



Velan Inc.

7007 Côte de Liesse, Montreal, QC H4T 1G2 Canada
Tel: (514) 748-7743 Fax: (514) 748-8635 www.velan.com

PRESS RELEASE
FOR IMMEDIATE RELEASE

VELAN INC. REPORTS FISCAL 2025 FOURTH QUARTER AND YEAR-END RESULTS

Significant full year improvement in bookings¹, sales, gross profit and cash flow generation
Dividend of CA\$0.33 per share including a special dividend of CA\$0.30 per share, partially returning proceeds from recent transactions to shareholders

MONTREAL, Quebec, May 21, 2025 – Velan Inc. (TSX: VLN) (“Velan” or the “Company”), a world-leading manufacturer of industrial valves, announced today financial results for its fourth quarter and fiscal year ended February 28, 2025. All amounts are expressed in U.S. dollars unless indicated otherwise.

“Velan achieved its financial objectives in fiscal 2025, concluding the year with sales growth from continuing operations of 14.1%, a significant improvement in gross profit, adjusted net income and adjusted EBITDA,” said James A. Mannebach, Chairman of the Board and CEO of Velan. “Following the sale of our French assets and divestiture of our asbestos-related liabilities, we are entering fiscal 2026 with a sharper focus and a stronger balance sheet. Our flow control activities will continue to benefit from strong momentum in clean energy markets, including nuclear energy which is undergoing a multi-year growth cycle, while remaining firmly entrenched in other industrial markets that value our ability to develop purpose-built solutions. By leveraging our strengths, we are confident about delivering on our interwoven goals of maximizing profitable growth and rewarding shareholders with enhanced value. Today’s announcement of a special dividend reflects the Board of Directors’ commitment to return funds to shareholders.”

“Strong operating cash flow enabled Velan to conclude fiscal 2025 with a net cash position of \$32.4 million and reduced long-term debt,” added Rishi Sharma, Chief Financial and Administrative Officer of Velan. “The closing of the divestiture of asbestos-related liabilities and the sale of our French businesses subsequent to year-end de-risk the balance sheet and provide for additional liquidity of approximately \$25.0 million. This financial strength, combined with our new credit facilities of \$35 million, will allow Velan to invest in its operations to support long-term profitable growth and seek strategic acquisitions that expand its reach in niche markets.”

FISCAL 2025 HIGHLIGHTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS (see details below)

- Sales of \$295.2 million, up \$36.5 million or 14.1% compared to the same period last year.
- Strong improvement in gross profit, reaching \$84.9 million or 28.8% of sales in fiscal 2025, up from \$54.6 million, or 21.1% of sales, last year.
- Solid cash flows from operating activities of \$26.5 million, versus \$12.5 million last year.
- Cash and cash equivalents of \$34.9 million at the end of fiscal 2025, increasing to approximately \$55.0 million pro forma following the closing of the significant transactions in the first quarter of fiscal 2026.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Backlog of \$274.9 million, versus \$283.6 million at the end of last year.
- Bookings of \$292.5 million, versus \$288.7 million last year, representing a book-to-bill ratio of 0.99.
- Adjusted net income of \$6.6 million, versus an adjusted net loss of \$15.7 million last year.
- Adjusted net income per share of \$0.31, compared to an adjusted net loss per share of \$0.73 last year.

¹ Non-IFRS and supplementary financial measure. Refer to the Non-IFRS and Supplementary Financial Measures section for definitions and reconciliations.

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



- Significant increase in Adjusted EBITDA to \$27.5 million in fiscal 2025, compared to \$2.1 million last year, reflecting higher sales and gross profit.
- Following the closing of the France transaction in March 2025, a \$96 million gain is expected to be recorded in Q1 fiscal 2026.

FOURTH-QUARTER HIGHLIGHTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales of \$83.2 million, up \$2.4 million or 2.9% compared to the same quarter last year.
- Gross profit of \$19.8 million or 23.8% of sales, versus \$22.4 million, or 27.7% of sales, last year.
- Cash flows from operating activities of \$5.7 million, versus \$13.3 million last year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Bookings of \$62.0 million, versus \$111.7 million last year, representing a book-to-bill ratio of 0.75.
- Adjusted net loss of \$4.9 million, versus adjusted net income of \$3.7 million last year.
- Adjusted net loss per share of \$0.23, compared to adjusted net income per share of \$0.17 last year.
- Adjusted EBITDA of \$3.6 million, compared \$9.3 million last year, reflecting lower gross profit and higher administration costs.

FINANCIAL RESULTS (From continuing operations, in '000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Fiscal years ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Sales	\$83,198	\$80,847	\$295,196	\$258,652
Gross profit	\$19,830	\$22,412	\$84,917	\$54,630
Gross margin	23.8%	27.7%	28.8%	21.1%
Restructuring expenses	19,111	12,537	100,412	19,383
Net income (loss)	(\$16,056)	(\$8,462)	(\$67,246)	(\$31,969)
per share - basic and diluted	(\$0.74)	(\$0.39)	(\$3.12)	(\$1.48)
Weighted average share outstanding ('000s)	21,586	21,586	21,586	21,586

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES (From continuing operations, in '000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Fiscal years ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Adjusted EBITDA ¹	\$3,620	\$9,281	\$27,470	\$2,126
Adjusted net income ¹ (loss)	(\$4,899)	\$3,689	\$6,600	(\$15,653)
per share - basic and diluted	(\$0.23)	\$0.17	\$0.31	(\$0.73)

UPDATE ON SIGNIFICANT TRANSACTIONS

On January 14, 2025, the Company announced that it had entered into an agreement with an affiliate of Global Risk Capital (the "Buyer") to permanently divest its asbestos-related liabilities (the "Asbestos Divestiture Transaction"). The Asbestos Divestiture Transaction, completed on April 3, 2025, was achieved by Velan Inc. creating a new subsidiary and selling its existing U.S. subsidiary, Velan Valve Corp, which was capitalized with \$143.0 million from Velan Inc. and \$7.0 million from the Buyer. The Asbestos Divestiture Transaction has permanently removed all asbestos-related liabilities and obligations from Velan Inc.'s balance sheet and indemnified the Company for all legacy asbestos liabilities.

The Company also announced that its wholly-owned subsidiary, Velan UK, closed the sale of 100% of the share capital and voting rights of its French subsidiaries, Segault SAS and Velan SAS, to Framatome SAS, on March 31, 2025, for a total consideration of \$208.2 million (€192.5 million), including \$184.1 million (€170.0 million) in cash.



The sale of the French businesses met the criteria, at February 28, 2025, of assets held for sale and discontinued operations. As a result, the consolidated balance sheet as at February 28, 2025, has been adjusted to present the disposal group as asset held for sale, and the consolidated income statement and cash flows have been retrospectively adjusted to present only the results from continuing operations. Following the closing of the France transaction in March 2025, a gain of approximately \$96 million is expected to be recorded in the first quarter of fiscal 2026.

BACKLOG AND BOOKINGS

BACKLOG (‘000s of U.S. dollars)	As at	
	February 28, 2025	February 29, 2024
Backlog	\$274,877	\$283,647
for delivery within the next 12 months	\$225,662	\$259,662

BOOKINGS (‘000s of U.S. dollars, excluding ratios)	Three-month periods ended		Fiscal years ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Bookings	\$62,032	\$111,657	\$292,505	\$288,681
Book-to-bill ratio	0.75	1.38	0.99	1.12

As at February 28, 2025, the backlog from continuing operations stood at \$274.9 million, down 3.1%, from \$283.6 million a year earlier. Currency movements had a \$12.7 million negative effect on the value of the backlog during the year mainly due to the weakening of the euro versus the U.S. dollar. Excluding currency movements, the backlog increased slightly as a higher North American backlog reflecting orders from the nuclear sector was offset by a decrease in the Italian backlog due to strong shipments. As at February 28, 2025, 82.1% of the backlog, representing orders of \$225.7 million, is deliverable in the next 12 months.

Fiscal 2025 bookings from continuing operations reached \$292.5 million, up \$3.8 million or 1.3% compared to the previous year. The increase reflects higher North American bookings in the nuclear sector and for MRO activity, and higher bookings in Germany for oil refinery projects. These factors were partially offset by lower bookings in Italy following a strong order flow in the prior year. Currency movements had a \$3.3 million negative effect on the value of bookings for the year mainly due to the weakening of the euro versus the U.S. dollar.

Bookings from continuing operations for the fourth quarter of fiscal 2025 amounted to \$62.0 million, compared to bookings of \$111.7 million a year earlier. The variation is mainly attributable to the timing of orders for Italian operations due to project delays this year and strong oil & gas bookings a year ago, and to lower bookings in North America. These factors were partially offset by higher orders recorded by the Company’s operations in China.

FISCAL 2025 RESULTS

Sales from continuing operations amounted to \$295.2 million, an increase of \$36.5 million or 14.1% compared to last year. The variation mainly reflects higher shipments from Italian operations for the oil & gas industry and higher business volume at German operations, including non-recurring revenue of \$5.2 million in the second quarter for which no gross profit was recognized. These factors were partially offset by slightly lower sales in North American and in other international markets. Currency movements had a \$2.2 million negative effect on sales for the year mainly due to the weakening of the euro versus the U.S. dollar.

Gross profit from continuing operations reached \$84.9 million, up significantly from \$54.6 million last year. The variation reflects a higher business volume which impacted the absorption of fixed production overhead costs and a more favorable product mix. Currency movements had a \$0.4 million negative effect on gross profit for the year. As a percentage of sales, gross profit was 28.8%, compared to 21.1% last year.



Administration costs from continuing operations amounted to \$68.6 million, or 23.2% of sales, compared to \$62.6 million, or 24.2% of sales, in fiscal 2024. The increase is mostly attributable to higher sales commissions due to higher volume, higher freight costs and the non-cash impact of a significant increase in the market value of the Company's share on the long-term incentive plan. These factors were partially offset by lower professional fees.

In fiscal 2025, the Company incurred restructuring expenses of \$100.4 million, including \$76.2 million in asbestos-related costs and \$24.2 million in transaction-related costs. In fiscal 2024, restructuring expenses of \$19.4 million were incurred, including \$14.5 million in asbestos-related costs and \$4.9 million in transaction-related costs.

Excluding restructuring expenses, adjusted EBITDA from continuing operations for fiscal 2025 was \$27.5 million, versus \$2.1 million in fiscal 2024. The increase is primarily attributable to higher gross profit, partially offset by higher administration costs.

Fiscal 2025 net loss from continuing operations was \$67.2 million, or \$3.12 per share, compared to \$32.0 million, or \$1.48 per share, in fiscal 2024. Net loss from discontinued operations was \$8.3 million, versus net income from discontinued operations of \$12.2 million in fiscal 2024. As a result, the net loss for the year was \$75.5 million, or \$3.50 per share, compared with a net loss of \$19.7 million, or \$0.91 per share, last year.

Adjusted net income from continuing operations was \$6.6 million, or net income of \$0.31 per share, in fiscal 2025, versus an adjusted net loss of \$15.7 million, or a net loss of \$0.73 per share, in fiscal 2024. The variation is attributable to higher adjusted EBITDA.

FOURTH-QUARTER RESULTS

Sales from continuing operations reached \$83.2 million in the fourth quarter of fiscal 2025, an increase of \$2.4 million or 2.9% compared to the same period last year. The variation is mostly attributable to higher shipments from Italian and German operations, partially offset by lower shipments from North American operations, including MRO activities. Currency movements had a \$2.4 million negative effect on sales for the quarter mainly due to the weakening of the euro versus the U.S. dollar.

Gross profit from continuing operations was \$19.8 million, compared with \$22.4 million a year ago. The variation reflects a less favorable product mix this year compared to last due to lower MRO sales and higher provisions for aging inventory. Currency movements had a \$0.4 million negative effect on gross profit for the quarter. As a percentage of sales, gross profit was 23.8%, versus 27.7% last year.

Administration costs from continuing operations totaled \$20.3 million, or 24.3% of sales, compared to \$16.1 million, or 19.9% of sales, last year. The increase essentially reflects the factors noted above.

Restructuring expenses amounted to \$19.1 million, consisting of \$2.5 million in asbestos-related costs and \$16.6 million in transaction-related costs. In last year's fourth quarter, restructuring expenses of \$12.5 million consisted of \$11.1 million in asbestos-related costs and \$1.2 million in transaction-related costs.

Excluding restructuring expenses, adjusted EBITDA from continuing operations was \$3.6 million in the fourth quarter of fiscal 2025, compared to \$9.3 million a year earlier. This decrease reflects lower gross profit and higher administration costs.

The net loss from continuing operations was \$16.1 million, or \$0.74 per share, compared to a net loss of \$8.5 million, or \$0.39 per share last year. Net income from discontinued operations amounted to \$3.6 million, versus net income from discontinued operations of \$6.4 million a year ago. As a result, the net loss for the quarter was \$12.4 million, or \$0.57 per share, compared to a net loss of \$2.1 million, or \$0.10 per share, last year.

Adjusted net loss from continuing operations in the fourth quarter of fiscal 2025 was \$4.9 million, or \$0.23 per share, versus adjusted net income of \$3.7 million, or \$0.17 per share, last year. The variation is due to lower adjusted EBITDA, partially offset by an income tax recovery this year, versus an income tax expense last year.



FINANCIAL POSITION

As at February 28, 2025, the Company held cash and cash equivalents of \$34.9 million and short-term investments of \$0.4 million. Bank indebtedness stood at \$2.5 million, while long-term debt, including the current portion, amounted to \$16.2 million.

Following the closing of the significant transactions in the first quarter of fiscal 2026, the Company's pro forma cash and cash equivalents total approximately \$55.0 million.

OUTLOOK

As at February 28, 2025, orders amounting to \$225.7 million, representing 82.1% of a total backlog of \$274.9 million, are expected to be delivered in the next 12 months. Given these orders, and despite the current uncertainty related to tariffs, the Company expects to deliver another solid performance in fiscal 2026.

DIVIDEND

The Board of Directors of Velan has declared a dividend of CA\$0.33 per common share payable on June 30, 2025, to shareholders of record as at June 16, 2025. This dividend includes the payment of a special dividend of CA\$0.30 per common share which returns to shareholders a portion of net proceeds received from the significant transactions.

The Board intends to review its dividend policy on a quarterly basis.

SUBSEQUENT EVENT

On May 21, 2025, the Company announced it had entered into a new, \$25 million, three-year, revolving credit facility (the "Credit Agreement"). Additionally, the Credit Agreement also includes a \$5 million swing line and a \$5 million letter of credit facility. The Credit Agreement replaces the prior ABL agreement, dated as of February 28, 2025, which matured on the closing of the French and Asbestos transactions.

The revolving credit facility may be used for general corporate purposes. The credit facility matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement.

The facility is expected to be operational and funded in the second quarter of the fiscal year 2026.

CONFERENCE CALL NOTICE

Financial analysts, shareholders, and other interested individuals are invited to attend the fourth quarter conference call to be held on Thursday, May 22, 2025, at 8:00 a.m. (EDT). The toll-free call-in number is 1-888-510-2154 or by RapidConnect URL: <https://emportal.ink/42DHnaH>. The material that will be referenced during the conference call will be made available shortly before the event on the company's website under the *Investor Relations* section (https://www.velan.com/en/company/investor_relations). A recording of this conference call will be available for seven days at 1-289-819-1450 or 1-888-660-6345, access code 38179.

ABOUT VELAN

Founded in Montreal in 1950, Velan Inc. (www.velan.com) is one of the world's leading manufacturers of industrial valves, with sales from continuing operations of US\$295.2 million in its last reported fiscal year. The Company employs 1,272 people and has manufacturing plants in 8 countries. Velan Inc. is a public company with its shares listed on the Toronto Stock Exchange under the symbol VLN.



SAFE HARBOUR STATEMENT

This news release 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, which 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 news release are expressly qualified by this cautionary statement.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this press release, 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. The Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below.

Adjusted net income (loss), Adjusted net income (loss) per share, Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA

	Three-month periods ended		Twelve-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
(in thousands, except per share amounts; certain totals may not add up due to rounding)	\$	\$	\$	\$
<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	(16,056)	(8,462)	(67,246)	(31,969)
<i>Adjustments for:</i>				
Asbestos-related costs	2,466	11,124	76,211	14,497
Deferred tax assets related to the transactions	(3,543)	-	(20,242)	-
Other restructuring costs	-	919	89	919
Transaction costs	12,234	108	17,788	900
Adjusted net income (loss) from continuing operations	(4,899)	3,689	6,600	(15,653)
per share – basic and diluted	(0.23)	0.17	0.31	(0.73)
<i>Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations</i>				
Net income (loss) from continuing operations	(16,056)	(8,462)	(67,246)	(31,969)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,775	1,978	6,864	7,103
Amortization of intangible assets and financing costs	577	607	2,132	2,127
Finance costs – net	(1,229)	1,202	(263)	1,963
Income taxes	(558)	1,437	(14,551)	2,269
EBITDA	(15,491)	(3,238)	(73,064)	(18,507)
<i>Adjustments for:</i>				
Other restructuring costs	-	173	121	1,250
Asbestos-related costs	2,466	11,124	76,211	14,497
Transaction-related costs	16,645	1,222	24,201	4,886
Adjusted EBITDA	3,620	9,281	27,470	2,126



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 press release 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 press release 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.

The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Contact:

Rishi Sharma, Chief Financial and Administrative Officer
Velan Inc.
Tel: (438) 817-4430

Martin Goulet, M.Sc., CFA
MBC Capital Markets Advisors
Tel.: (514) 731-0000, ext. 229