

5N Plus Inc. Reports 2024 Second Quarter Financial Results

- 26% year-over-year increase in revenue to \$74.6 million
- 24% year-over-year increase in Adjusted EBITDA¹ to \$13.5 million
- Adjusted gross margin percentage¹ of 31.3%
- Backlog¹ reached \$245.0 million, representing 300 days of annualized revenue, as at June 30, 2024

Montreal, Québec, August 5, 2024 – 5N Plus Inc. (TSX:VNP) (“5N+” or “the Company”), a leading global producer of specialty semiconductors and performance materials, today announced its financial results for the second quarter of fiscal 2024 ended June 30, 2024 (“Q2 2024”). All amounts in this press release are expressed in U.S. dollars unless otherwise stated.

For the second quarter and first half of 2024, we generated impressive year-over-year revenue and Adjusted EBITDA growth as well as solid margins and a near-record backlog, propelled by the strategic sectors we serve, with terrestrial renewable energy and space solar power consistently remaining the standouts. Our strong performance and continued momentum reflect the execution of our strategy aimed at securing additional volume in Specialty Semiconductors, achieving strong pricing and maintaining a favourable overall product mix across our segments.

“I would like to recognize the 5N+ team for successfully delivering on our strategic priorities, thereby further solidifying our position as the trusted supplier of advanced materials globally. The renewal of our longstanding agreement for the supply of specialized semiconductor materials to First Solar, Inc. (“First Solar”) in Q2 2024 for the manufacturing of PV solar modules, with increased volume and favourable terms, illustrates this well. We are also executing our expansion projects on plan, building our capacity in tandem with contracted demand and to capture future opportunities,” said Gervais Jacques, President and CEO of 5N+.

Q2 2024 Highlights

- Revenue in Q2 2024 increased by 26% to \$74.6 million, compared to \$59.1 million in Q2 2023, primarily driven by strong growth under Specialty Semiconductors.
- Adjusted EBITDA in Q2 2024 increased by 24% to \$13.5 million, compared to \$10.8 million in Q2 2023, driven by higher volume from the terrestrial renewable energy and space solar power sectors, and better prices over inflation.
- Adjusted gross margin increased by 20% to reach \$23.4 million in Q2 2024, favourably impacted by the same factors as above. Adjusted gross margin as a percentage of sales was 31.3%, compared to 32.9% in Q2 2023, impacted by a less favourable product mix under Performance Materials.
- Net earnings in Q2 2024 were \$4.8 million, compared to \$10.1 million in Q2 2023 which was positively impacted by a non-recurrent litigation and restructuring income.
- Backlog stood at \$245.0 million, representing 300 days of annualized revenue as at June 30, 2024, 12 days higher than the previous quarter and 11 days higher than the same period last year, primarily due to the timing of contract signings and renewals.
- Net debt¹ was \$91.1 million as at June 30, 2024, compared to \$73.8 million as at December 31, 2023, reflecting an increase in working capital¹ and planned capital expenditures in the first half of 2024 under Specialty Semiconductors. The Company’s net-debt-to-EBITDA ratio¹ stood at 2.15x as at June 30, 2024.

¹ These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

Other Q2 2024 Developments

- During Q2 2024, 5N+ announced the successful renewal and extension of its supply agreement with its longstanding customer First Solar, thereby increasing its supply of specialized semiconductor materials to First Solar for the manufacturing of thin-film photovoltaic solar modules. The renewed agreement, under favourable commercial terms, represents a 50% increase in volume over the next two calendar years compared to the previous agreement. As part of the renewed agreement, 5N+ and First Solar also continue to collaborate on the development and supply of other renewable energy products to support the growth and improvement of thin-film technology.
- Also in Q2 2024, the Company announced that it was awarded a grant from the U.S. Department of Defense for \$14.4 million, subject to certain conditions and the achievement of pre-set milestones over a four-year term, in support of the Company's germanium substrates production facility in St. George, Utah.

Outlook

In Specialty Semiconductors, 5N+ continues to benefit from its unique position as the leading global supplier of ultra-high purity semiconductor compounds outside China, with long-term partnerships with key customers. Growing demand remains the rule, particularly in terrestrial renewable energy and space solar power. 5N+ is well-positioned to capitalize on future opportunities in these high-growth sectors, as well as other markets, including sensing and medical imaging.

Management expects growth in the Performance Materials segment to be primarily derived from health and pharmaceutical products, which provide high profitability and predictable cashflows. Additional long-term opportunities are expected to stem from product expansion and development initiatives, including through partnerships.

Based on its performance year-to-date, Management expects to achieve the higher end of its previously disclosed Adjusted EBITDA guidance range of between \$45 million and \$50 million for 2024. Its Adjusted EBITDA guidance range for 2025 of between \$50 million and \$55 million remains unchanged.

Conference Call

5N+ will host a conference call on Tuesday, August 6, 2024, at 8:00 am Eastern Time to discuss Q2 2024 financial results. All interested parties are invited to participate in the live broadcast on the Company's website at www.5nplus.com.

To participate in the conference call:

- Toronto area: 289-819-1350
- Toll-Free: 1-800-836-8184
- Enter access code: 10386

A replay of the conference call will be available two hours after the event and until August 13, 2024. To access the recording, please dial 1-888-660-6345 and enter access code 10386.

About 5N+

5N+ is a leading global producer of specialty semiconductors and performance materials. The Company's ultra-pure materials often form the core element of its customers' products. These customers rely on 5N+'s products to enable performance and sustainability in their own products. 5N+ deploys a range of proprietary and proven technologies to develop and manufacture its products. The Company's products enable various applications in several key industries, including renewable energy, security, space, pharmaceutical, medical imaging and industrial. Headquartered in Montréal, Quebec, 5N+ operates R&D, manufacturing and commercial centers in strategically located facilities around the world including Europe, North America and Asia.

Forward-Looking Statements

Certain statements in this press release may be forward-looking within the meaning of applicable securities laws. Such forward-looking statements are based on a number of estimates and assumptions that the Company believes are reasonable when made, including that 5N+ will be able to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners, that 5N+ will continue to operate its business in the normal course, that 5N+ will be able to implement its growth strategy, that 5N+ will be able to successfully and timely complete the realization of its backlog, that 5N+ will not suffer any supply chain challenges or any material disruption in the supply of raw materials on competitive terms, that 5N+ will be able to generate new sales, produce, deliver, and sell its expected product volumes at the expected prices and control its costs, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict and may cause the Company's 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 the Company's business and activities appears under the heading "Risk and Uncertainties" of the Company's 2023 MD&A dated February 27, 2024, and note 10 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2024 and June 30, 2023 available on www.sedarplus.ca.

Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking statements in this press release will transpire or occur, or if any of them do so, what benefits that 5N+ will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N+. The forward-looking statements contained in this press release is made as of the date hereof and the Company has 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.

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

For the three and six-month periods ended June 30

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

	Three months		Six months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue	74,580	59,075	139,599	114,362
Cost of sales	54,385	42,765	102,405	84,767
Selling, general and administrative expenses	8,717	7,569	16,034	14,462
Other expenses (income), net	2,329	(4,500)	4,579	(2,834)
	65,431	45,834	123,018	96,395
Operating earnings	9,149	13,241	16,581	17,967
Financial expense				
Interest on long-term debt	2,146	2,141	3,941	4,173
Imputed interest and other interest (income) expense	(272)	(85)	139	143
Foreign exchange and derivative loss (gain)	2	(274)	(385)	(259)
	1,876	1,782	3,695	4,057
Earnings before income taxes	7,273	11,459	12,886	13,910
Income tax expense (recovery)				
Current	2,177	2,855	4,691	3,769
Deferred	307	(1,539)	899	(1,456)
	2,484	1,316	5,590	2,313
Net earnings	4,789	10,143	7,296	11,597
Basic earnings per share	0.05	0.11	0.08	0.13
Diluted earnings per share	0.05	0.11	0.08	0.13

Net earnings are completely attributable to equity holders of 5N+.

5N PLUS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars) (unaudited)

	June 30, 2024	December 31, 2023
	\$	\$
Assets		
Current		
Cash and cash equivalents	27,145	34,706
Accounts receivable	40,978	33,437
Inventories	116,015	105,850
Income tax receivable	1,591	1,672
Derivative financial assets	5,232	591
Other current assets	5,003	5,707
Total current assets	195,964	181,963
Property, plant and equipment	89,388	84,600
Right-of-use assets	30,096	29,290
Intangible assets	27,726	29,304
Goodwill	11,825	11,825
Deferred tax assets	8,186	8,261
Other assets	5,837	4,959
Total non-current assets	173,058	168,239
Total assets	369,022	350,202
Liabilities		
Current		
Trade and accrued liabilities	37,398	37,024
Income tax payable	5,454	4,535
Current portion of deferred revenue	11,685	13,437
Current portion of lease liabilities	1,895	1,811
Current portion of long-term debt	-	25,000
Total current liabilities	56,432	81,807
Long-term debt	118,205	83,500
Deferred tax liabilities	6,298	5,284
Employee benefit plan obligations	12,388	13,393
Lease liabilities	29,108	28,328
Deferred revenue	7,596	5,629
Other liabilities	3,639	3,669
Total non-current liabilities	177,234	139,803
Total liabilities	233,666	221,610
Equity	135,356	128,592
Total liabilities and equity	369,022	350,202

Non-IFRS Measures

EBITDA means net earnings (loss) before interest expenses, income tax expense (recovery), depreciation and amortization. 5N+ uses EBITDA because it believes it is a meaningful measure of the operating performance of its 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.

EBITDA is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Net earnings	4,789	10,143	7,296	11,597
Interest on long-term debt, imputed interest and other interest expense	1,874	2,056	4,080	4,316
Income tax expense	2,484	1,316	5,590	2,313
Depreciation and amortization	4,049	4,015	7,994	8,074
EBITDA	13,196	17,530	24,960	26,300

Adjusted EBITDA means operating earnings (loss) as defined before the effect of impairment of inventories, share-based compensation expense (recovery), litigation and restructuring costs (income), impairment of non-current assets, loss (gain) on disposal of property, plant and equipment, and depreciation and amortization. 5N+ uses Adjusted EBITDA because it believes it is a meaningful measure of the operating performance of its 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 is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Revenues	74,580	59,075	139,599	114,362
Operating expenses	(65,431)	(45,834)	(123,018)	(96,395)
Operating earnings	9,149	13,241	16,581	17,967
Share-based compensation (recovery) expense	(15)	701	345	713
Litigation and restructuring (income) costs	-	(8,772)	-	(8,772)
Impairment of non-current assets	307	608	307	608
Loss on disposal of property, plant and equipment	-	1,051	-	1,051
Depreciation and amortization	4,049	4,015	7,994	8,074
Adjusted EBITDA	13,490	10,844	25,227	19,641

Adjusted gross margin is a measure used to monitor the sales contribution after paying cost of sales, excluding depreciation and inventory impairment charges. 5N+ also expressed this measure in percentage of revenues by dividing the adjusted gross margin value by the total revenue.

Adjusted gross margin is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Total revenue	74,580	59,075	139,599	114,362
Cost of sales	(54,385)	(42,765)	(102,405)	(84,767)
Gross margin	20,195	16,310	37,194	29,595
Depreciation included in cost of sales	3,173	3,152	6,249	6,354
Adjusted gross margin	23,368	19,462	43,443	35,949
Adjusted gross margin percentage	31.3%	32.9%	31.1%	31.4%

Backlog represents the expected orders the Company has received, but has not yet executed, and that are expected to translate into sales within the next twelve months, expressed in dollars and estimated in number of days not to exceed 365 days. Bookings represent orders received during the period considered, expressed in number of days, and calculated by adding revenues to the increase or decrease in backlog for the period considered, divided by annualized year revenues. 5N+ uses backlog to provide an indication of expected future revenues in days, and bookings to determine its ability to sustain and increase its revenues.

Net debt is calculated as total debt less cash and cash equivalents. Any introduced IFRS 16 reporting measures in reference to lease liabilities are excluded from the calculation. 5N+ uses this measure as an indicator of its overall financial position.

The net debt to EBITDA ratio is defined as net debt divided by the trailing 12 months EBITDA.

Total debt and Net debt are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	As at June 30, 2024	As at December 31, 2023
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	118,205	108,500
Lease liabilities including current portion	31,003	30,139
Subtotal Debt	149,208	138,639
Lease liabilities including current portion	(31,003)	(30,139)
Total Debt	118,205	108,500
Cash and cash equivalents	(27,145)	(34,706)
Net Debt	91,060	73,794

Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, it uses it as an indicator of its financial efficiency and aims to maintain it at the lowest possible level.

Working capital is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	As at June 30, 2024	As at December 31, 2023
	\$	\$
Inventories	116,015	105,850
Other current assets excluding inventories	79,949	76,113
Current assets	195,964	181,963
Current liabilities	(56,432)	(81,807)
Working capital	139,532	100,156

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