



# Second Quarter 2023 Earnings Presentation

August 8, 2023

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ARCADIA FRAMING SYSTEM AT CHRIST CATHEDRAL ARBORETUM, GARDEN GROVE, CA

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## USE OF NON-GAAP FINANCIAL MEASURES & SAFE HARBOR LANGUAGE

### **\*Use of Non-GAAP Financial Measures**

Adjusted net income (loss), adjusted EBITDA and net debt are non-GAAP financial measures used by management to measure operating performance. For reconciliations of the most directly comparable GAAP measures to non-GAAP measures, please see the tables at the back of this presentation. For a discussion of why we use non-GAAP financial measures, please see our Form 10-Q for the second quarter ended June 30, 2023.

### **Safe Harbor Language**

Except for the historical information contained herein, this presentation 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, including guidance on sales, gross margin, SG&A, depreciation and amortization expense, interest expense, tax rate, adjusted EBITDA, capital expenditures and our expectations for improved cash flow, expanded painting capacity at Arcadia, and enhanced margins at Arcadia and DynaEnergetics. Such statements and information are based on numerous assumptions regarding present and future business strategies, the markets in which we operate, anticipated costs and the ability to achieve goals. Forward-looking information and statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results and performance to be materially different from those expressed or implied by such forward-looking information and statements, including but not limited to: our ability to realize sales from our backlog; our ability to obtain new contracts at attractive prices; the execution of purchase commitments by our customers, and our ability to successfully deliver on those purchase commitments; the size and timing of customer orders and shipments; changes to customer orders; product pricing and margins; fluctuations in customer demand; our ability to successfully navigate slowdowns in market activity or execute and capitalize upon growth opportunities; the success of DynaEnergetics' product and technology development initiatives; our ability to successfully protect our technology and intellectual property and the costs associated with these efforts; potential consolidation among DynaEnergetics' customers; fluctuations in foreign currencies; fluctuations in tariffs and quotas; the cost and availability of energy; the cyclical nature of our business; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timing and price of metal and other raw material; the adequacy of local labor supplies at our facilities; our ability to attract and retain key personnel; current or future limits on manufacturing capacity at our various operations; government actions or other changes in laws and regulations; the availability and cost of funds; our ability to access our borrowing capacity under our credit facility; geopolitical and economic instability, including recessions, depressions, wars or other military actions; inflation; supply chain delays and disruptions; transportation disruptions; general economic conditions, both domestic and foreign, impacting our business and the business of our customers and the end-market users we serve; as well as the other risks detailed from time to time in our SEC reports, including the annual report on Form 10-K for the year ended December 31, 2022. We do not undertake any obligation to release public revisions to any forward-looking statement, including, without limitation, to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.





## AGENDA

### Opening Remarks and Operational Update

- David Aldous – Chairman
- Michael Kuta – President and CEO

### Financial Results and Guidance

- Eric Walter, Chief Financial Officer

### Questions and Answers

### Concluding Remarks

DYNAENERGETICS' U.S. MANUFACTURING FACILITY FEATURING ARCADIA EXTERIOR FRAMING SYSTEMS, BLUM, TX



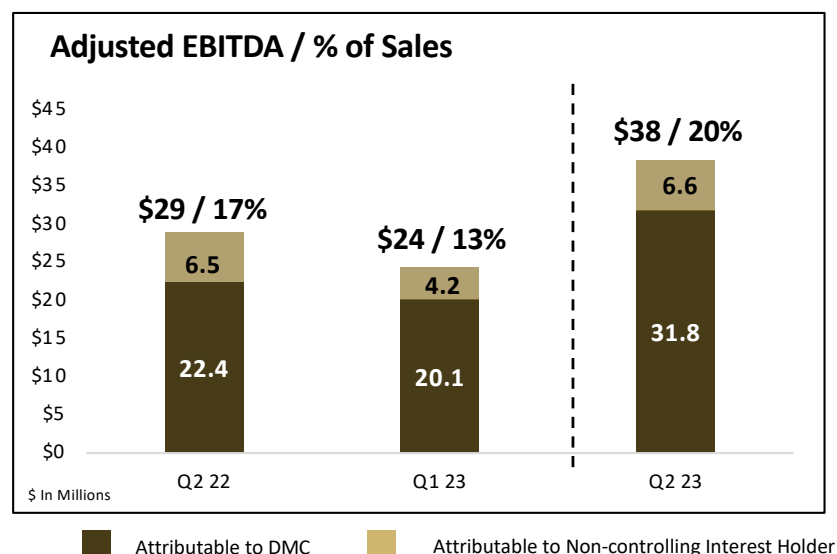
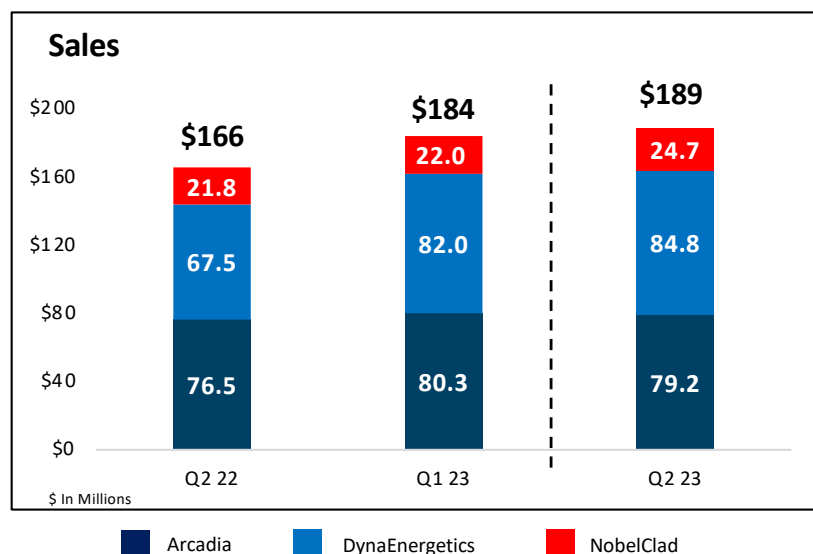
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## 2023 SECOND QUARTER HIGHLIGHTS

- Record consolidated sales reflect steady customer demand and solid execution by all DMC businesses
- SG&A expense below \$30 million quarterly target
- Leverage ratio reduced to 1.3x in 6<sup>th</sup> consecutive quarter of deleveraging
- 20%+ adjusted EBITDA margins reported by all DMC businesses
- Arcadia ships balance of high-cost aluminum inventory leading to strong margin expansion
- DynaEnergetics ships record volume of DS perforating systems
- Healthy bookings at NobelClad increase order backlog to \$64 million
- **Post Q2 News**
  - Arcadia completed transition to new ERP system
  - Michael Kuta named President, CEO & Director
  - Ouma Sananikone named Independent Director



## DMC Q2 2023 FINANCIAL HIGHLIGHTS

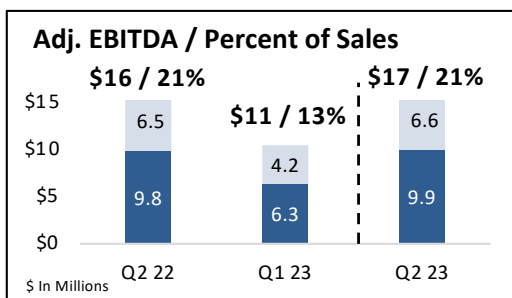
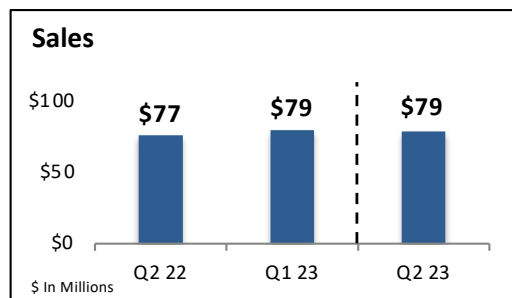


- Consolidated sales up 2% sequentially and 14% versus Q2 2022
- Consolidated gross margin improves to 33%
- SG&A of \$29.2M

- Adjusted EBITDA attributable to DMC up 58% sequentially and 42% Y-O-Y
- Total adjusted EBITDA of \$38.4 million up 58% sequentially and 33% Y-O-Y
- Consolidated adjusted EBITDA margin of 20%

## SECOND QUARTER 2023 BUSINESS-LEVEL FINANCIAL PERFORMANCE

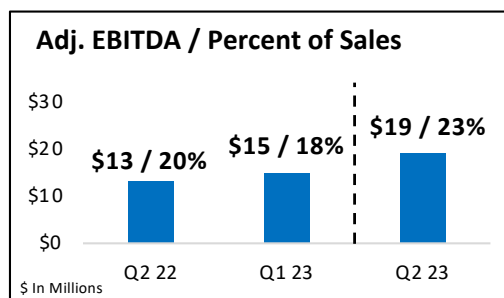
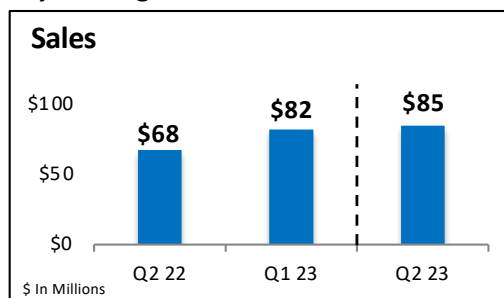
### Arcadia



- Adjusted EBITDA margin improved 800 basis points sequentially
- Improved profitability reflects margin recovery after selling through high-priced aluminum inventory

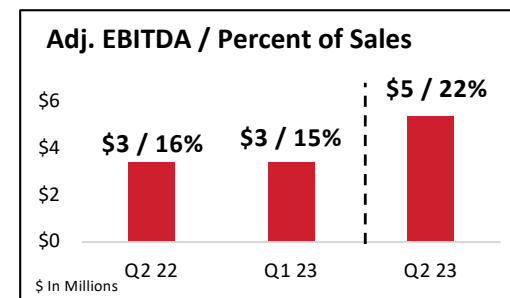
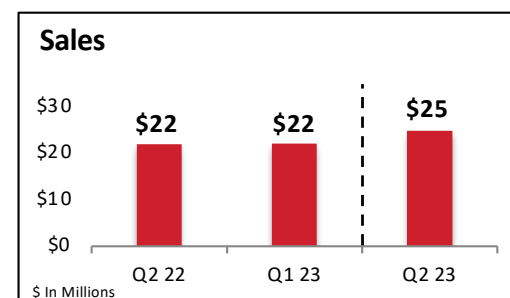
Attributable to Non-controlling Interest Holder  
 Attributable to DMC

### DynaEnergetics



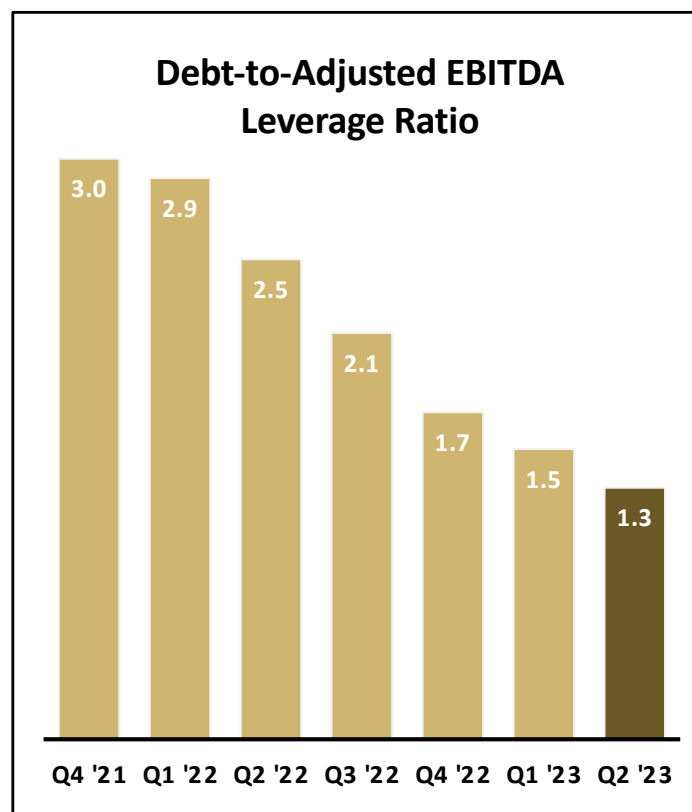
- Sequential and Y-O-Y sales growth reflect strong demand and record unit sales of DS perforating systems
- EBITDA margin growth driven by better absorption on higher sales, lower SG&A and increased sales of higher margin products

### NobelClad



- Sequential and Y-O-Y sales growth reflect robust pressure vessel construction activity and improving demand from global industrial-processing markets
- EBITDA margin improvement driven by favorable project mix and better absorption on higher sales

## IMPROVING FINANCIAL STRENGTH



Note: Maximum covenant leverage ratio = 3.00 as of Q2'23 and thereafter

Liquidity Summary	June 30, 2023
Cash and Cash Equivalents and Marketable Securities	\$21
Unused Credit Capacity	\$50
<b>Total</b>	<b>\$71</b>
Total Outstanding Debt <sup>(1)</sup>	\$123
Net Debt	\$102
<b>Net Debt Leverage Ratio</b>	<b>1.1x</b>

<sup>(1)</sup> Net of deferred financing costs



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**GUIDANCE FOR THIRD QUARTER 2023**

Measure	Expected Range
DMC Consolidated Sales	\$178M - 188M
Arcadia Sales	\$73M - \$78M
DynaEnergetics Sales	\$75M - \$79M
NobelClad Sales	\$30M - \$31M
Consolidated Gross Margin	29% – 30%
Consolidated SG&A	\$28M - \$30M
Depreciation & Amortization	~\$9.2M
Interest Expense	\$2.4M
Annualized effective tax rate	27% - 29%
Adjusted EBITDA Attributable to DMC	\$24M - \$27M
Adjusted EBITDA before NCI allocation	\$29M - \$32M
Capital Expenditures	\$5M - \$7M
Full Year Capital Expenditures	\$18M - \$20M

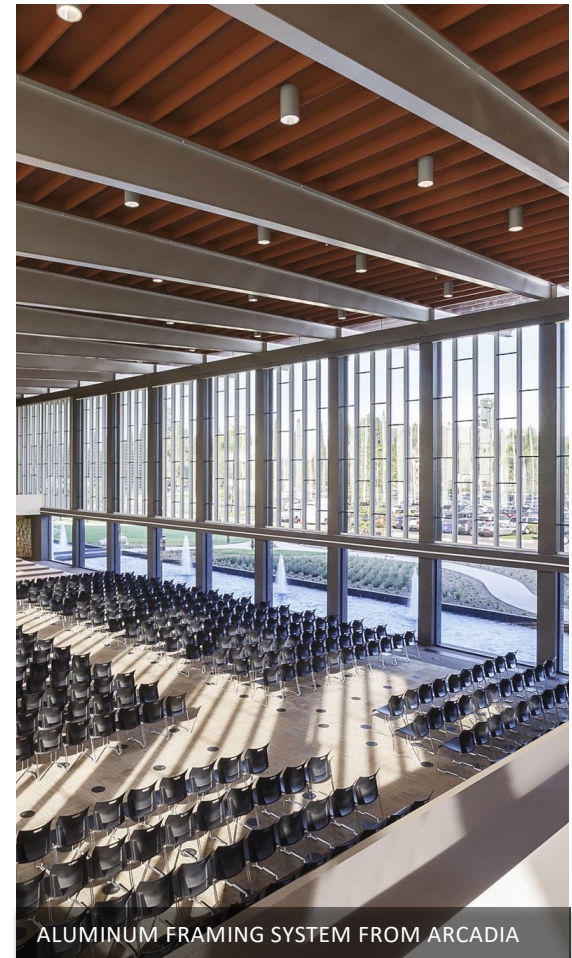




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KEY OBJECTIVES FOR BALANCE OF 2023

- Improve DMC's cash flow through cost and capital discipline, debt reduction, operational excellence and by focusing on initiatives with the highest ROI
- Expand painting capacity at Arcadia
- Continue margin enhancement initiatives at Arcadia and DynaEnergetics
- Maintain operational excellence at NobelClad to effectively address growing order backlog



## DMC INVESTMENT CONSIDERATIONS

- Businesses have built leadership positions in healthy end markets
- Compelling valuation vs. peers in building products industries and energy products
- Clear path toward long-term sales growth and improved cash flow generation
- Experienced, growth-focused leadership teams







# Questions & Answers

2023 Second Quarter Earnings Presentation

NOBELCLAD'S MANUFACTURING CAMPUS – LIEBENSCHIED, GERMANY

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**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASUREMENTS - NET DEBT**

<b>(Amount in Thousands)</b>	<b>Q2 2023</b>
Long-term debt	\$108.0
Current portion of long-term debt	15.0
Less: Cash and cash equivalents	(18.7)
Less: Marketable securities	(2.4)
<b>Total net debt</b>	<b>\$101.9</b>





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**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASUREMENTS – CONSOLIDATED ADJUSTED EBITDA**

<b>(\$MM)</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q2 2022</b>
Net income	17.5	2.1	6.4
Interest expense, net	2.5	2.4	1.3
Income tax provision (benefit)	6.6	2.5	2.3
Depreciation	3.4	3.4	3.7
Amortization of purchased intangible assets	5.7	5.7	12.8
EBITDA	<b>35.7</b>	<b>16.1</b>	<b>26.5</b>
CEO transition expenses <sup>1</sup>	0.6	3.0	-
Stock-based compensation	1.7	5.0	2.3
Other expense, net	0.4	0.2	(0.1)
Amortization of acquisition-related inventory valuation step-up	-	-	0.2
Adjusted EBITDA	<b>38.4</b>	<b>24.3</b>	<b>28.9</b>
Less: Adjusted EBITDA attributable to redeemable noncontrolling interest	(6.6)	(4.2)	(6.5)
Adjusted EBITDA attributable to DMC Global Inc.	31.8	20.1	22.4

<sup>(1)</sup> The Company and its former CEO entered into a separation agreement in the first quarter of 2023. In conjunction with this event as well as a reprioritization of near-term initiatives, we incurred certain expenses during the six months ended June 30, 2023, primarily including: (a) severance-related charges for the former CEO and other impacted employees of \$1,948; (b) CEO transition and executive search firm costs of \$1,088; and (c) contract termination costs of \$350.



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RECONCILIATIONS OF NON-GAAP FINANCIAL MEASUREMENTS – ARCADIA ADJUSTED EBITDA

(\$MM)	Q2 2023	Q1 2023	Q2 2022
Operating income, as reported	9.6	3.1	2.2
Adjustments			
Depreciation	0.9	0.8	0.9
Amortization of purchased intangible assets	5.7	5.7	12.6
Stock-based compensation	0.3	0.6	0.4
CEO transition expenses	0.0	0.3	-
Amortization of acquisition-related inventory valuation step-up	-	-	0.2
Adjusted EBITDA	<b>16.5</b>	<b>10.5</b>	<b>16.3</b>
Less: Adjusted EBITDA attributable to redeemable noncontrolling interest	(6.6)	(4.2)	(6.5)
Adjusted EBITDA attributable to DMC Global Inc.	9.9	6.3	9.8



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RECONCILIATIONS OF NON-GAAP FINANCIAL MEASUREMENTS – DYNAENERGETICS ADJUSTED EBITDA

(\$MM)	Q2 2023	Q1 2023	Q2 2022
Operating income, as reported	17.7	13.2	11.3
Adjustments			
Depreciation	1.7	1.8	1.9
Amortization of purchased intangible assets	0.0	0.0	0.1
Adjusted EBITDA	19.4	15.0	13.3



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RECONCILIATIONS OF NON-GAAP FINANCIAL MEASUREMENTS – NOBELCLAD ADJUSTED EBITDA

(\$MM)	Q2 2023	Q1 2023	Q2 2022
Operating income, as reported	4.7	2.6	2.5
Adjustments			
Depreciation	0.7	0.8	0.8
Amortization of purchased intangible assets	-	-	0.1
Adjusted EBITDA	5.4	3.4	3.4

