



PRESS RELEASE

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5N Plus Reports Strong Financial Results for the Second Quarter Ended June 30, 2020

Montreal, Québec, August 4, 2020 – 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, 2020. All amounts are expressed in U.S. dollars.

5N Plus posted strong results in the second quarter, the best in many quarters in terms of Adjusted EBITDA¹ and delivered record level gross margin¹ as a percentage of revenue, despite near historic lows in relevant metal notations which has resulted in sub-optimized conditions for the Company’s upstream activities and headwinds from COVID-19 pandemic. Given the fact that 5N Plus continued to grow the contribution from higher value-added businesses with lower metal revenues, the Company was able to expand margins and grow earnings. During the quarter and year-to-date, gross margin grew by 9% and 7% reaching record levels for the Company.

Considering the new realities created by COVID-19 pandemic, 5N Plus was able to successfully navigate the new business environment. First and foremost, Management remained focused on employees’ health and safety while servicing market demands and protecting the interests of its stakeholders. The core business remained strong, albeit negatively impacted by slower demand from certain industries such as automotive, aircraft, coating and pigment. Also, certain growth initiatives were impeded by the pandemic due to customer’s program delays and site closures. Despite these challenges, the increased demand for products with higher value-added activities and improved operating fundamentals enabled 5N Plus to grow earnings and expand margins. The culmination of these events resulted in significant cash generation leading to net debt reduction of \$13.7 million in the quarter, while maintaining a high level of liquidity. The Company continues to further strengthen its balance sheet, keeping all options open for the future growth projects.

For the second quarter of 2020 and year-to-date, the Company reported the following:

- Adjusted EBITDA¹ and EBITDA¹ for the second quarter of 2020 reached \$7.6 million and \$6.5 million compared to \$5.9 million and \$5.3 million during the same quarter of 2019, favorably impacted by increased contribution from semiconductor compounds, semiconductor engineered substrates and productivity gains from the operating activities against the backdrop of a stable but low metal notations.
- Adjusted EBITDA and EBITDA for the six-month period ended June 2020 reached \$14.5 million and \$12.7 million compared to \$11.5 million and \$9.5 million during the same period of 2019, mostly impacted by the same factors mentioned above, mitigating the shortfall in contribution from upstream activities due to low metal notations.

¹ See Non-IFRS Measures

- Revenue for the second quarter and the six-month period ended June 30, 2020 reached \$41.1 million and \$91.1 million compared to \$50.3 million and \$101.7 million for the same periods in 2019. The revenue attributed to the sale of metal in Q2 2020 was significantly lower than the same period last year driven by near historic lows in relevant metal notations. Revenue contribution from higher value-added businesses was higher during the same period, partly mitigating lower metal revenue.
- Net earnings for the second quarter of 2020 were \$1.7 million, equivalent to the same period last year and \$2.3 million for the six-month period compared to \$0.6 million for the same period last year.
- Annualized Return on Capital Employed (ROCE)¹ reached 12.6% for the second quarter of 2020 as compared to 8.2% for the same period last year.
- Net debt¹ stood at \$24.4 million as of June 30, 2020, down from \$38.1 million as at March 31, 2020.
- From March 9, 2020 to June 30, 2020, 5N Plus purchased and cancelled 1,077,331 of the Company's common shares under the normal course issuer bid (NCIB) plan. Under the NCIB, 5N Plus has the right to purchase for cancellation, until March 8, 2021, a maximum of 2,000,000 common shares.
- As of June 30, 2020, the Backlog¹ reached a level of 202 days of annualized revenue, a similar level than in Q2 2019, however higher than in Q1 2020 at 188 days. Bookings¹ in Q2 2020 reached 66 days compared to 62 days in Q1 2020 and 86 days in Q2 2019.
- On June 3, 2020, 5N Plus announced that its subsidiary, 5N Plus Semiconductors, located in St. George, Utah, signed a \$12.5 million contract with the U.S. Government aimed at further advancing process and product technologies for specialty semiconductors required by U.S. satellite suppliers. As the sole domestic source of these critical products, over the next 39 months, 5N Plus Semiconductors will address future technological requirements and enhance the sustainability of critical products required in the domestic supply chain for Space.
- On July 21, 2020, 5N Plus announced that its subsidiary, 5N Plus Semiconductors, located in St. George, Utah, has successfully completed the development of a new generation of infrared detection wafers made of indium antimonide semiconductor materials. Since its launch, the breakthrough INZBE3 has not only garnered great market interest but has also seen demand for INZBE3 grow rapidly in a number of applications ranging from gas detection for increasingly regulated industrial environments to security and surveillance.

Arjang Roshan, President and Chief Executive Officer, said "I am pleased by our team's performance during the quarter and year-to-date, amid the headwinds created by COVID-19 pandemic. Our team's resolve to increase the contribution from businesses with higher margins such as semiconductor compounds and engineered substrates while managing the risk from those with larger metal revenue exposure is beginning to gain traction as evident by the growth in the earnings and record level gross margin¹ as a percentage of revenue."

Mr. Roshan continued "The demand for our core products remain strong and we are experiencing tangible support from potential customers and stakeholders to commercialize our new and value-added products. While the former continues to strengthen the Company's balance sheet, providing adequate resources for the growth projects, the latter provides credence to the trajectory of 5N Plus with emphasis on more value-added products and services."

Mr. Roshan concluded "In the second half of the year, our top priority will remain the safety and security of our people with the help of whom we shall reach a number of milestones including: establishment of additional joint and strategic agreements related to growth initiatives, completion of key investment projects related to automation and process technology and completion of qualification campaigns for a number of our products."

¹ See Non-IFRS Measures

Webcast Information

5N Plus will host a conference call on Wednesday, August 5, 2020 at 8:00 am (Eastern Daylight Time) to discuss results of the second quarter ended June 30, 2020. 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: 416-764-8659
- Toll-Free: 1-888-664-6392

Enter access code 66352886.

A playback will be available two hours after the event at 1-888-390-0541, until August 12, 2020. The access code is 352886.

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. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

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 is calculated as total debt less cash and cash equivalents. Any newly introduced IFRS 16 reporting measures in reference to lease liabilities are excluded from the calculation. We use this measure as an indicator of our overall financial position.

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

Certain statements in this press release may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that 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 5N Plus' 2019 MD&A dated February 25, 2020 and note 10 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended periods ended June 30, 2020 and 2019 available on www.sedar.com.

The Company is not aware of any significant changes to its risk factors previously disclosed, however since January 2020, the gradual outbreak of the novel strain of the coronavirus, COVID-19 and its declaration as a pandemic by the World Health Organization, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. While the Company has been able to mitigate the short-term impact from the crisis without significant loss of production capacity and customer demand, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company's financial results, conditions and cash flows. The outbreak of the COVID-19 should be considered a new risk factor.

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 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 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.

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

(in thousands of United States dollars) (unaudited)

	June 30 2020	December 31 2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	30,669	20,065
Accounts receivable	22,826	28,477
Inventories	79,624	83,367
Income tax receivable	5,110	5,433
Other current assets	4,544	7,371
Total current assets	142,773	144,713
Property, plant and equipment	57,273	58,590
Right-of-use assets	5,355	6,050
Intangible assets	10,320	10,990
Deferred tax assets	8,089	8,425
Other assets	1,084	1,174
Total non-current assets	82,121	85,229
Total assets	224,894	229,942
Liabilities		
Current		
Trade and accrued liabilities	25,070	32,066
Income tax payable	4,812	3,374
Current portion of long-term debt	102	107
Current portion of lease liabilities	1,348	1,469
Total current liabilities	31,332	37,016
Long-term debt	55,000	55,000
Deferred tax liabilities	267	269
Employee benefit plan obligation	14,836	15,398
Derivative financial liabilities	603	-
Lease liabilities	4,215	4,767
Other liabilities	195	195
Total non-current liabilities	75,116	75,629
Total liabilities	106,448	112,645
Equity	118,446	117,297
Total liabilities and equity	224,894	229,942

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	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	41,136	50,290	91,090	101,703
Cost of sales	31,123	41,051	71,583	83,851
Selling, general and administrative expenses	4,589	5,476	9,480	10,992
Other expenses (income), net	1,287	887	2,302	2,687
	36,999	47,414	83,365	97,530
Operating earnings	4,137	2,876	7,725	4,173
Financial expense				
Interest on long-term debt	673	756	1,355	1,445
Imputed interest and other interest expense	200	189	417	903
Foreign exchange and derivative loss	631	136	1,080	423
	1,504	1,081	2,852	2,771
Earnings before income taxes	2,633	1,795	4,873	1,402
Income tax expense (recovery)				
Current	953	(93)	2,290	1,147
Deferred	(69)	130	242	(354)
	884	37	2,532	793
Net earnings	1,749	1,758	2,341	609
Attributable to:				
Equity holders of 5N Plus Inc.	1,749	1,758	2,341	609
	1,749	1,758	2,341	609
Earnings per share attributable to equity holders of 5N Plus Inc.	0.02	0.02	0.03	0.01
Basic earnings per share	0.02	0.02	0.03	0.01
Diluted earnings per share	0.02	0.02	0.03	0.01

5N PLUS INC.

For the three and six-month periods ended June 30

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

Revenue by Segment and Gross Margin

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Electronic Materials	19,518	18,867	39,302	39,161
Eco-Friendly Materials	21,618	31,423	51,788	62,542
Total revenue	41,136	50,290	91,090	101,703
Cost of sales	(31,123)	(41,051)	(71,583)	(83,851)
Depreciation included in cost of sales	2,578	2,325	5,263	5,247
Gross margin¹	12,591	11,564	24,770	23,099
Gross margin percentage¹	30.6%	23.0%	27.2%	22.7%

Adjusted EBITDA and EBITDA

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Revenue	41,136	50,290	91,090	101,703
Adjusted operating expenses ^{1*}	(33,489)	(44,428)	(76,586)	(90,229)
Adjusted EBITDA ¹	7,647	5,862	14,504	11,474
Impairment of inventory	-	-	-	-
Share-based compensation expense	(510)	(405)	(680)	(1,542)
Foreign exchange and derivative loss	(631)	(136)	(1,080)	(423)
EBITDA ¹	6,506	5,321	12,744	9,509
Interest on long-term debt, imputed interest and other interest expense	873	945	1,772	2,348
Depreciation and amortization	3,000	2,581	6,099	5,759
Earnings before income taxes	2,633	1,795	4,873	1,402
Income tax expense (recovery)				
Current	953	(93)	2,290	1,147
Deferred	(69)	130	242	(354)
	884	37	2,532	793
Net earnings	1,749	1,758	2,341	609
Basic earnings per share	\$0.02	\$0.02	\$0.03	\$0.01
Diluted earnings per share	\$0.02	\$0.02	\$0.03	\$0.01

*Excluding impairment of inventory, share-based compensation expense and depreciation and amortization.

Net Debt

	As at June 30, 2020	As at December 31, 2019
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	55,102	55,107
Total Debt¹	55,102	55,107
Cash and cash equivalents	(30,669)	(20,065)
Net Debt¹	24,433	35,042

¹ See Non-IFRS Measures