> 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 \$17.3 m



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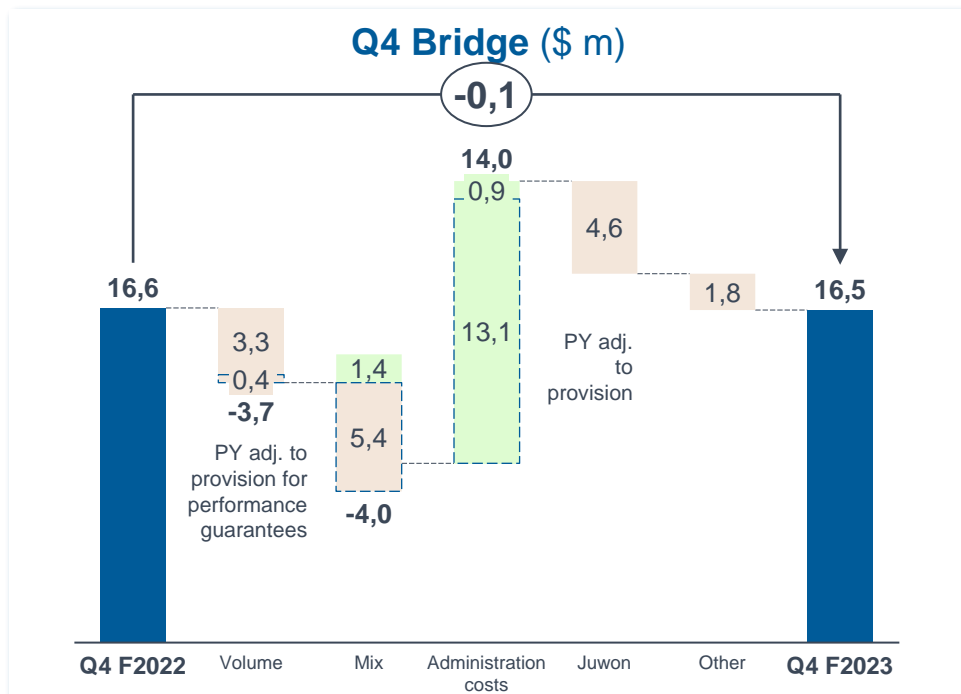
# Sales – Decrease in sales in Italy partially offset by increased volume in North America



Positive sales momentum continued this quarter thanks to improved MRO and Navy sales in North America despite another quarter of lower sales in Italy due to lower order bookings in the first half of the year combined with exceptional sales volume in previous year.

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

# Adjusted EBITDA<sup>1</sup> evolution



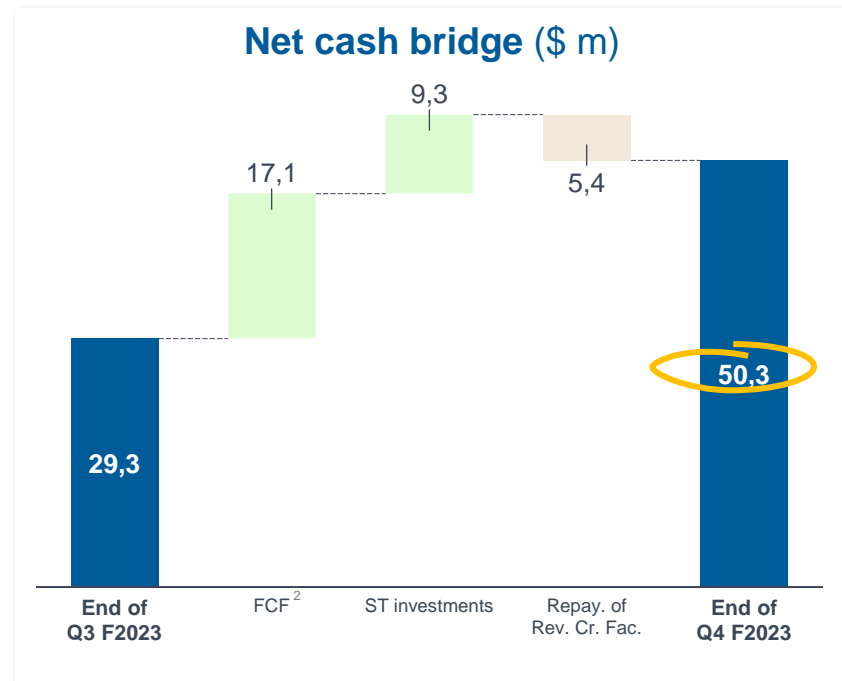
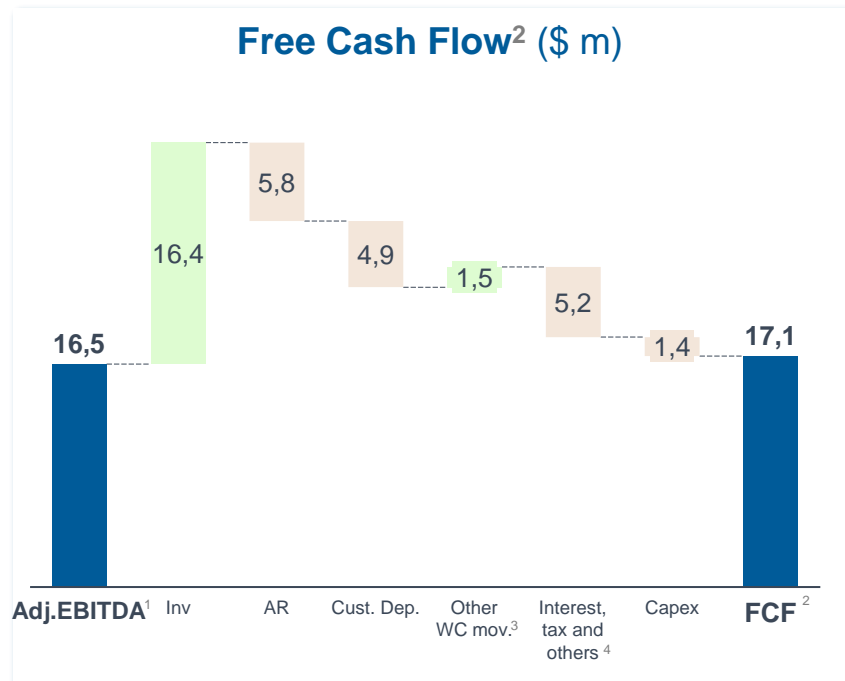
- Significant increase vs Q3-F2023 from \$6.1 m adjusted EBITDA<sup>1</sup> to \$16.5 m driven by an improved performance throughout the year.
- Following additional information obtained during the strategic review process and in the fiscal year, management was able to reliably estimate the impact of unreported asbestos settlement costs. The result of this evaluation led to a non-recurring charge of \$56.0 million to increase the Company's asbestos provision.

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

<sup>2</sup> 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 Flow generation driven primarily by solid operational results.
- Net cash and overall liquidity position (net cash + unused credit facilities) for the company remains strong at **\$50.3 m** and **\$140.9 m** respectively.

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

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

<sup>3</sup> Includes net change in long-term provisions and customer deposits

<sup>4</sup> 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 Q4 F2023

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- We were able to close fiscal 2023 with a strong quarter despite various global volatilities:
  - Our backlog<sup>1</sup> **remains strong**, highlighted by higher bookings<sup>1</sup> this quarter.
  - We are currently working on a **large opportunity base** of future bookings<sup>1</sup>.
  - **Execution** is always our **top priority**, and we continue to work closely with all stakeholders to ensure we improve and meet our on-time delivery.
  - We aim at preserving our **strong liquidity and cash base** through continued operational improvements.
  - We will continue to work with Flowserve to ensure the **successful closing** of the transaction announced earlier this year.

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

# Presenters

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**Bruno Carbonaro**  
CEO and President  
+1 438 817-7593  
[bruno.carbonaro@velan.com](mailto:bruno.carbonaro@velan.com)



**Rishi Sharma**  
Chief Financial Officer  
+1 438 817-4430  
[rishi.sharma@velan.com](mailto:rishi.sharma@velan.com)



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# NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

## Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA")

(in millions of USD)	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income (loss) <sup>1</sup>	(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)	(3.7)	2.7	(47.2)
Depreciation of property, plant and equipment	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	2.0	2.1	2.5
Amortization of intangible assets	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	0.6	0.6	0.6
Finance costs - net	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	0.4	0.4	0.5
Income taxes	(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	2.1	0.3	4.1
Adjustment to legal provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.0
<b>Adjusted EBITDA</b>	<b>(1.5)</b>	<b>1.4</b>	<b>3.4</b>	<b>3.8</b>	<b>(4.3)</b>	<b>5.2</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>(2.5)</b>	<b>13.8</b>	<b>1.6</b>	<b>(0.9)</b>	<b>10.7</b>	<b>13.3</b>	<b>16.6</b>	<b>(2.9)</b>	<b>1.4</b>	<b>6.1</b>	<b>16.5</b>

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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# Our 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



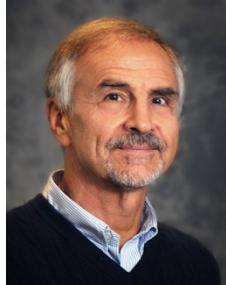
**Bruno Carbonaro**  
Montréal, Québec, Canada  
Director since: 2022



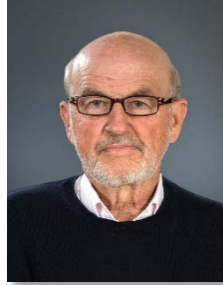
**Dahra Granovsky**  
Toronto, Ontario, Canada  
Director since: 2019



**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

