

With their Recent Acquisition of MCP, 5N Plus Inc. is Realizing its Vision of Being a Powerhouse in the Specialty Metals and Chemicals Space



5N PLUS

**Industrial
Specialty Chemicals
(VNP-TSX)**



**Jacques L'Ecuyer
President and CEO**

BIO:

Mr. L'Ecuyer is one of 5N Plus' founders and has served as President and Chief Executive Officer and as a director since the Company's inception in June 2000. Mr. L'Ecuyer previously acted as the pure metals and compounds Business Unit Manager within Noranda Inc. Mr. L'Ecuyer holds BS and MS degrees in metallurgical engineering from École Polytechnique de Montréal and a PhD in materials science from the University of Birmingham in England.

Company Profile: 5N Plus Inc. is the leading producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the company is headquartered in Montreal, Quebec, Canada and operates manufacturing facilities and sales offices in several locations in Europe, North America and Asia. 5N Plus deploys a range of proprietary and proven technologies to produce products which are used in a number of advanced pharmaceutical, electronic and industrial applications. Typical products include purified metals such as bismuth, gallium, germanium, indium, selenium and tellurium, inorganic chemicals based on such metals and compound semiconductor wafers. Many of these are critical precursors and key enablers in markets such as solar energy, light-emitting diodes and eco-friendly materials.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. L'Ecuyer, what was the vision when you created 5N Plus, and where are you today?

Mr. L'Ecuyer: The vision, when I started 5N Plus, was to create a powerhouse in specialty metals and chemicals with a strong focus on specialized applications and clean tech. The company started off as a subsidiary of Noranda. There was a management buy-out that occurred in 2000, at which point the company began operating under the name 5N Plus. The company went public in 2007 and just recently completed a fairly sizeable acquisition, which definitely is very much in line with the vision, which is to grow and develop into a powerhouse in the specialty metals and chemicals space.

CEOCFO: What is it that you actually do at 5N Plus?

Mr. L'Ecuyer: Basically, we are a refiner and a manufacturer of metals and chemicals. We refine various forms of feedstocks, and convert them into useable products, which are eventually sold to our customers. These useable products are typically highly purified metals that can be used in electronic applications or alternatively into various pharmaceutical or industrial applications. From these metals, we also make compounds or chemicals that are sold for similar applications. Our customers include solar cell manufacturers, companies in the pharmaceutical industry that make various drugs as well as companies in the electronics space that make diodes. So we have quite a range of customers. We also have industrial customers who are active, for example, in coatings and pigments.

CEOCFO: Would you give us an example of a process that 5N Plus might do a little bit differently than others?

Mr. L'Ecuyer: One example would be the process stream of tellurium. Our company is fairly unique in the sense that we have the ability, through our existing facilities, to treat a relatively impure feedstock. For example, material that could contain as little as 10% or even less than that — 1% or 2% of the metal of interest, in this instance tellurium. Through our facilities, we take this material and concentrate it to eventually end up with tellurium content all the way up to required purity levels of, say, 95% or 99%. Then it is eventually further refined into a high purity metal, and all of that is done in one of our existing facilities. That is the first step. We then take this metal and react it. In this case for example, we would react it with cadmium and form cadmium telluride, which we would then sell to our customers. These customers would be solar cell manufacturers who make cadmium telluride-based solar cells. One of our big customers in this field is First Solar. Another thing we do differently is that, as part of their manufacturing process our customers will generate some waste or residues as they make solar panels. We will take this waste or residue, re-extract and re-refine the metal of interest and eventually reconvert it into a useable product that can be sold to them once again. Therefore, not only do we provide the feedstock, not only do we provide the product, but we also have the ability to recycle, and this is a very important component of our product offering. Altogether, that constitutes in a nutshell some of the things we do, which I believe sets us apart, because we are the only ones to provide complete closed-loop recycling solutions to our customers.

CEOCFO: Where are the 5N Plus manufacturing facilities?

Mr. L'Ecuyer: We have facilities dedicated to a single metal as well as facilities that treat several metals. We basically deal with six main metals throughout the group. Our facilities are located in Asia, including China and Laos, as well as a more recent recycling facility we are currently building in Malaysia. We also have a

number of facilities in Europe, primarily in Germany, Belgium, and the United Kingdom. We also have several facilities in Canada and the United States. Going back to some of the refining processes we use, these involve a combination of chemical processes and more fundamental purification processes such as distillation, that most people are familiar with. It is very similar to what people do to distill water. We also have a number of processes where we essentially convert this high purity metal into a chemical that can then be sold to our customers. For example, an oxide such as bismuth oxide, which would be a big product for us, is essentially produced by oxidizing high purity bismuth.

CEOCFO: Are you still out there knocking on doors or are people aware of 5N Plus and coming to you at this point?

Mr. L'Ecuyer: Most people were

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aware of the name 5N Plus in the fields that we were operating under, especially following the acquisition of MCP, which was a very sizeable acquisition for our company. I would say that MCP was also very well known in this industry. Given our firm's dominance in many of the markets we serve, we would argue that in all of these six base metals — which include bismuth, selenium, tellurium, gallium, indium and germanium — we are, if not the dominant supplier, certainly in all cases within the top two or three. I would say that most people are well aware of us, but there are always opportunities for knocking on additional doors as we develop or tailor products for very specific applications. However, generally speaking, most people are aware of our presence in these markets. Our growth has more to do with new applications being developed for these metals than simply increasing market share, for example.

CEOCFO: What is an example of something 5N Plus might be working on that is new?

Mr. L'Ecuyer: A good example would have to do with the LED space. Currently, most general lighting is with incandescent bulbs or fluorescents. You are of course seeing more and more fluorescents as people try to improve their overall energy efficiency. However, there is also a new generation of lighting now being offered to customers, and these are LEDs, or Light Emitting Diodes. They are relatively new, in the sense that you are only now starting to see people installing LEDs in their houses or offices for general lighting. All of this is based on one of the products that we manufacture, which is basically a gallium metal. These diodes are based on gallium nitride, which is an alloy of nitrogen and gallium, and we happen to be the dominant supplier of gallium worldwide, so we are very well positioned. This is really a product that we have had to tailor, because our gallium is supplied not in the form of pure gallium, but in the form of a chemical. Therefore, we have had to adjust this to meet the requirements of the industry, so from our standpoint this is really a new product and it is certainly a growing product.

CEOCFO: What if anything has changed for 5N Plus over the last few troubled years economically for the world?

Mr. L'Ecuyer: We did our IPO in 2007 with the underlying rationale that we wanted to build a new factory in Germany, so this was really an international expansion for us. We had one facility in Montreal at the time of the IPO; we currently have fourteen facilities worldwide. Therefore, over that period, ever since we did the IPO, things have really developed in a way that we hardly imagined. We certainly had the vision, but perhaps we were not really sure this would happen over such a short time frame. We have been able not only to use the proceeds from the IPO to build this new facility in Germany, but also to leverage our position as the dominant supplier of cadmium telluride to

the solar industry to develop into a whole range of new applications. This eventually led to purchasing a facility in Trail, British Columbia and we set up a new facility there. We purchased a majority stake in a U.S. solar cell substrate manufacturer, based on germanium, called Sylarus. We also set up a new solar module recycling facility in Madison, Wisconsin, announced plans to build a new recycling plant in Malaysia and eventually proceeded with the acquisition of MCP, which has nine facilities worldwide. Altogether, this has been a very exciting period for us and certainly one where we have seen many changes. Even though the economic environment has been somewhat challenging during those years, we were very fortunate because we have been associated with markets that are still growing and for which we think the outlook is very good.

CEOCFO: What is the most important thing in managing a business where facilities are so far-flung?

Mr. L'Ecuyer: I would have to answer honestly in two ways. We do have some experience with international facilities, setting up a facility in Germany, operating a plant in the U.S. as well as having a facility on the west coast of Canada. I must say, there is a distinction between that and now having facilities worldwide, including in Asia. However, we are still in the early days because this really stems from the acquisition of MCP on April 8 of this year. The most important thing is really to develop a sense of ownership within the organization, so that people feel they are working for one company. We want them to understand the purpose of what they are doing, and that they have some sense that what they do is important for the company — that if they do it well, the company will be more successful. To do that, you need to show a lot of respect for your employees, and perhaps go a little beyond that. We are a publicly traded company and we think that it is important to provide some means by which compensation is linked to the overall success of the company. We have been working

hard at that and developing a coherent company culture. Up to now, that has been fairly easy as we have basically acquired much smaller companies or set up greenfield operations. With the acquisition of MCP, this is perhaps a little bit more challenging, given that we are acquiring a much bigger player. Having said that, trying to establish a common culture throughout the organization is something that we have been working very hard on. I guess those are the main challenges. We have taken a fairly blunt decision from very earliest days when we acquired MCP, and that is to operate throughout the group under one name. So MCP no longer exists. It is all 5N Plus, but with the idea of trying to create a common culture throughout the organization.

CEOCFO: Do you anticipate additional acquisitions?

Mr. L'Ecuyer: We are certainly dedicated to both organic growth and growth by acquisitions. Following the acquisition of MCP, we have inherited a much broader organization with a much broader product portfolio. This creates opportunities for additional organic growth, and by this I mean adjustments to our products and processes that allow us to increase production, be more efficient and best meet market requirements. Broadly speaking, we consider these to be organic growth opportunities for our company. Following the acquisition, we have a lot more of those opportunities available. But having said that, we remain committed to growth by acquisitions as well. The short answer to your question is yes, and the longer answer would also be yes — but perhaps not immediately.

CEOCFO: What is the financial picture like today at 5N Plus?

Mr. L'Ecuyer: The company is very profitable. We issued our financial statements yesterday and we had our earnings release conference call. This is the first quarter for the combined entity of 5N Plus and MCP and the company has increased sizably its revenue and profit. The company had been operating with a very healthy

balance sheet, with a significant amount of cash in the balance sheet. Of course, following the acquisition we now have a fairly sizeable amount of debt. However that is largely offset by the amount of assets we have purchased, which are for the most part fairly short term — for example, inventories and receivables. Therefore, if you look at our working capital, our debt to equity ratio and our return on net assets, the company by all metrics is doing very well.

CEOCFO: Do you do much investor outreach?

Mr. L'Ecuyer: Actually, I was doing that yesterday. Following the earnings release call we had a lunch with investors in the afternoon and a few meetings in the afternoon as well. So, yes, we do some marketing with investors. Probably something like a couple of days every quarter are allocated for marketing. However, we certainly focus most of our efforts on the business with the understanding that ultimately if we take care of our business, the stock will take care of itself. We want people to be aware of the company, but at the same time, I do not think we want to be over-promotional either.

CEOCFO: In closing, why should potential investors look at 5N Plus?

Mr. L'Ecuyer: If you invest in 5N Plus, you are investing in a growth stock. In addition, you are investing in a company with a very unique portfolio of products and applications, most of which are actually growing. You are also investing in a company that has a very strong position in the markets that it is serving, with a relatively strong positioning from a competitive standpoint, which gives our company a sizeable amount of sustainability. In addition, you are also investing in a company where management has a very sizeable stake in the organization, and that ensures good alignment between the objectives of management and those of investors.



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