



PRESS RELEASE

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5N Plus Reports Financial Results for Quarter and Fiscal Year Ended December 31, 2018

Montreal, Québec, February 26, 2019 – 5N Plus Inc. (TSX:VNP) (“5N Plus” or the “Company”), a leading global producer of engineered materials and specialty chemicals, today reported financial results for the quarter and fiscal year ended December 31, 2018. All amounts are expressed in U.S. dollars.

Fiscal year 2018 was the third year in which 5N Plus grew its earnings. This performance was delivered despite unfavorable movement of metal notations associated with the Company’s business, throughout 2018 as compared to stable or favorable movement of the same notations in 2016 and 2017. The Company’s performance in 2018 is a clear proof that the new business model is delivering on its commitments and the Company is well on track to deliver 5N21 targets.

During 2018, the demand for the Company’s products remained strong and the diversity of the markets in which 5N Plus participates remained an asset. During the same period, the Company continued to invest on its growth initiatives which aim to further improve quality and sustainability of the Company’s earnings. Moreover, in 2018, 5N Plus remained somewhat unaffected by the trade and tariff related themes mainly due to the positioning of its assets, with emphasis on local entities supporting local markets and optimizing the Company’s supply chain to become more diverse and agile.

- During the year, Adjusted EBITDA¹ and EBITDA¹ reached \$32.4 million and \$29.0 million, compared to \$29.6 million and \$26.9 million in 2017. This performance reflects strong demand for the Company’s product, improved product mix, and tangible reduction in earnings volatility.
- The Adjusted EBITDA and EBITDA for the fourth quarter reached \$6.9 million and \$5.6 million in 2018 compared to \$6.8 million and \$4.4 million in 2017. The fourth quarter results are historically marked by cyclical pattern.
- Net earnings for the year 2018 reached \$14.0 million or \$0.17 per share, compared to \$12.0 million or \$0.14 per share for the year 2017, the highest level reached in recent years.
- Revenue in 2018 reached \$218.0 million compared to \$220.0 million in 2017. The lower sales figure is mainly driven by the lower sales of lower margin products with high content of metal and lower pass-through revenue from metals which are used as consumables in the Company’s products. Consistent with the Company’s strategic plan, over the past three years, the amount of metals utilized in the Company’s products have reduced markedly which in turn has reduced earnings volatility considerably.

¹ See Non-IFRS Measures

- Return on Capital Employed (ROCE)¹ reached 15.1% in 2018, similar to 2017, while compared to 8.2% in 2016 reflecting the overall margin expansion associated with the Company's products and services, and better management of capital employed.
- Net debt¹ stood at \$22.2 million as at December 31, 2018 from \$11.4 million for the same period last year, impacted by working capital, more specifically due to a decrease in trade and accrued liabilities and an increase in inventory aimed at hedging commercial positions.
- Backlog¹ reached as at December 31, 2018 a level of 217 days of sales outstanding, higher than previous quarter, and last year ending at a level of 187 days. Bookings¹ in Q4 2018 reached 105 days compared to 86 days in Q3 2018 and 108 days in Q4 2017.
- In Q4 2018, 5N Plus completed the construction of its high purity additive plant in Germany on time and in line with the budget envelop of its strategic plan. During the same period, the commissioning of the plant began with the aim to commence certification and qualification campaigns in early 2019.
- On April 11, 2018, 5N Plus announced expansion of capacity and capability in its upstream activities across South East Asia and Europe to further enhance the Company's competitive access to specialty metals.
- On April 24, 2018, 5N Plus announced the closing of a \$79.0 million senior secured multi-currency revolving syndicated credit facility. Subject to lenders' approval, 5N Plus can exercise its option to request an expansion of the credit facility through a \$30.0 million accordion feature which would increase the total size of the facility to \$109.0 million.
- On April 30, 2018, 5N Plus announced that it has secured a series of multi-year contracts for the supply of semiconductor materials and ancillary services associated with the manufacturing of thin film photovoltaic (PV) modules by First Solar, Inc.
- On May 2, 2018, 5N Plus announced the nomination of Mr. Donald F. Osborne with over 30 years of experience in Satellite Communications, Space and Defence, as a Director of 5N Plus.
- On July 3, 2018, 5N Plus announced partial redemption of its 5.75% convertible unsecured subordinated debentures maturing on June 30, 2019, redeeming debentures in an aggregate principal amount of CA\$40.0 million.
- On July 31, 2018, 5N Plus announced that it is doubling the capacity of its ultra-high purity Semiconductor plant located on its Montreal campus to enable its Electronic Materials division to satisfy the growing demand for the Company's specialty semiconductor materials.
- On February 6, 2019, 5N Plus announced the closing of a \$25.0 million unsecured subordinated term loan with Investissement Québec.
- On February 11, 2019, 5N Plus announced that, at a special meeting of its shareholders held in Montreal, Quebec, shareholders approved that the stated capital of the common shares of 5N Plus be reduced to \$5.0 million and the amount of the reduction be added to the contributed surplus of the Company pursuant to Section 38(1) of the Canada Business Corporation Act, providing more flexibility to pay dividends and repurchase common shares.

¹ See Non-IFRS Measures

- On February 20, 2019, 5N Plus announced that its U.S. based subsidiary, 5N Plus Semiconductors, has been awarded a multi-year program to supply opto-electronic semiconductor substrates to Albuquerque, New Mexico based SOLAero Technologies. The substrates are intended for use in satellite solar arrays for a number of applications, including powering a constellation of several hundred low-orbit broadband satellites being manufactured by Airbus OneWeb Satellites. This network of satellites will provide global, persistent, low latency internet access that promises to bridge the digital divide.
- On February 25, 2019, 5N Plus announced that it has exercised its right to redeem all of its outstanding 5.75% convertible unsecured subordinated debentures maturing on June 30, 2019. On March 28, 2019 the Company will redeem the debentures in an aggregate principal amount of CA\$26 million.

Arjang Roshan, President and Chief Executive Officer, said “With the closing of 2018 fiscal year, we mark the halfway point in our journey under 5N21 strategic plan and the third year in which both earnings and return on capital employed grew. We are simply pleased with how the transformation of our business model is translating to positive and tangible results.” Mr. Roshan added “Perhaps the most gratifying event in 2018 was the fact that despite significant unfavorable movement in the metal markets, an event which would have historically left a large gap in the Company’s earnings, 5N Plus continued to grow its earnings and delivered healthy margins.” Mr. Roshan concluded “As we move to the second half of our strategic plan, we believe we have achieved our objective with respect to significantly reducing earnings volatility and remain well on track to deliver further earnings growth and improvement in return on capital employed as defined by our strategic plan.”

Webcast Information

5N Plus will host a conference call on Wednesday, February 27, 2019 at 8:00 am Eastern Time with financial analysts to discuss results of the quarter and fiscal year ended December 31, 2018. All interested parties are invited to participate in the live broadcast on the Company’s website at www.5nplus.com. A replay of the webcast and a recording of the Q&A will be available until March 6, 2019.

To participate in the conference call:

- Montreal area: 514-807-9895
- Toronto area: 647-427-7450
- Toll-Free: 1-866-865-3087

Enter access code 2617518.

Non-IFRS Measures

EBITDA means net earnings (loss) before interest expenses (revenues), income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, share-based compensation expense, impairment of non-current assets, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, change in fair value of debenture conversion option, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Gross margin is a measure we use to monitor the sales contribution after paying cost of sales excluding depreciation of property, plant and equipment and impairment inventory charge. We also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

Net debt or net cash is a measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total debt, including the current portion and the cross-currency swap related to the convertible debenture, and subtracting cash and cash equivalents.

Backlog represents the expected orders we have received but have not yet executed and that are expected to translate into sales within the next twelve months expressed in number of days.

Bookings represent orders received during the period considered, expressed in days, and is calculated by adding revenues to the increase or decrease in backlog for the period considered divided by annualized year revenues. We use backlog to provide an indication of expected future revenues in days, and bookings to determine our ability to sustain and increase our revenues.

Return on Capital Employed (ROCE) is a non-IFRS financial measure, calculated by dividing the annualized Adjusted EBIT by capital employed at the end of the period. Adjusted EBIT is calculated as the Adjusted EBITDA less depreciation and amortization (adjusted for accelerated depreciation charge, if any). Capital employed is the sum of the accounts receivable, the inventory, the PPE, the goodwill and intangibles less trade and accrued liabilities (adjusted for exceptional items). We use ROCE to measure the return on capital employed, whether the financing is through equity or debt. In our view, this measure provides useful information to determine if capital invested in the Company yields competitive returns. The usefulness of ROCE is limited by the fact that it is a ratio and not providing information as to the absolute amount of our net income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

About 5N Plus Inc.

5N Plus is a leading global producer of engineered materials and specialty chemicals with integrated recycling and refining assets to manage the sustainability of its business model. The Company is headquartered in Montreal, Québec, Canada and operates R&D, manufacturing and commercial centers in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to manufacture products which are used as enabling precursors by its customers in a number of advanced electronics, optoelectronics, pharmaceutical, health, renewable energy and industrial applications. Many of the materials produced by 5N Plus are critical for the functionality and performance of the products and systems produced by its customers, many of whom are leaders within their industry.

Forward-Looking Statements and Disclaimer

This press release may contain forward-looking information within the meaning of applicable securities laws. All information and statements other than statements of historical facts contained in this press release are forward-looking information. Such statements and information may be identified by words such as “about”, “approximately”, “may”, “believes”, “expects”, “will”, “intends”, “should”, “plans”, “predicts”, “potential”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof or other comparable terminology. Forward-looking statements are based on the best estimates available to 5N Plus at this time and involve known and unknown risks, uncertainties and other factors that may cause 5N Plus’ actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A description of the risks affecting 5N Plus’ business and activities appears under the heading “Risk and Uncertainties” of 5N Plus’ 2018 MD&A dated February 26, 2019 available on SEDAR at www.sedar.com. No assurance can be given that any events anticipated by the forward-looking information in this press release will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this press release is made as of the date hereof and 5N Plus undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

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5N PLUS INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands of United States dollars)

	December 31 2018	December 31 2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	26,724	34,024
Accounts receivable	22,984	25,639
Inventories	96,889	90,647
Income tax receivable	4,891	6,145
Other current assets	7,797	8,773
Total current assets	159,285	165,228
Property, plant and equipment	57,297	56,607
Intangible assets	11,199	10,856
Deferred tax assets	7,872	6,891
Investment accounted for using the equity method	-	718
Derivative financial assets	-	3,602
Other assets	1,404	1,030
Total non-current assets	77,772	79,704
Total assets	237,057	244,932
Liabilities		
Current		
Trade and accrued liabilities	39,249	57,043
Income tax payable	7,732	11,339
Derivative financial liabilities	197	-
Current portion of long-term debt	175	271
Current portion of convertible debentures	18,571	-
Total current liabilities	65,924	68,653
Long-term debt	30,000	-
Convertible debentures	-	48,768
Deferred tax liabilities	266	251
Employee benefit plan obligation	14,619	15,396
Other liabilities	6,545	6,436
Total non-current liabilities	51,430	70,851
Total liabilities	117,354	139,504
Equity		
Equity holders of 5N Plus Inc.	119,703	105,446
Non-controlling interest	-	(18)
Total equity	119,703	105,428
Total liabilities and equity	237,057	244,932

5N PLUS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31

(in thousands of United States dollars, except per share information)

	2018	2017
	\$	\$
Revenue	217,995	219,916
Cost of sales	169,061	170,514
Selling, general and administrative expenses	23,940	26,220
Other expenses (income), net	4,536	4,441
Share of loss from joint ventures	22	110
	197,559	201,285
Operating earnings	20,436	18,631
Financial expenses		
Interest on long-term debt	2,873	3,261
Imputed interest and other interest expense	3,422	2,836
Changes in fair value of debenture conversion option	-	(85)
Foreign exchange and derivative loss	225	79
	6,520	6,091
Earnings before income taxes	13,916	12,540
Income tax expense (recovery)		
Current	848	3,595
Deferred	(904)	(3,068)
	(56)	527
Net earnings	13,972	12,013
Attributable to:		
Equity holders of 5N Plus Inc.	13,972	12,023
Non-controlling interest	-	(10)
	13,972	12,013
Earnings per share attributable to equity holders of 5N Plus Inc.	0.17	0.14
Basic earnings per share	0.17	0.14
Diluted earnings per share	0.17	0.14

5N PLUS INC.

(in thousands of United States dollars)

Revenue by Segment and Gross Margin	Q4 2018	Q4 2017	FY 2018	FY 2017
	\$	\$	\$	\$
Electronic Materials	19,368	17,917	81,014	73,448
Eco-Friendly Materials	28,342	34,575	136,981	146,468
Total revenue	47,710	52,492	217,995	219,916
Cost of sales	(37,916)	(41,035)	(169,061)	(170,514)
Depreciation on PPE	2,256	2,363	7,962	7,908
Gross margin¹	12,050	13,820	56,896	57,310
Gross margin percentage¹	25.3%	26.3%	26.1%	26.1%

Adjusted EBITDA and EBITDA	Q4 2018	Q4 2017	FY 2018	FY 2017
	\$	\$	\$	\$
Revenue	47,710	52,492	217,995	219,916
Adjusted operating expenses ^{1*}	(40,798)	(45,729)	(185,645)	(190,329)
Adjusted EBITDA ¹	6,912	6,763	32,350	29,587
Impairment of inventory	-	-	-	-
Share-based compensation expense	(721)	(712)	(3,298)	(4,470)
Litigation and restructuring (costs) income	(766)	(415)	(316)	2,953
Gain on disposal of property, plant and equipment	-	1,497	510	1,887
Impairment of non-current assets	-	(3,100)	-	(3,100)
Change in fair value of debenture conversion option	-	67	-	85
Foreign exchange and derivative gain (loss)	164	320	(225)	(79)
EBITDA ¹	5,589	4,420	29,021	26,863
Interest on long-term debt, imputed interest and other interest expense	886	1,372	6,295	6,097
Depreciation and amortization	2,469	2,434	8,810	8,226
Earnings before income taxes	2,234	614	13,916	12,540
Income tax (recovery) expense				
Current	(2,955)	243	848	3,595
Deferred	1,143	(1,851)	(904)	(3,068)
	(1,812)	(1,608)	(56)	527
Net earnings	4,046	2,222	13,972	12,013
Basic earnings per share	\$0.05	\$0.03	\$0.17	\$0.14
Diluted earnings per share	\$0.05	\$0.03	\$0.17	\$0.14

¹Excluding share-based compensation expense, litigation and restructuring income, gain on disposal of property, plant and equipment, impairment of non-current assets and depreciation and amortization.

Net Debt	As at December 31, 2018	As at December 31, 2017
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	30,175	271
Convertible debentures	18,571	48,768
Cross-currency swap	197	(3,602)
Total Debt	48,943	45,437
Cash and cash equivalents	(26,724)	(34,024)
Net Debt¹	22,219	11,413

¹ See Non-IFRS Measures