



PRESS RELEASE

RELEASE DATE: August 6, 2019

5N Plus Reports Financial Results for the Second Quarter Ended June 30, 2019

Montreal, Québec, August 6, 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 second quarter ended June 30, 2019. All amounts are expressed in U.S. dollars.

During Q2 2019, 5N Plus focused much of its resources on operating activities with emphasis on improving production capability and efficiency for the new mix of products fostered by the Company’s transformation and the new business model favoring more value-added products and services. During this period, 5N Plus made tangible progress in addressing production challenges which have been hampering the Company’s ability to address its healthy orderbook. 5N Plus continues to experience strong demand for its products as reflected by the backlog¹. Despite significant adverse movements in the underlying metal notations over the past many quarters, 5N Plus has not only been able to create value from its recycling and refining activities but has been able to limit the historical negative impacts associated with such movements to the Company’s earnings. With Bismuth metal notations declining to near historical levels, the Company has begun to operate its refining and recycling operations at a reduced rate and instead, has begun to purchase Bismuth as commercial metal. For the second quarter of 2019 and year-to-date, the Company reported the following:

- Adjusted EBITDA^{1,2} and EBITDA^{1,2} for the second quarter of 2019 reached \$5.9 million and \$5.3 million compared to \$9.0 million and \$7.9 million during the same quarter of 2018, negatively impacted by adverse movements in the underlying metal notations, along with the application of the most recent commercial terms from the multi-year supply and service contract renewal within the Renewable Energy sector, and to a lesser extent realized shipments due to production challenges.
- Adjusted EBITDA and EBITDA for the six-month period ended June 2019 reached \$11.5 million and \$9.5 million compared to \$16.9 million and \$15.7 million during the same period in 2018, mostly impacted by the same factors mentioned above.
- Revenue for Q2 2019 reached \$50.3 million compared to \$58.4 million for Q2 2018, mostly impacted by adverse movements in the underlying metal notations.
- Net earnings for the second quarter of 2019 were \$1.8 million or \$0.02 per share compared to \$3.4 million or \$0.04 per share for the same period last year.
- Annualized Return on Capital Employed (ROCE)¹ reached 8.2% for the second quarter of 2019, largely influenced by the lower Adjusted EBIT^{1,2} performance.

¹ See Non-IFRS Measures

² On January 1, 2019, the Company applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard. This positively impacted the current year’s Adjusted EBITDA and EBITDA when comparing them to the prior year’s amounts (see Accounting Policies and Changes section in the MD&A for more details).

- Net debt¹ stood at \$37.9 million as of June 30, 2019 from \$19.4 million for the same period last year, impacted by additional working capital and to a lesser degree active participation in the normal course issuer bid (“NCIB”) plan.
- As of June 30, 2019, 5N Plus has purchased and cancelled 1,696,733 of the Company’s common shares under the NCIB plan.
- As of June 30, 2019, the Backlog¹ reached a level of 201 days of annualized revenue, a similar level than Q1 2019, however much higher than Q2 2018 at 170 days. Bookings¹ in Q2 2019 reached 86 days compared to 92 days in Q1 2019 and 89 days in Q2 2018.
- On July 22, 2019, 5N Plus announced that it has significantly reduced production at its Bismuth refining and recycling facilities. With Bismuth notations continuing to decline and currently at a level not seen in nearly 25 years, certain suppliers have declared some of their activities uneconomical and have begun to stop marketing their residues. Given this development and the current availability and price level for Bismuth metal, the Company will increase its commercial grade Bismuth metal purchases to compensate for the reduction in Bismuth output from its refining activities. The market for the Company’s Bismuth based materials and specialty chemicals remains strong. The Company will implement this change seamlessly and the measure will have no impact on the customers of 5N Plus.
- On July 24, 2019, 5N Plus announced that it has begun to execute a plan to invest over \$10 million in process technologies aimed at substantially increasing capacity of the existing assets while enhancing capability along with providing notable environmental benefits in local communities. The investment package is expected to be focused on select sites in North America, Europe and China. The plan is expected to be fully implemented by the third quarter of 2020 with certain investments to be fully commissioned prior to that date. The average payback for this tranche of investments is estimated at about three years.

Arjang Roshan, President and Chief Executive Officer, commented “Fiscal year 2019 started with production challenges associated with the manufacturing of new products which adversely impacted revenue and earnings. Over the past quarter, while certain challenges persist, our global teams have made tangible progress in ramping up production of these products. Mr. Roshan concluded “In the second half of the year, we will continue to focus our resources on further improving efficiency across the operating activities while continuing to develop our new markets along with optimizing procurement of consumable metals within the current environment of lower pricing.”

Webcast Information

5N Plus will host a conference call on Wednesday, August 7, 2019 at 8:00 am Eastern Day Time to discuss results of the second quarter ended June 30, 2019. 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 August 15, 2019.

To participate in the conference call:

- Montreal area: 514-807-9895
- Toronto area: 647-427-7450
- Toll-Free: 1-888-231-8191

Enter access code 5382279.

¹ See Non-IFRS Measures

Non-IFRS Measures

EBITDA means net earnings (loss) before interest expenses, 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. EBITDA margin is defined as EBITDA divided by revenues.

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 inventory write-downs. 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 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, subtracting cash and cash equivalents, included as debt is the current portion and the cross-currency swap related to the convertible debentures, any newly introduced IFRS 16 reporting measures in reference to lease liabilities is excluded from the calculation.

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 are 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 of PPE and amortization of intangible assets (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 and note 12 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2019 and 2018 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.

– 30 –

Contact:

5N Plus Inc.

(514) 856-0644

invest@5nplus.com

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars) (unaudited)

	June 30 2019	December 31 2018
	\$	\$
Assets		
Current		
Cash and cash equivalents	17,176	26,724
Accounts receivable	29,426	22,984
Inventories	91,362	96,889
Income tax receivable	5,660	4,891
Other current assets	7,454	7,797
Total current assets	151,078	159,285
Non-current		
Property, plant and equipment	56,359	57,297
Right of use assets	6,569	-
Intangible assets	11,338	11,199
Deferred tax assets	8,635	7,872
Other assets	1,316	1,404
Total non-current assets	84,217	77,772
Total assets	235,295	237,057
Liabilities		
Current		
Trade and accrued liabilities	29,217	39,249
Income tax payable	5,480	7,732
Derivative financial liabilities	-	197
Current portion of long-term debt	106	175
Current portion of convertible debentures	-	18,571
Current portion of lease liabilities	1,516	-
Total current liabilities	36,319	65,924
Non-current		
Long-term debt	55,000	30,000
Deferred tax liabilities	267	266
Employee benefit plan obligation	15,758	14,619
Lease liabilities	5,157	-
Other liabilities	6,515	6,545
Total non-current liabilities	82,697	51,430
Total liabilities	119,016	117,354
Equity		
Total liabilities and equity	235,295	237,057

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	50,290	58,359	101,703	116,906
Cost of sales	41,051	44,916	83,851	90,810
Selling, general and administrative expenses	5,476	6,685	10,992	13,504
Other expenses (income), net	887	1,116	2,687	1,196
Share of loss from joint ventures	-	24	-	22
	47,414	52,741	97,530	105,532
Operating earnings	2,876	5,618	4,173	11,374
Financial expense				
Interest on long-term debt	756	832	1,445	1,625
Imputed interest and other interest expense	189	2,174	903	2,883
Foreign exchange and derivative loss (gain)	136	(23)	423	181
	1,081	2,983	2,771	4,689
Earnings before income taxes	1,795	2,635	1,402	6,685
Income tax expense (recovery)				
Current	(93)	1,076	1,147	2,473
Deferred	130	(1,861)	(354)	(2,256)
	37	(785)	793	217
Net earnings	1,758	3,420	609	6,468
Attributable to:				
Equity holders of 5N Plus Inc.	1,758	3,417	609	6,468
Non-controlling interests	-	3	-	-
	1,758	3,420	609	6,468
Earnings per share attributable to equity holders of 5N Plus Inc.	0.02	0.04	0.01	0.08
Basic earnings per share	0.02	0.04	0.01	0.08
Diluted earnings per share	0.02	0.04	0.01	0.08

5N PLUS INC.

(in thousands of United States dollars)

Revenue by Segment and Gross Margin	Q2 2019	Q2 2018	YTD 2019	YTD 2018
	\$	\$	\$	\$
Electronic Materials	18,867	21,418	39,161	42,041
Eco-Friendly Materials	31,423	36,941	62,542	74,865
Total revenue	50,290	58,359	101,703	116,906
Cost of sales	(41,051)	(44,916)	(83,851)	(90,810)
Depreciation included in cost of sales	2,325	2,004	5,247	4,040
Gross margin¹	11,564	15,447	23,099	30,136
Gross margin percentage¹	23.0%	26.5%	22.7%	25.8%

Adjusted EBITDA and EBITDA	Q2 2019	Q2 2018	YTD 2019	YTD 2018
	\$	\$	\$	\$
Revenue	50,290	58,359	101,703	116,906
Adjusted operating expenses ^{1*}	(44,428)	(49,387)	(90,229)	(100,049)
Adjusted EBITDA ^{1,2}	5,862	8,972	11,474	16,857
Impairment of inventory	-	-	-	-
Share-based compensation expense	(405)	(1,135)	(1,542)	(1,789)
Litigation and restructuring income	-	-	-	588
Gain on disposal of property, plant and equipment (PPE)	-	-	-	185
Foreign exchange and derivative (loss) gain	(136)	23	(423)	(181)
EBITDA ^{1,2}	5,321	7,860	9,509	15,660
Interest on long-term debt, imputed interest and other interest expense	945	3,006	2,348	4,508
Depreciation and amortization	2,581	2,219	5,759	4,467
Earnings before income taxes	1,795	2,635	1,402	6,685
Income tax expense (recovery)				
Current	(93)	1,076	1,147	2,473
Deferred	130	(1,861)	(354)	(2,256)
	37	(785)	793	217
Net earnings	1,758	3,420	609	6,468
Basic earnings per share	\$0.02	\$0.04	\$0.01	\$0.08
Diluted earnings per share	\$0.02	\$0.04	\$0.01	\$0.08

^{*}Excluding 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 June 30, 2019	As at December 31, 2018
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	55,106	30,175
Convertible debentures	-	18,571
Cross-currency swap	-	197
Total Debt¹	55,106	48,943
Cash and cash equivalents	(17,176)	(26,724)
Net Debt¹	37,930	22,219

¹ See Non-IFRS Measures

² On January 1, 2019, the Company applied IFRS 16 Leases retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard. This positively impacted the current year's Adjusted EBITDA and EBITDA when comparing them to the prior year's amounts (see Accounting Policies and Changes section in the MD&A for more details).