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Sigma Labs Issues Shareholder Letter

SANTA FE, N.M., Aug. 15, 2019 (GLOBE NEWSWIRE) -- [Sigma Labs, Inc.](#) (NASDAQ: SGLB) (“Sigma Labs” or the “Company”), a leading provider of quality assurance software to the commercial 3D printing industry, has released a letter to its shareholders from John Rice, Chairman and CEO.

Dear Fellow Shareholders,

The purpose of this letter is to brief you on Sigma Labs' 2019 operational milestones as we cross over the half-way point for the year. In conjunction with a return to quarterly financial and operational updates, I wanted to provide our loyal shareholders with my perspective from the CEO post on the company's four main principal areas in 2019. It's important to note that the final phase of foundation building is now behind us and the stage is set for commercial execution and financial performance. Now let's discuss why all of us at Sigma Labs are excited about 2019 and beyond.

1. Product Development:

Sigma released Version 4.0 of its principal product, PrintRite3D[®], in November 2018, and Version 5.0 in May 2019. Whereas version 4.0 delivered unique quality anomaly detection 'under the hood', version 5.0 delivered a simple, fast and very intuitive user interface operable by both sophisticated process engineers and additive manufacturing (AM) machine operation technicians. This concerted and cross-functional “productization” effort now delivers capabilities that have intrigued major high technology companies moving toward serial AM manufacturing in a productized form that Sigma and customer process engineers tailor PrintRite3D[®] to identify compliant/non-complaint parts to the quality metrics set by the customer for the specific parts and metals and, as [DARPA recently published](#), also to qualify a metal AM machine for production. Further, this version of PrintRite3D[®] enables Sigma and the customers to identify signatures of precursors of intermittent quality anomalies that are specific to a design and metal but only occur unpredictably. Implementing these procedures at setup and then continuing in operation of a machine are a customer friendly platform for improved quality in serial production that we have seen no other product capable of doing.

What does all of this mean? Basically, our PrintRite3D technology solution is being third-party validated and we have no direct competition in delivering *actionable* in process data as we strive to play a critically necessary role in ensuring quality in industrial additive manufacturing of metal parts.

2. Selling and Performing Rapid Test and Evaluation Programs:

As announced last winter, Sigma had initiated a Rapid Test and Evaluation program (RTE) to attract customers with a 'drive before you buy' proposition. We quickly discovered the word *Rapid* was unrealistic because of logistical delays due to clearing machine time for testing and project support personnel. We also made peace with the fact that, since PrintRite3D[®] reveals a precision and depth of quality images and data not previously seen or understood by the customers, RTEs lead to customer requests to extend the scope and issue investigation. That adds time to the process, too. The causes of this absence of *rapidness* appear to us to improve the prospect for program sales, but of course the reality of slow speed is exasperating. Importantly, so far we have no negative performance issues in the RTE test results! The prototype RTE installation was with Materialise in 2019 and culminated in the project announced in June to integrate Sigma's technology with Materialise's MCP control system. At this writing, of our two most advanced RTEs in process, looking out over the next 60-120 days, one states an expectation to add a second PrintRite3D[®] installation, and the other to enter the phase two evaluation (multiple machines of differing OEM brands). The RTE program is a natural gestation period required in order to generate initial commercial revenue. The size and quality of the demanding high technology 'brand name' companies currently participating in, along with those teed-up to enter, the RTE program, give us confidence that the program is our highway to success and material revenue driving into 2020 and beyond.

The momentum is off to a strong start in Q3 as we announced our recent partnerships with Airbus ([AIR:FP](#) / [OTC: EADSY](#)) on July 30, 2019 and a major international OEM machine manufacturer on August 13, 2019. [Airbus](#) is a global leader in aeronautics, space and related services. In 2018 it generated revenues of € 64 billion and employed a workforce of around 134,000. Airbus offers the most comprehensive range of passenger airliners and is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. We are excited to have our 3D advanced manufacturing technology for next generation process qualification in front of the global leader in aeronautics and space.

On the OEM front, we announced this week that we were selected by a global leader in machinery to evaluate our technology in not one, but two international markets. This OEM is one of the most renowned brands in the industry and has long been a leading pioneer of in-process machine quality and process controls on a large number of its high precision manufacturing machines. We believe that our in-process tools are an excellent fit to both the technology and the very high-quality culture of this great company. As you can clearly see, the momentum in the RTE program is building with major players and our speed down this highway is increasing.

3. Negotiating OEM Transactions:

The company's OEM licensing strategy and negotiations are very important to securing our principal go-to-market goal to have PrintRite3D[®] deployed into the growing marketplace direct from the factory and pre-mounted on the new machines. Our strengths in these negotiations and testing are unique product functionality and

how it is enveloped in a growing portfolio of existing and in-process patents. Our principal challenges in these negotiations are both overcoming an OEM reluctance to have a third-party quality assurance tool required to optimize the quality production on their equipment, and as a result, continuing OEM efforts to seek internally developed solutions. Many of the tools now routinely available on automobiles such as automatic braking and parking or driver attention monitoring had to overcome similar early OEM resistance. In the end, independent 3rd-party innovation triumphed internal forces; we hope and expect a similar outcome for PrintRite3D[®] adoption.

4. Balance Sheet and Upcoming Cash Flow

As mentioned earlier in late July, we announced that Sigma had been selected by Airbus for a Rapid Test and Evaluation program. While this was a very, very important milestone, the impact from a stock perspective was minimized due to a simultaneous capital raise via a shelf offering with Aegis Capital as underwriter. A combination of proper governance and our CFO's strict cash management, we had implemented a plan in the spring of 2019 to ensure the company had ample capital to fund our commercial path in 2019. While timing and market conditions are never perfect, we felt it was the prudent and necessary time to accomplish this goal and provide the company with a stable financial runway. Looking back at the recent stock market volatility this week, we are very confident we made the right decision. As a management team, we recognize the dilution in this offering was painful to current shareholders including ourselves. The benefit to shareholders is Sigma now has more cash to accelerate its speed to market and its quest for sales of both OEM licenses and end-user equipment purchases.

In conclusion, our outlook is optimistic because:

- Our balance sheet is now fortified;
- Our IP portfolio has a virtual moat around the entire quality control industry for additive manufacturing;
- Our total addressable market or [TAM](#) is in the multi-billions, growing and global;
- Our RTE program is growing with some of the largest global companies;
- Machine OEM partnerships are now happening;
- Software partnerships are now developing with leading providers of additive manufacturing and 3D printing solutions; and
- Commercial orders are now on the horizon for Q3 2019 with a clear line of sight to breakeven operations by early 2020.

We look forward to sharing more on our developing story on our third quarter 2019 financial results conference call in November 2019. Thank you for your support and belief in our vision to capitalize on the opportunity before us in this business, to position Sigma as a dominant industry force well into the future.

Sincerely,

John Rice
Chairman & CEO

About Sigma Labs

Sigma Labs, Inc. (NASDAQ: SGLB) is a leading provider of quality assurance software to the commercial 3D printing industry under the PrintRite3D® brand. Founded in 2010, Sigma is a software company that specializes in the development and commercialization of real-time computer aided inspection (CAI) solutions known as PrintRite3D® for 3D advanced manufacturing technologies. Sigma Labs' advanced computer-aided software product revolutionizes commercial additive manufacturing, enabling non-destructive quality assurance mid-production, uniquely allowing errors to be corrected in real-time. For more information, please visit www.sigmalabsinc.com.

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Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Statements preceded by, followed by or that otherwise include the words “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “project,” “prospects,” “outlook,” and similar words or expressions, or future or conditional verbs such as “will,” “should,” “would,” “may,” and “could” are generally forward-looking in nature and not historical facts. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any anticipated results, performance or achievements. The Company disclaims any intention to, and undertakes no obligation to, revise any forward-looking statements, whether as a result of new information, a future event, or otherwise. For additional risks and uncertainties that could impact the Company's forward-looking statements, please see the Company's Annual Report on Form 10-K (including but not limited to the discussion under “Risk Factors” therein) filed with the SEC on April 1, 2019 and which may be viewed at <http://www.sec.gov>.

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Source: Sigma Labs, Inc.